

More regulation for planners?

A new report says consumers are confused by current regimes

By Rudy Mezzetta

Canadian provinces must take over the regulation of financial planners, says a report released by the Ottawa-based Public Interest Advocacy Centre. The report says consumers are poorly served by the current system of oversight, which is a patchwork of regulation in almost all provinces.

The PIAC, a non-profit group that does legal and research work on matters of public interest, contends that the key problems are consumer confusion regarding financial planning qualifications as well as potential conflicts of interest. The PIAC also faults what it views as inadequate disclosure when financial planning and sales of investment services are combined.

The PIAC report recommends that the provinces adopt the regulatory regime administered in Quebec, where financial planners must operate under standards set by a standards-setting and degree-setting organization. Quebec's regulations do a better job of protecting the public, PIAC contends. For example, the term "financial planner" is strictly defined, meaning that businesses are not allowed to use the term, nor a similar term, without provincial certification.

PIAC recommends the consumer measures committee, comprising federal and provincial ministers responsible for consumer protection, should issue policy recommendations on financial planning regulation. Further, the PIAC suggests that the Uniform Law Conference of Canada should draft new laws to regulate financial planners.

The PIAC report also recommends the **Financial Consumer Agency of Canada** and provincial consumer protection authorities study the "fee-only" financial planner model as an alternative for consumers to the traditional "commission/referral fee" model.

Financial services industry reaction to the PIAC report has been mixed. While industry veterans acknowledge that the study correctly identifies long-standing issues with the current regulatory framework, they also seem to suggest that the authors of the report are off-base when it comes to some of their recommendations.

"The study contains a number of good points, but some of the solutions are a little naive," says Keith Costello, president and CEO of the Mississauga, Ont.-based **Canadian Institute of Financial Planning**.

Costello says the CFP would have no problem with provincial regulation, but adds that the PIAC's recommendations on the fee-only model are not realistic: "Most studies indicate Canadians wouldn't pay for fee-only financial planning."

Costello also says the CFP fully supports the idea of restricting the use of the "financial planner" term to licensed professionals. He adds, however, that such a move is unlikely to solve all the problems: "You can restrict use of the title, but you can't restrict everyone's activities. No regulatory regime can stop that."

He suggests that the federal government needs to come up with stiffer penalties for white-collar criminals.

Securities lawyer Glorianne Stromberg says that the PIAC's recommendations "appear to reflect" the ones she made in reports she wrote in 1995 and 1998. Although some of those recommendations were implemented, the proposed rule to regulate financial planning, submitted to Ontario's Minister of Finance, was not. **IE**

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