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## Planning advocates hammer IIROC's proposal

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While they applaud an attempt to regulate and define financial planning, two of the country's largest financial planning organizations are publicly expressing concern with the Investment Industry Regulatory Organization of Canada's (IIROC) proposed financial planning rule.

IIROC announced the proposed rule at the end of July. It seeks to ensure that minimum education and proficiency standards are met by those providing financial planning services for a dealer member, and that those dealer members ensure minimum standards are met in the supervision of employees or agents who are providing financial planning services.

Two advisor organizations, the Institute of Advanced Financial Planners (IAFP), which administers the R.F.P. designation, and the Canadian Institute of Financial Planning (CIFP) have written formal letters to IIROC, expressing concern about IIROC's attempts to regulate and define financial planning.

It seems the central point of contention for both organizations is the fact that IIROC's core regulatory responsibilities centre on selling investment products, while they view financial planning as encompassing a wide range of planning initiatives, such as tax planning and insurance.

IAFP, for example, questions whether IIROC has adequate proficiencies to actually address the non-investment business of advisors affiliated with its member firms.

"We see a dealer member as being in the business of providing 'investment planning' via transactional activities that result in compensation based on a commission or percentage of assets under management," IAFP writes in its letter. "This is not the focus of a 'financial planner' whose primary business activity is to explore financial problems and develop financial solutions which may not involve a securities transaction. In this case, implementation may involve recommendations and activity that his/her regulator or dealer has no capacity to evaluate."

In addition, IAFP says that, to its knowledge, IIROC does not have rules in place regarding the provision of insurance, banking or mortgage brokerage services, all of which it considers as financial planning services.

As a result, IAFP isn't sure how the planning rule can be applied effectively to advisors engaged in non-securities-related business, or whether the rule will be applied to third-party providers of financial planning advice.

"It is our experience that, as with many dealer agreements, a client is often a client of the advisor and not of the dealer. Indeed, the client's assets may not even be with the dealer," IAFP writes. "An advisor may be a licensed insurance broker, or simply one whose advice is sought under a letter of engagement to provide solutions unrelated to investment products. If the dealer member must supervise this financial planning process, such as fact gathering, analysis and the written financial planning report, and be involved in the invoicing of the fee for service under the terms of the letter of engagement, then a very odd situation would exist."

The Canadian Institute of Financial Planners (CIFPs) is also concerned about the jurisdictional boundaries of the financial planning rule, which it believes don't go far enough. CIFPs would like to see definitions of financial planning and rules governing those activities applied industry wide.

"We are concerned that this proposed rule will create confusion among Canadian financial consumers, who will have advisors and financial planners representing dealers regulated by IIROC holding out financial planning services under these proposed rules while other advisors and planners not under the reach of IIROC will hold out financial planning services with no rules or potentially future different rules in different jurisdictions," CIFPs writes in its letter.

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CIFPs is encouraging IIROC to seek consultations with other regulators in different jurisdictions so that the holding out of financial planning services is harmonized.

"The holding out of financial planning services to Canadian financial consumers is far reaching and requires an integrated approach to rule-making by the various regulatory administrative bodies across all industry sectors, and specifically securities, mutual funds and insurance, and additionally, fee-based financial planning services occurring outside the regulated financial services industry," the group writes.

IAFP also expresses concerns about IIROC's exemption for primarily investment planning activities. IIROC has stated that, even if brokers or advisors give financial planning advice, if it's a secondary or value-added role to the core business of selling investment products, they are exempt from the financial planning rule.

IAFP agrees that these types of advisors should not be considered financial planners, but they also believe they shouldn't be considered planners of any kind — including investment planners — if their business is directed by product sales.

"We applaud [IIROC's] intent to support the process of financial planning, but are having difficulty accepting minimal criteria and a complete exemption if one does planning with the intent of completing a product sale. In our view, this is considered a modular financial plan specific to investment management or planning, and as such, is subject to completion of the Six-Step Process in order to educate the client about the various aspects of investing as well as to detail the specific investment recommendations," IAFP's letter states. "We cannot support a situation where a dealer who has a vested interest in meeting quotas, controls the solution that will be presented to the consumer."

CIFPs contends that IIROC's minimum standards of who can hold themselves out as planners remains inadequate.

"We are concerned that the minimum proficiency requirements for the provision of financial planning services is not adequate by its broad definition within the rule and will cause further confusion for financial consumers. In particular, one IIROC dealer may set a standard lower than another dealer, causing consumers dealing with IIROC advisors to receive a different standard of care depending on the IIROC dealer that the advisor works for," they write.

CIFPs advocates that IIROC universally mandate financial planning proficiencies to be in line with those of the Certified Financial Planner (CFP) designation.

"For example, advisors or financial planners holding out with "Completion of the Canadian Securities Course and the Professional Planning Course sponsored by the Canadian Securities Institute" does not equal the high standard achieved by financial planners who have achieved the CFP, sponsored by the Financial Planners Standards Council."

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