

# Approach



**Effective Date:** [TBD]

**Identifier:** No. FPFA001APP

## Proposed Financial Professionals Title Protection – Administration of Applications

### Purpose and scope

This guidance sets out how the Financial Services Regulatory Authority of Ontario (FSRA) will approach the administration of applications under the *Financial Professionals Title Protection Act, 2019 (FPTPA)* and the provisions of Rule 2020-001 – Financial Professionals Title Protection (“FPTP Rule”) under the FPTPA (Title Protection Framework).

The FPTP Rule sets out the requirements and standards that persons or entities must meet in order to obtain FSRA approval as a credentialing body and to obtain FSRA approval of a “financial planner” (FP) or “financial advisor” (FA) credential. The FPTP Rule also sets out ongoing requirements to maintain such approvals.

FSRA administers and enforces the Title Protection Framework pursuant to section 3.1 of the *Financial Services Regulatory Authority of Ontario Act, 2016* (FSRA Act) and the FPTPA.

This guidance affects the following:

- Persons and entities applying to FSRA for approval as a credentialing body and to offer an approved FP or FA credential under the FPTPA, including but not limited to financial services education providers and designation and professional bodies; and
- Approved credentialing bodies subject to ongoing requirements under the FPTPA and the FPTP Rule.

## Rationale and background

Concerns were raised by consumer and investor advocates about the wide array of titles and credentials used by individuals operating in Ontario's financial services marketplace, and how it contributed to confusion over title usage. The absence of a regulatory framework governing the use of titles led to questions about the expertise and knowledge of individuals providing financial planning and financial advisory services.

The Title Protection Framework creates minimum standards for title usage, without creating unnecessary regulatory burden for title users. The framework does not create a new licensing regime for individual title users, rather the framework allows for existing licensing and professional designation regimes to become approved CBs and grants the individuals holding such licences or designations the right to use the FP or FA titles. Individual title users are required to hold an approved credential from a FSRA-approved credentialing body, and are required to meet conduct requirements and professional standards as set out by their respective credentialing body.

Financial planning and advising activities that are subject to regulation will, in addition to oversight by the credentialing body with respect to the appropriate use of title, continue to be overseen and regulated by the relevant existing regulatory bodies in Ontario.

The requirements included in the FPTP Rule establish minimum standards for use of the FP and FA titles so that consumers can have confidence in the quality of the services they receive from individuals using these titles. The FPTP Rule establishes approval criteria for a credentialing body to permit the use of FP and FA credentials, to ensure that only individuals meeting minimum standards are able to use the FP or FA title. Individuals wishing to use the FP or FA title must have a credential that has been approved by FSRA and issued by an approved credentialing body.

## Principles

The Title Protection Framework is designed to align with FSRA's statutory objects under the FSRA Act with respect to the FPTPA and the following key principles:

### **Consumer confidence**

The Title Protection Framework protects the public interest through the implementation of new minimum standards that credentialing bodies and individual title users must meet.

The Title Protection Framework also protects the public interest through the oversight of approved credentialing bodies and individuals using the FP and FA titles. FSRA has authority under the FPTPA to take enforcement action against persons or entities who issue, or purport to issue, approved credentials or who use the FP or FA titles without an approved credential, subject to transition provisions.

## Regulatory effectiveness and efficiency

The Title Protection Framework represents new requirements for those using FP and FA titles. FSRA has efficiently and effectively implemented a fair and flexible framework by leveraging existing regimes for granting and supervising financial planning and advising designations and licences to ensure that individuals using the FP or FA titles meet minimum standards.

The framework is designed to leverage existing standards and regimes already in the marketplace as a means to mitigate unnecessary burden on market participants and costs to consumers. This allows for existing standards, practices and licences/designations to be recognized as meeting minimum standards for title usage, and to enable certain individuals to continue to conduct business using the FP and FA titles without significant disruption or excessive additional cost.

In its Annual Business Plan, FSRA outlined its strategic direction to further its mandate and objects under the FSRA Act, which include serving the public interest by delivering a principles-based and outcomes-focused regulatory regime, to appropriately respond to the dynamic nature of the financial services sector. FSRA's approach to the design, implementation and administration of the Title Protection Framework is consistent with this direction. The prescribed standards outlined in the FPTP Rule minimize prescriptive requirements, where appropriate, and provide for flexibility for credentialing bodies and title users in achieving compliance. This approach is intended to accommodate the complex and diverse existing landscape of financial planners and advisors, their employers and their designation or licence granting bodies without introducing unduly burdensome barriers for new entrants.

## Processes and practices

### Credentialing bodies – application

In order to obtain FSRA approval as a credentialing body, a person or entity must submit an application to FSRA. The application is available on the FSRA website.

FSRA will review the application and supporting documents against the prescribed standards in subsection 4(1) of the FPTP Rule and the guidance outlined in this document.

The submission for approval of a credentialing body must include:

- the legal name of the applicant, a description of its mandate and objects, organizational structure (including names and addresses of management and directors), and constating documents (e.g., articles, charter, by-laws);
- the name and contact information of the individual who will respond on behalf of the applicant to any requests for information by FSRA for the purposes of reviewing the application;
- the type of credential the applicant is seeking to get approved under the FPTPA;

- an overview of the applicant’s experience as a credentialing body and/or offering a financial services licence/designation;
- details of how the CB will meet the requirements in the FPTP Rule (in particular subsection 4(1)) (please refer to the “Credentialing Bodies – Criteria and Duties” section of this guidance document for additional information);
- a summary of, and a copy of, policies and procedures relating to the administration and operation of the proposed credentialing program;
- a summary of, and copy of, policies and procedures relating to the credentialing body’s approach for the regular review of its education curriculum for approved credentials;
- a summary of, and a copy of, policies and procedures relating to the granting of credentials, including an outline of the processes for acceptance into the credentialing program and granting / recertification of credentials;
- explanation of any education exemptions / alternative pathways with respect to obtaining a credential that may be granted or considered by the credentialing body;
- an overview of the complaints process;
- an outline of the disciplinary review process, including staff accountabilities and the scope of issues to be adjudicated;
- details and description of historical disciplinary actions;
- a summary of the credentialing body’s approach to investigation and enforcement;
- a summary of, and a copy of, written policies and procedures relating to the monitoring and supervision of credential holders; and
- a link to any current public listing, maintained by the credentialing body, of individuals holding a designation or credential issued by the credentialing body.

## Delivery of documents

Applications can be submitted electronically to the e-mail address identified on the FSRA website. FSRA will accept alternative methods of application if an applicant requires accommodation under the *Accessibility for Ontarians with Disabilities Act, 2005*.

## **Timeline for approval**

FSRA will communicate its decision to the applicant within 60 calendar days after receipt of all required documentation

## **Terms and conditions**

Subsection 4(3) of the FPTPA provides the Chief Executive Officer of FSRA (CEO) with the authority to impose terms and conditions on the approval of a credentialing body at any time, including at the time of approval or at any point in time during which a person or entity is acting as an approved credentialing body.

For example, in reviewing an application, FSRA could identify that a potential credentialing body's enforcement framework may not be sufficiently robust. In this instance, FSRA may approve the application with a condition that the credentialing body must make amendments to its enforcement framework, provide regular progress reports for a specified period of time, and meet specified performance measures.

When a credentialing body is approved, FSRA may impose terms and conditions on a credentialing body as necessary to give effect to the Title Protection Framework. These could include, for example, requiring a compliance or governance review, implementation of stronger controls, and/or restrictions or a temporary prohibition on the issuance of new credentials.

## **Terms of approval**

Upon approval, the credentialing body will enter into Terms of Approval with FSRA, which will, in addition to the FPTPA and FPTP Rule requirements, outline FSRA's terms of approval, the credentialing body's ongoing requirements, and any conditions for the approval, if applicable.

## **Approved credentialing bodies and credentials**

A list of FSRA-approved credentialing bodies and credentials will be posted on the FSRA website. The list will be updated as credentialing bodies and their relevant credentials are approved. In addition, any terms and conditions with respect to the approval of a credentialing body or credential would be noted on the FSRA website.

Credentialing bodies are required under subsection 4(4) of the FPTP Rule to make public a current list of individuals holding approved credentials it has issued and the type of credential issued to each individual. Pursuant to subsection 4(5) of the FPTP Rule, FSRA will use this information to establish and administer a FSRA public registry.

## **FP and FA credentials – application**

Applications for the approval of an FP or FA credential can be submitted at the same time as an application for approval of a credentialing body. Once FSRA has approved the credentialing body, it will consider the application for approval of the relevant FP or FA credential. The

credential application submitted to FSRA, must demonstrate compliance with the requirements in subsection 5(1) and/or subsection 6(1) of the FPTP Rule and take into account the guidance outlined in this document. The application is available on the FSRA website.

FSRA will review the application and supporting documents against the prescribed standards in subsections 5(1) and/or 6(1) of the FPTP Rule and the guidance outlined in this document.

For more information on the information required, please see the “Approval Criteria for a Financial Planning or Advising Credential” section of this guidance document.

### **Delivery of documents**

Should an applicant wish to apply for approval of more than one credential, only one application for approval of a credentialing body is required to be submitted but must include separate assessments for each credential approval being sought.

Applications can be submitted electronically to the e-mail address identified on the FSRA website. FSRA will accept alternative methods of application if an applicant requires accommodation under the *Accessibility for Ontarians with Disabilities Act, 2005*.

### **Revocation of credentialing body approval**

The FPTPA and the FPTP Rule permit the CEO to revoke a credentialing body’s approval if it is not in compliance with the terms and conditions of its approval, the FPTPA or the FPTP Rule.

FSRA will post credentialing body approval revocations on its website.

### **Credentialing bodies – criteria and duties**

Section 4 of the FPTP Rule sets out the prescribed standards for entities to obtain approval as a credentialing body under the FPTPA, as well as the ongoing requirements with which a credentialing body must comply.

### **Governance and administration**

Credentialing bodies must demonstrate an effective governance structure, administrative policies and procedures, and how they serve the public interest. FSRA will evaluate whether the applicant can protect its certification process from undue or improper influence, and sustain the integrity of its credentialing program, so that only qualified individuals are granted a credential.

A credentialing body’s application should describe its systems, policies and procedures in place to achieve compliance with the Title Protection Framework. For example:

- how the credentialing body will ensure ongoing compliance with the Title Protection Framework including, without limitation, any terms and conditions of approval; and

- how the credentialing body will adapt its credentialing program, should there be any future amendments to the Title Protection Framework, relevant FSRA guidance on such framework, or additional terms, conditions or other requirements from FSRA.

To demonstrate effective governance and administration that serves the public interest, a credentialing body's application should describe:

- how it is overseen by a board of directors or other appropriate governance body that is accountable for setting expectations for the operation of the credentialing program and overseeing senior leadership and the execution of such program;
- its financial resources necessary to operate its credentialing program;
- its arrangements in place to manage liability risk (for example, by maintaining insurance for professional liabilities);
- its records retention policy and how it will maintain records accessible to FSRA in relation to the operation of its credentialing program in accordance with applicable legislation, or as required by other contractual arrangements or legal requirements;
- policies and procedures in place to identify, manage and address real or perceived conflicts of interest with respect to the structure, operations, credential holder oversight and/or credentialing decisions of the organization, which reinforce the commitment to serve the public interest;
- its safety and security measures, which ensure that information technology systems and electronic data are protected; and
- its processes and procedures in place to mitigate any disruption to the operation.

## **Personnel and resources**

Credentialing bodies must demonstrate in their application the necessary expertise and resources to effectively administer and maintain a credentialing program, including that they have an adequate number of individuals delivering curriculum content and examinations, conducting oversight and supervision, investigating and resolving complaints and conducting disciplinary proceedings, all of whom are qualified, competent subject matter experts with the skills and experience to discharge such responsibilities, or under the management of those who have such qualifications, skills and experience.

## **Professional standards for credentialing body employees**

A credentialing body's application must describe its code of ethics and professional standards for its officers, directors and employees that serves the public interest.

## Ensuring only qualified individuals are granted a credential

A credentialing body's application must demonstrate robust controls to ensure that only qualified and competent individuals are granted and allowed to hold a credential.

The application should show that an applicant's credentialing process is fair and is not designed or applied in a manner that would inhibit or prevent any individual, or any group or class of individuals, from seeking admittance into the credentialing program, other than on the basis of competence and the ability to serve the public interest.

The application should also show that the applicant has a process in place to assess the suitability of a prospective credential holder, should disciplinary or enforcement action be taken by another approved CB or regulatory body, to ensure that the individual is appropriately qualified to obtain an approved credential.

## Conduct oversight of credential holders

A credentialing body's application should demonstrate that it has policies, procedures and administrative practices to effectively oversee the conduct of and otherwise supervise individuals holding approved credentials it has issued. This should address:

- investigating any consumer complaints or allegations of potential or actual non-compliance with its code of ethics or professional standards;
- monitoring for any disciplinary or enforcement action taken by another approved CB or regulatory body against one of its credential holders;
- assessing the suitability of a credential holder should disciplinary or enforcement action be taken by another approved CB or regulatory body to ensure that the individual is still appropriately qualified to hold an approved credential;
- how the CB would notify a regulatory body of complaints received about the conduct of a credential holder that is also a registrant and/or licensee with that regulatory body, as per applicable privacy legislation or information sharing arrangements<sup>1</sup>; and
- notifying other approved CBs or regulatory bodies of disciplinary or enforcement action it has taken against one of its credential holders.

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<sup>1</sup> CBs should consider implementing a process to obtain consent from prospective and existing credential holders in order to share information with other approved CBs and/or regulatory bodies relevant to the person's suitability as a credential holder.



## Course content

A credentialing body's application should describe how it will keep its course content up to date to address key changes and developments in the financial services sector and any regulatory requirements or legislative changes, where applicable.

## Process for review and adjudication of complaints

A credentialing body's application should show how it will effectively respond to complaints from the public related to individuals holding approved credentials it has issued and how it will maintain effective processes to transparently and fairly adjudicate and publicly report on complaints, including:

- defined service standards for reviewing and adjudicating complaints;
- a demonstrated, risk-based approach to escalate complaints as required;
- a demonstrated procedure to triage its review of complaints (e.g., by volume, cause and potential public harm) and to communicate outcomes for each complaint; and
- a documented, publicly accessible complaints process.

## Publicly available information

A credentialing body's application should explain how it will maintain a current, publicly accessible list of individuals holding approved credentials, as well as to make information available to the public regarding disciplinary action taken against current and former credential holders.

The application should also demonstrate that the credentialing body has a mechanism in place to share this data with FSRA, as per subsection 4(5) of the FPTP Rule, in order to facilitate the development of a consolidated public registry.

## Outsourcing arrangements

If a credentialing body outsources a component of its credentialing program, its application should describe the legally enforceable agreement in place with the third party, the roles and responsibilities of each party, as well as procedures for the identification and management of any conflicts of interest, should they arise, and the applicant's processes to ensure the competence and performance of any third party retained.

## Approval criteria for a financial planning or advising credential

Sections 5 and 6 of the FPTP Rule sets out the prescribed standards that approved credentialing bodies must demonstrate in order to obtain approval of an FP or FA credential.

## Credentialing program

A credentialing body's application for approval of a financial planning/advising credential must include:

- details of how the FP/FA credential requirements in the FPTP Rule (in particular sections 5 and/or 6) will be met;
- an overview of the various competencies the credential will instill and test;
- a detailed explanation of how the design and administration of the curriculum will satisfy the standards set out in clauses 5(1)a or 6(1)a of the FPTP Rule, and how students will be educated and tested on the standard of care;
- a description of, or copy of a code of ethics and professional expectations for a credential holder that is consistent with the standard of care set out in clauses 5(1)a or 6(1)a and how it would be communicated and enforced;
- a description of educational requirements related to financial planning, advising, investments, or associated matters to provide the technical knowledge, professional skills and competencies required to hold each credential set out in clauses 5(1)b and 6(1)b;
- a copy of the course curriculum for the relevant credential;
- a description of the policies and procedures for exam administration set out in subsections 5(2) and 6(2);
- a template/sample examination;
- the educational requirements, format and frequency of the continuing education (CE) program to be imposed by the approved credentialing body (CE educational requirements should be consistent with the educational requirements outlined below to ensure the continued qualification of credential holders for FP/FA title use);
- a description of how it intends to ensure compliance with its code of ethics and continuing education requirements; and
- a description of the requirements to maintain "good standing", as well as how standing will be monitored, supervised and enforced by the approved credentialing body.

## Educational requirements

CBs are expected to provide a description of the educational requirements related to financial planning, advising, investments, or associated matters to provide the technical knowledge, professional skills and competencies required to hold each credential.

The tables in Appendix 1 outline FSRA’s approach to assessing a credentialing body’s curriculum against the FP/FA credential approval criteria as set out in clauses 5(1)b and 6(1)b of the FPTP Rule.

Note: The tables are intended to provide credentialing bodies with additional guidance on the type of content that should be reflected in their curriculum. Please refer to Appendix 1 for additional detail on FSRA’s approach to assessing curriculum.

## Effective date and future review

This guidance became effective on [date FPTP Rule comes into effect] and will be reviewed no later than [three years] following such date.

## About this guidance

This Guidance is an Approach. Approach Guidance describes FSRA’s internal principles, processes and practices for supervisory action and application of Chief Executive Officer discretion. Approach Guidance may refer to compliance obligations but does not in and of itself create a compliance obligation. Visit [FSRA’s Guidance Framework](#) to learn more.

# Appendix 1: FSRA’s approach to assessing curriculum under the FPTPA

**Table 1 – Financial planner curriculum assessment**

FP Credential Approval Criteria	Approach
5(1)(b)1 The Canadian financial services marketplace and regulatory environment.	<p>An education program for a FP credential should demonstrate it has content that reflects:</p> <ul style="list-style-type: none"> <li>• an overview of the Canadian financial services marketplace</li> <li>• an overview of the Canadian regulatory environment (at a minimum related to the sector in which the individual operates)</li> </ul>

- In order to equip an individual with the ability to provide sound financial advice, a FP education program should also include content on economics – in particular, content on how the financial services marketplace operates as well as underlying economic fundamentals and monetary policies (for example, GDP, inflation, interest rates, etc.)

5(1)(b)3 Ethical practices and professional conduct.

A FP education program should demonstrate it has content that reflects an understanding of:

5(1)(b)4 Dealing with conflicts of interest.

- ethical practices and professional conduct, including practical content on how to manage and handle certain ethical situations and scenarios
- how to identify, manage, and address any perceived or real conflicts of interest.

5(1)(b)15 Collecting personal and financial information

A FP education program should demonstrate a product-agnostic approach to client discovery. FSRA considers client discovery to be the foundational process for engaging with clients in order to provide financial planning services, regardless of the product being sold or service being offered.

5(1)(b)6 Identifying client objectives, needs and priorities

The curriculum should focus, at a minimum, on the skills and competencies required to provide financial advice to a retail client (a person who is not a corporation, partnership, association, trust, organization, etc.)

The curriculum should provide an individual with an understanding of the following concepts:

- collecting all relevant personal and financial client information
- identifying the client's financial objectives, priorities, and areas of need
- determining a client's capacity and tolerance for risk to develop a client's risk profile
- conducting a periodic review of the client's ongoing objectives, priorities, and areas of need

5(1)(b)7 Providing suitable financial planning and investment recommendations to a client.

A FP education program should demonstrate it has content that reflects a comprehensive understanding of integrated financial planning, including the skills to develop, present, and implement an integrated financial plan to clients.

5(1)(b)8 Developing and presenting an integrated financial plan for a client.

An integrated financial plan includes a holistic analysis of all relevant financial and personal circumstances for a client, which leads to the development of suitable financial planning and/or investment recommendations.

The curriculum should provide an understanding of the concept of suitability and the provision of suitable recommendations as they relate to the disclosed needs and circumstances of the client.

5(1)(b)2 Estate planning, tax planning, retirement planning, investment planning, finance management and insurance/risk management.

A FP education program should demonstrate it has sufficient content to provide a comprehensive understanding of all of the following technical knowledge areas:

- estate planning

- tax planning
- retirement planning
- investment planning, including alternative investments (FSRA understands alternative investments to be investments that do not fit into the traditional investment categories of stocks, bonds or cash)
- finance management
- insurance/risk management

The education program should also provide the student with the ability to understand how these knowledge areas interconnect with each other.

**Table 2 – Financial advisor curriculum assessment**

FA Credential Approval Criteria	Approach
6(1)(b)1 The Canadian financial services marketplace and regulatory environment.	<p>An education program for a FA credential should demonstrate that it has content that reflects:</p> <ul style="list-style-type: none"> <li>• an overview of the Canadian financial services marketplace</li> <li>• an overview of the Canadian regulatory environment related to the sector in which the individual operates</li> </ul>

In order to equip an individual with the ability to provide sound financial advice, a FA education program should also include content on economics – in particular, content on how the financial services marketplace operates as well as underlying economic fundamentals and monetary policies (for example, GDP, inflation, interest rates, etc.)

6(1)(b)3 Ethical practices and professional conduct.

A FA education program should demonstrate it has content that reflects an understanding of:

6(1)(b)4 Dealing with conflicts of interest.

- ethical practices and professional conduct, including practical content on how to manage and handle certain ethical situations and scenarios.
- how to identify, manage, and address any perceived or real conflicts of interest.

6(1)(b)5 Collecting personal and financial information.

The curriculum should provide an individual with an understanding of the foundational concepts that are required to give appropriate advice, not specific to any product or service, including:

6(1)(b)6 Identifying client objectives, needs and priorities.

- collecting all relevant personal and financial client information
- identifying the client's financial objectives, priorities and areas of need
- determining a client's capacity and tolerance for risk to develop a client's risk profile
- conducting a periodic review of the client's ongoing objectives, priorities and areas of need

The curriculum should focus, at a minimum, on the skills and competencies required to provide financial advice to a retail client (a person who is not a corporation, partnership, association, trust, organization, etc.).

6(1)(b)7 Providing suitable financial and investment recommendations to a client.

A FA education program should demonstrate it has sufficient content to provide a comprehensive understanding of the skills and competencies required to develop, present, and implement (if required) suitable financial and/or investment recommendations, including for the sale of investment products.

The curriculum should provide an understanding of the concept of suitability and the provision of suitable recommendations as they relate to the disclosed needs and circumstances of the client.

6(1)(b)2 The products and services provided by the individual.

A FA education program should demonstrate it has content that reflects an understanding of common investment products, with in-depth knowledge and expertise in one or more of those products.

The education program must also provide adequate knowledge about the following topics with respect to any investment product about which a recommendation may be made:

- estate planning
- tax planning
- retirement planning
- finance management
- insurance/risk management