



Contact: Paige Ward
General Counsel, Corporate Secretary and Vice-President, Policy
Phone: 416-943-5838
E-mail: pward@mfd.ca

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MFDA Bulletin

Policy

For Distribution to Relevant Parties within your Firm

Withdrawal of Proposed Amendments to MFDA Rule 1.2.5 (Misleading Business Titles Prohibited)

The MFDA is withdrawing proposed amendments to Rule 1.2.5 (Misleading Business Titles Prohibited), which were published for comment on October 27, 2016.

Proposed Amendments to MFDA Rule 1.2.5

Currently, in most provinces in Canada, individuals can use the title “Financial Planner” without having to meet any minimum proficiency standards. As a result, there is significant potential for investors to be misled as to the qualifications of an individual using this title.

MFDA Rule 1.2.5 (Misleading Business Titles Prohibited) currently prescribes requirements in respect of the use of business titles, including those designations/certifications used by Approved Persons holding themselves out as financial planners. Rule 1.2.5 provides as follows:

“No Approved Person shall hold him or herself out to the public in any manner including, without limitation, by the use of any business name or designation of qualifications or professional experience that deceives or misleads, or could reasonably be expected to deceive or mislead, a client or any other person as to the proficiency or qualifications of the Approved Person under the Rules or any applicable legislation.”

The proposed amendments to Rule 1.2.5, which were approved at the October 6, 2016 meeting of the MFDA Board of Directors, were intended to respond to investor confusion by establishing minimum proficiency requirements for Approved Persons who wish to use the title “Financial Planner”.

The majority of commenters indicated general support for the MFDA’s objective of providing investors with greater clarity regarding the role and level of expertise of individuals using the title “Financial Planner”. Support was indicated for commonly used financial planning designations,

as set out in the MFDA Consultation Paper. In addition, commenters offered input in respect of core criteria that should be met by any credible designation program.

Withdrawal of Proposed Amendments to MFDA Rule 1.2.5

Currently, various regulatory initiatives are underway in this area. The CSA has established a Working Group to give broad consideration to the use of titles by client-facing registered individuals. In addition, the Financial Services Regulatory Authority of Ontario (FSRA), the Financial and Consumer Affairs Authority of Saskatchewan (FCAA), and the Financial and Consumer Services Commission of New Brunswick (FCNB) have each published proposals to address requirements in respect of the use of the “Financial Planner” / “Financial Advisor” titles.

Having regard to the considerable work presently being done, the MFDA is withdrawing its proposed amendments to Rule 1.2.5. The MFDA Board of Directors approved the withdrawal of the proposed amendments to MFDA Rule 1.2.5 at its meeting on December 1, 2021.

Any SRO Rule requirements adopted in this area would have to be harmonized with requirements adopted in the various CSA jurisdictions. The withdrawal of the proposed amendments is consistent with the public interest, as it will allow for regulatory initiatives already underway to proceed, and by deferring Rulemaking until such initiatives have concluded, will avoid the need to further amend a Rule already adopted in final form.

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