Ontario targets unethical financial advisers with new industry measures

FRANK GUNN/THE CANADIAN PRESS
TIM SHUFELTINVESTMENT REPORTER
JANET MCFARLANDREAL ESTATE REPORTER
PUBLISHED MARCH 31, 2017 UPDATED APRIL 15, 2017

The Ontario government announced measures on Friday aimed at protecting investors from unethical advisers and enhancing oversight of the financial-services industry.

Legislation will be proposed giving industry regulators the right to enforce disciplinary action and fines through the courts, Finance Minister Charles Sousa said in a speech at a financial-advice conference in Toronto.

"This measure will improve the self-regulatory organizations' ability to collect fines levied against individuals and help deter potential offenders from wrongdoing in the first place," he said.

The Investment Industry Regulatory Organization of Canada said the proposed legislation would act as a strong deterrent to financial professionals who abuse the trust of clients.

For subscribers: Feeling pressure to buy investments? Try this

"Regulation doesn't work unless it has teeth," said IIROC president Andrew Kriegler, pointing to $20-million in unpaid fines in Ontario dating back to 2008 for offences ranging from misappropriating clients' funds, falsely endorsing client signatures and making unsuitable recommendations.

"People who break the rules will be held to account," he said.

Mr. Sousa also announced the establishment of the Financial Services Regulatory Authority of Ontario to oversee financial services and pensions.

Ontario is considering a number of other consumer-protection measures recommended by a recent panel on financial planning and advisory services, he said. "Over the coming year, the government will work with regulators to close the regulatory gap that currently allows financial planners to perform work without oversight or specified proficiency requirements."

Among the policies under consideration are a registry of financial planners and advisers, limit– ing the use of professional titles that might lead to consumer confusion and a statutory duty to act in the best interests of consumers.

The Financial Planning Standards Council, which certifies financial planners in Canada, has advocated for clearer control over the use of the "financial planner" title, and said Friday it is pleased that an Ontario expert committee set up by Mr. Sousa recommended restricting the use of the title.

FPSC chief executive Cary List said consumers will benefit from having more certainty that "people who hold themselves out as financial planners have recognized qualifications," and are accountable to a governing body for their professional conduct.

CARP, an advocacy group for retired Canadians, applauded the new fine-collection powers for IIROC and the Mutual Fund Dealers Association of Canada, saying fines are a critical tool to deter unethical behaviour by financial advisers, but are meaningless if they cannot be collected.

CARP said the fallout from wrongdoing is particularly harmful to older investors who cannot make up the losses they suffer from negligent or fraudulent financial advisers. "There is more to be done, but today's announcement is a critical first step," said CARP vice-president of advocacy Wanda Morris.

She said investors will be further protected if IIROC uses additional fine money to increase monitoring and expand investor education. CARP is calling on other provinces to give IIROC the same ability to collect fines.

Greg Pollock, CEO of financial adviser association Advocis, said he fully supports the plan. Financial advisers should be regulated like other professionals who provide essential advice to the public, he said. Every adviser should belong to a professional body and be required to meet minimum proficiency standards. "Because of fragmented and inadequate regulation, today anyone can call themselves a financial adviser or planner regardless of education or training, and there is no industry-wide oversight or disciplinary process across the securities and insurance markets," he said.