

# IIROC NOTICE

## **Rules Notice Request for Comments**

Dealer Member Rules

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*Contact:*

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**14-0072**  
**March 24, 2014**

## **Use of Business Titles and Financial Designation**

### **Notice of final guidance note and summary of comments**

On January 8, 2013, the Investment Industry Regulatory Organization of Canada (“IIROC”) issued a draft Guidance Note for public comment<sup>1</sup> setting out regulatory expectations relating to the use of business titles and financial designations by IIROC Approved Persons dealing with the retail public.

[Guidance Note 14-0073](#) has been amended to address public comments received and is being issued in final form today. The Guidance Note identifies supervisory best practices that are aimed at improving transparency regarding the use of business titles and financial designations by registrants of IIROC Dealer Members.

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<sup>1</sup> Rules Notice 13-0005, ‘*Request for comments on draft “Use of Business Titles and Financial Designations”*’.



This Guidance Note also replaces MR0349 “*Officer and Business Titles*” which was issued by the IDA in May 2005 to provide guidance on particular business titles. Portions of MR0349 are no longer relevant as a result of rule changes made by IIROC in connection with the Registration Reform Project. Guidance which we believe continues to be helpful and relevant for IIROC Dealer Members in MR0349 has been added to the Guidance Note.

### **Summary of comments received**

We received 7 comment letters in response to this request for public comment. The 7 comment letters raised a number of common issues/themes. It should also be noted that we received a number of comments that were beyond the scope of the draft guidance note, including comments related to: the imposition of a fiduciary standard, compensation structures, and the regulation of financial planning. We thank all commenters for taking the time to provide IIROC with their views. A summary of the comments that relate to the guidance note and our responses follows.

### ***Finding the right balance***

Commenters were generally supportive of the draft Guidance Note and viewed it as an important first step in making the public more aware of the use of business titles and financial designations in the industry, particularly given the lack of clarity and consistency in this area both within and between firms. A number of commenters suggested, however, that IIROC should go further and mandate the use of (or conversely prohibit the use of) certain business titles. These commenters suggested that in the absence of more prescription in this area it will be difficult to achieve any standard of consistency within the industry and investors could be confused. One commenter was not in favor of IIROC regulating in this area in such a prescriptive manner.

#### *IIROC response:*

During the development of the Guidance Note, IIROC staff initially considered whether we should propose rules mandating the use of specific business titles (or conversely prohibiting specific business titles). The research we conducted, which took the form of investor focus groups, suggested that clients don’t rely solely on business titles when selecting (or maintaining a relationship) with an advisor. We acknowledge, however, that different client segments (like seniors) may place more significance on particular business titles. Finally, we recognize that advisors on the IIROC platform differ in terms of their approval categories, experience levels, seniority and expertise such that it might be difficult to develop a “one size fits all” approach to the issue of prescribed or prohibited business titles. Having said this, we believe it would be more appropriate to provide additional guidance in this area regarding our regulatory expectations relating to the use of business titles, together with some suggested best practices for firms to consider implementing.



### ***Use of specific business titles – Advisor; Vice President; Senior-related titles***

A number of commenters submitted that business titles like “Advisor” and “Vice President”, and/or business titles that imply a specialization in helping seniors are particularly problematic (e.g. Retirement/Elder Specialist) and deserve special consideration by the regulators. These commenters suggested that such titles may result in some clients placing undue reliance on, and trust in, individual representatives using these types of titles. In the case of the business title of “Advisor”, several commenters suggested that clients may mistakenly assume that the representative owes the client a fiduciary duty when in fact this may not be the case. These commenters also believed that such a business title should be used only by individual representatives who, in fact, owe a fiduciary duty and that the business title of “salesperson” should be used by those representatives who are subject to a “suitability” standard only. In the case of the business title of Vice President, two commenters suggested that the business title should only be used by an individual who has been duly appointed to that office, in accordance with corporate law. In other words, that such an individual who has the title of Vice President, for example, should have the delegated authority under corporate law to manage the business and affairs of the dealer, as typically is the role of an officer.

IIROC response:

The Guidance Note is intended to provide a principles-based framework to assist Dealer Members in their supervision of the business titles and financial designations that they permit their advisors to use in their dealings with retail clients. Given the principles based approach we have adopted, we have added some additional guidance to address some of the broader themes underlying the comments discussed above and provided some specific examples where practical. Dealer Members need to be mindful, however, of how specific business titles may create client expectations or impressions and must consider, therefore, whether the use of such titles is appropriate in light of: (i) the products/services offered by the representative; (ii) the representative’s expertise; (iii) the representative’s actual role and function within the firm; and (iv) the representative’s registration/IIROC approval category.

### ***Criteria that firms should use for approving the use of a financial designation***

Several commenters suggested a number of other criteria that firms should consider before approving the use of a financial designation, including exam pass rates, number or exams, length of each exam, experience requirements, and whether the issuing organization has a public complaint handling process to deal with complaints against a designation holder.

IIROC response: We agree with the additional criteria suggested by the commenters and have revised the Guidance Note to include these suggestions.

### ***IIROC’s proposed financial designation web based tool***

***IIROC Notice 14-0072 – Rules Notice – Request for Comments – Use of Business Titles and Financial Designation  
Notice of final guidance note and summary of comments***



Several commenters were supportive of IIROC launching a web based tool to assist investors to learn more about particular financial designations or certificates that a representative may use in their dealings with clients. One commenter suggested that IIROC should make clear in its web based tool that IIROC does not regulate or oversee any of the financial designations, otherwise consumers may place more credence on the listed designations than is warranted. Two commenters suggested that IIROC should undertake some qualitative assessment of such financial designations and “rank” them based on specific criteria.

IIROC response:

We are pleased that commenters support the development of the [web based tool](#) that we launched. The tool is intended to help investors learn more about the credentials that their advisors hold. IIROC is not, however, an accrediting body and is not in a position to “rank” the various financial designations or certifications. As a result, IIROC does not approve or endorse any professional credential or designation included on our web site. We have made this disclaimer clear as well in our “Understanding Financial Certifications” web tool.