



FINANCIAL PLANNING STANDARDS BOARD

30 July 2014

Mr. Howard Wetston
Chair, IOSCO Committee 8 on Retail Investors (C8)

VIA E-MAIL to:

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Dear Chairman Wetston and Members of IOSCO C8:

Financial Planning Standards Board Ltd. (FPSB¹) is pleased to provide comments on IOSCO Committee 8's Consultation Report: *Strategic Framework for Investor Education and Financial Literacy*. An affiliate member of IOSCO since 2012, FPSB, along with our member organizations in 25 countries and territories around the world, shares IOSCO's desire to help global consumers understand the complexities, and take advantage of, the financial services marketplace. We welcomed IOSCO's adoption of a mandate to conduct policy work on retail investor education and financial literacy in 2013, and look forward to supporting C8's ongoing efforts in this area.

FPSB's mission is to benefit the public by establishing, upholding and promoting worldwide professional standards in financial planning. Working through our member organizations, FPSB creates internationally relevant standards so that:

- The public can identify qualified, competent and ethical financial planners;
- Practitioners can distinguish themselves as qualified, competent and ethical financial planning professionals; and
- Consumers, regulators and other key stakeholders can have confidence in the financial planning profession and in financial planning professionals, and recognize the benefits financial planning offers to individuals and society.

While it's important for consumers to have a basic understanding of financial concepts and how their decisions affect their financial wellbeing, FPSB agrees with C8 that investor education and financial literacy will only go so far in changing investor behavior. Given that the asymmetry of information is often too

¹ FPSB manages, develops and operates certification, education and related programs for financial planning organizations to benefit the global community by establishing, upholding and promoting worldwide professional standards in financial planning. FPSB demonstrates its commitment to excellence with the marks of professional distinction – CFP, CERTIFIED FINANCIAL PLANNER and the CFP Logo Mark. FPSB has a nonprofit member organization in the following 25 territories: Australia, Austria, Brazil, Canada, Chinese Taipei, Colombia, France, Germany, Hong Kong, India, Indonesia, Ireland, Israel, Japan, Malaysia, New Zealand, the Netherlands, the People's Republic of China, the Republic of Korea, Singapore, South Africa, Switzerland, Thailand, the United Kingdom and the United States. For more, visit fpsb.org.

CFP Certification *Global excellence in financial planning*

great between the average investor and financial adviser, FPSB believes that a combination of initiatives are needed.

The combination of: (1) effective regulation; (2) targeted financial education provided without bias or self-interest on the part of the provider; and (3) guidance from a financial adviser or financial planner held to a "client first" or fiduciary-like duty of care could constitute the best, and most practical, approach to helping members of the public as they navigate an increasingly complex financial marketplace.

Comments on C8's Strategic Approach

FPSB supports C8's approach to investor education and financial literacy, and we believe FPSB and our global community of professional financial planning bodies are uniquely qualified to assist C8 with its activities in section VI. B (Financial Skills and Competence). In particular, we would like to address the first two points in this section:

1. Working with intermediaries

As the owner of the CERTIFIED FINANCIAL PLANNER certification program outside the United States, FPSB is well aware of the "alphabet soup" of financial credentials and the confusion it can cause for consumers. In the United States, where the Consumer Financial Protection Bureau sought feedback in 2012 on how to thwart financial abuse of the nation's senior citizens, FPSB's U.S. member organization, Certified Financial Planner Board of Standards, Inc. (CFP Board), cited numerous, specific instances in which CFP professionals in the U.S. had detected elder abuse when working with clients.² CFP Board said that fraudulent certifications contributed to the exploitation of seniors, and noted that there were no effective resources at the federal level to help seniors evaluate the myriad designations and credentials or deter their misuse.

CFP Board recommended, and FPSB supports, the following initiatives to safeguard consumers who have no meaningful way to compare the legitimacy, value or authenticity of credentials presented to them by those holding themselves out as financial advisers or financial planners:

- a. Establish a rating system for professional certifications and designations by identifying qualitative and quantitative standards (based on internationally recognized best practices for certifications) against which certifications and designations can be evaluated. The rating system would rank designations from the highest tier to those that are so deficient that their use in marketing is presumptively misleading or deceptive.
- b. Communicate the rating system through an educational campaign to

² CFP Board Comment Letter to Consumer Financial Protection Bureau, Response to Request for Information Regarding Senior Financial Exploitation, available at <http://www.cfp.net/docs/news-events--supporting-documents/cfp-board-comment-letter-to-cfpb-2012-08-21.pdf?sfvrsn=0>.

educate consumers on how to use the system to evaluate the financial designations and the capabilities of those holding them.

FPSB's Canadian member organization, Financial Planning Standards Council, conducted a study of Canadians³ to determine their knowledge of types of financial advisers and regulatory standards in place for them. While most respondents (92%) had heard of the profession of financial planning, less than half (49%) knew there was a difference between a financial planner and a financial adviser. Most significantly, 44% of respondents believe there are regulatory standards in place for financial planners.

Regulators should also consider adding "hiring literacy" to all financial literacy efforts (i.e., training members of the public how to assess the qualifications and competencies of financial advisers), as well adding a focus on ensuring that members of the public are better informed of fraudulent practices and scams within the financial services marketplace.⁴

CERTIFIED FINANCIAL PLANNER professionals meet rigorous competency, ethics and practice standards, which are enforced by FPSB member organizations. FPSB regularly audits the CFP certification program administered by our member organizations to ensure they have adequate policies and procedures in place to enforce FPSB's standards, including a consumer complaints process.

These policies and procedures complement regulatory oversight and help to maintain the integrity of CERTIFIED FINANCIAL PLANNER certification as the global symbol of excellence in financial planning. FPSB's member organization in Australia, the Financial Planning Association, received additional validation of its professional oversight when the Australian Securities and Investments Commission (ASIC) reported that, while they accounted for more than 35 percent of the financial planner population in Australia, CERTIFIED FINANCIAL PLANNER professionals accounted for less than two percent of the Commission's enforcement activity.

In addition, to assist members of the public to identify competent, ethical, and client-centric financial planners, many FPSB member organizations offer a searchable national database on their websites, where the public can find a list of CERTIFIED FINANCIAL PLANNER professionals in good standing. Some databases also include data on disciplinary actions that may have been taken against a CERTIFIED FINANCIAL PLANNER professional by an FPSB member organization.

³ <http://www.fpsc.ca/alerts-updates/2014/03/13/almost-half-of-canadians-believe-there-are-regulatory-standards-in-place-for-financial-planners-study>

⁴ See Section IV of CFP Board Comment Letter to the Securities Exchange Commission, Response to Request for Information Regarding Study Regarding Financial Literacy Among Investors, available at <http://www.sec.gov/comments/4-645/4645-35.pdf>.

2. Financial Planning and Money Management

C8 recognizes that retail investors may not be aware of, or have access to, online tools and calculators that could assist them with planning and decision-making. FPSB asserts that even if these tools were widely known to consumers and accessible to everyone, awareness and accessibility are not enough to motivate consumers to use them. We believe that financial planners can serve as trusted guides to move consumers from passive to proactive money management, by forging long-term relationships that foster responsibility and accountability.

Some members of the public think financial planning is only for the wealthy; however, through *pro bono* financial planning clinics and other consumer outreach, CERTIFIED FINANCIAL PLANNER professionals have demonstrated that anyone can benefit from the financial planning process and from working with a financial planner who places clients' interests first. FPSB's Canadian member organization conducted a three-year longitudinal study⁵ showing that, regardless of net worth, Canadians who engaged CERTIFIED FINANCIAL PLANNER professionals for their financial planning needs reported significantly higher levels of financial and emotional wellbeing.

FPSB also agrees that many people defer focusing on financial literacy until later in life, and that an effective use of government and regulatory resources would be to focus on young people, to instill good financial decision-making at an early age.

FPSB and its member organizations welcome the opportunity to work with regulators, government bodies and media outlets to communicate the integral role that financial planning can play in providing context and a framework for improving financial wellbeing for all consumers. While CERTIFIED FINANCIAL PLANNER professionals are trained to take a holistic view of their clients' financial situations, and are capable of developing comprehensive financial plans, many also help clients with more limited scope advice around a particular need or life stage, such as retirement planning, divorce, elder care or education funding.

FPSB supports C8's recommendation to introduce targeted and life-stage or life-event specific financial literacy programs, but regulators and governments introducing national financial literacy strategies should not sacrifice the benefit of maintaining and supporting a long-term, holistic view of financial planning. While FPSB agrees that members of the public are most receptive to messages and education in financial matters when they are about to face, or are dealing with, a particular financial decision, making a financial decision without understanding the interrelationships and impacts that decision has on other areas of their life or finances is a common mistake people make. An example of this would be the 50-something pre-retiree paying for a child's college education (which could be alternatively paid for by low-interest loans, repayable by the 20-

⁵ <http://www.fpsc.ca/value-financial-planning>

something over a much longer period of time) and for a parent's healthcare (which might be more appropriately covered through the parent's own funds and government programs), while forgoing investing in his or her own retirement planning (resulting in a delayed or diminished retirement, with greater reliance on government support needed in retirement). As regulators and governments develop and deliver targeted, life-event focused financial literacy program, FPSB encourages C8 members to not lose sight of the integrated and long-term nature of financial planning and decision-making over a person's lifetime.

Comments on Current Practices of C8 Members for Investor Education and Financial Literacy Programs

FPSB appreciated the references to financial planning throughout the *Strategic Framework for Investor Education and Financial Literacy* document. As the global standards-setting body for the financial planning profession, FPSB can and does assist, through our member organizations, regulators and government bodies around the world as they structure programs to support their various national strategies for financial literacy. We were pleased to see C8 cite the example in Thailand, where FPSB's member organization, the Thai Financial Planners Association, has been actively involved as part of a coalition of public and private bodies aligned to deliver on Thailand's national financial literacy strategy. FPSB member organizations all over the world routinely give back to their communities, by calling upon the services of more than 150,000 CERTIFIED FINANCIAL PLANNER professionals to lead seminars, participate in free financial planning clinics, and act as ambassadors to answer questions from members of the public looking for unbiased advice from competent and ethical financial planners.

Because of their extensive contact with members of the public looking to take control of their finances, FPSB member organizations, through their networks of CERTIFIED FINANCIAL PLANNER professionals, can provide extensive insight into consumer attitudes toward money, financial decision making and financial and life planning. Some FPSB member organizations have conducted research in their respective territories on the value of financial planning to consumers, which may also be of use to regulators in developing financial education and financial literacy programs.⁶ Additionally, CFP professionals are active in developing curricula, training educators, teaching the public and providing insights that help move clients from knowledge to informed action.

Opportunity for Partnership

Research has shown that financial planning adds context and value to the

⁶ See Princeton Survey Research Associates International, 2012 Household Financial Planning Survey, Jul. 2012, available at <http://www.consumerfed.org/pdfs/Studies.CFA-CFPBoardReport7.23.12.pdf>; see also Princeton Survey Research Associates International, 2013 Household Financial Planning Survey and Index, Sept. 2013, available at <http://www.CFP.net/docs/public-policy/2013-fin-planning-profiles-of-amer-households.pdf>; see also Financial Planning Standards Council FPSC®, Report: The Value of Financial Planning, Aug. 2012, available at http://www.fpsc.ca/sites/fpsc.ca/files/documents/Value_Study.pdf.

financial literacy of consumers. To that end, FPSB sees an opportunity to partner with governments and regulators, as well as financial services firms, to create holistic, evidence-based programs that include enforcement, education, support for professionalism, and access to affordable advice from trustworthy financial planners who provide a fiduciary-like or client first level of care.

Within IOSCO, C8 has many excellent resources to draw on for regulatory best practices, research and education programs. We hope that C8 will also take advantage of the resources of the global financial planning community, available through FPSB, our 25 member organizations, and the network of over 150,000 CERTIFIED FINANCIAL PLANNER around the world.

If you have any questions on our submission, or would like additional information, please feel free to contact me at +1-720-407-1909 or nmaye@fpsb.org.

Respectfully submitted,



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