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Canadian Investment Regulatory Organization  
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**RE: CIRO Consultation Paper 23-0094 “Proposed Proficiency Model – Approved Persons Under the Investment Dealer and Partially Consolidated Rules”**

The Canadian Securities Institute (CSI) is pleased to submit the following remarks in response to CIRO Consultation Paper 23-0094 “Proposed Proficiency Model – Approved Persons Under the Investment Dealer and Partially Consolidated Rules.”

CSI is a leading provider of accredited financial services proficiency learning solutions in Canada. We offer proficiency courses/exams for securities, mutual funds and insurance licensing purposes, and a broad range of specialized certificates and designations including the Chartered Investment Manager (CIM®), Certified International Wealth Manager (CIWM) and Personal Financial Planner (PFP®). Our courses are chosen by candidates seeking certification, licensing, professional designations, and continuing education in financial services.

CSI also provides support to industry clients in meeting their regulatory objectives including critical administration and data analytics support to major financial institutions.

We fully agree with the Canadian Investment Regulatory Organization (CIRO) that proficiency standards play a key role in investor protection and the integrity and efficiency of capital markets and towards that end have supported CIRO’s efforts by being its primary proficiency partner since our inception in 1970.

CSI has been pleased to see CIRO take ownership of proficiency standards for its various approval categories and exam development and delivery. We are pleased to see a consolidation in the number of examinations in the supervisory and derivatives areas, which CSI has previously advocated for. It is also good to see CIRO requiring that Registered Representatives (RRs) have a post-secondary education or relevant industry experience and professional conduct training. CSI suggests that this training could be integrated in the 90-day training program as CIRO does a review and update of this program.

CSI agrees with CIRO regarding the importance of not setting the proficiency bar unreasonably high such that it limits new entrants into the industry to the potential detriment of advice accessibility.

CSI’s comments below are focused on RR proficiency, suggestions as to how the proposed proficiency model might be enhanced and the Canadian Securities Course.

**RR Proficiency Standards**

As our industry evolved from a product-centric, transaction and commission-based approach to one focused on the provision of advice, previous regimes at CIRO, Investment Dealers Association of Canada (IDA) and Investment Industry Regulatory Organization of Canada (IIROC) set and supported a



robust RR proficiency standard that included the implementation of a prescribed post-registration requirement in 1995. The IDA recognized, at that time, the evolution in the industry towards advice but thought the integration of substantive advice coverage in the initial licensing standard would set the entry bar too high. The intent of this requirement was for RRs to gradually build their competence in the provision of advice through both experience and the completion of an additional course during their first 30 months of registration, known as the “30-month requirement.” This requirement, currently in the form of the Wealth Management Essentials Course (WME), is what distinguishes the proficiency requirements of Investment Representatives (IRs) who are not allowed to give advice from RRs who provide advice. We applaud the diploma or degree requirement for RRs but are concerned that, by removing the 30-month requirement the base proficiency for RRs would not be higher than that of IRs and, as a result, the investing public may not continue to receive the current high level of advice.

The Registered Representative competency profile refers to the need for RRs to have the ability to “**identify** areas that might require action or expert advice relevant to the client’s financial circumstance, including Estate planning, Mortgages, Insurance, Tax planning, Family law and Pensions.” In reality though, there are no formal regulatory restrictions on the financial advice or planning that RRs can provide. Other jurisdictions, such as the United States, Singapore, and Australia, mentioned in the Consultation Paper, have restrictions around the provision of advice for dealers/brokers. They have created separate approval categories for those who provide advice beyond that which is related to the sale of the security, and that require additional proficiencies and certifications. For example, in the US, if a person is to provide advice beyond that which is incidental to the sale of a security, they must have successfully completed both Series 7 and Series 65 – Series 7 being the base for a Registered Representative and Series 65 the higher level of knowledge and competency required to register as an Investment Advisor. The Financial Industry Regulatory Authority (FINRA) offers the base level, and the North American Securities Administrators Association offers the Series 65.

CIRO, to its credit, is maintaining additional exams (beyond the basic RR exam) for discretionary management and derivatives. With respect to the provision of financial advice and planning, CIRO may have an opportunity of taking a broader view as it considers its potential role as a Credentialing Body (CB) under the Ontario Title Protection Act. We urge CIRO to ensure that RRs are proficient in the provision of financial advice and planning to clients that is consistent with what they are allowed to provide.

### **Exam-Centric versus Course Based Proficiency Model**

CSI supports the continuation of a model that has a single examination standard and provider and CIRO’s proposal to take control of it.

In 2015, CSI commissioned a study by a respected third-party American consulting firm to evaluate the merits of an exam-centric proficiency model, specifically the one that FINRA offers in the United States, through interviews of 20 individuals from dealers, education providers and FINRA itself. Generally, those interviewed commented that the model does what it sets out to do, enabling individuals to obtain the baseline knowledge required to undertake and execute certain roles and responsibilities within the Broker-Dealer and Registered Investment Adviser sectors of the financial services industry. It was observed, however, that the lack of a prescribed course leads to a wide range in quality and consistency of exam preparation providers and that was seen as a weakness in the model. Furthermore, the emphasis that the exam preparation providers place on helping individuals to “pass a test” rather than on the



learning experience and preparing individuals for real world scenarios and critical thinking was cited as a concern.

The addition of an accredited course can provide consistent, application-based learning with real-world scenarios designed by education specialists who can help the candidate develop the competency required. An examination cannot test everything. Rather it is the combination of an examination **and learning** that would promote proficiency and contribute to increased investor confidence and protection.

CIRO mentions that their “research and review demonstrated that assessments based on competencies, and not based on courses are a best practice.” CSI agrees with the need to base the assessment on competencies, but this is not inconsistent with a model that includes an examination and accredited courses, as long as the courses are based on these competencies.

### Study Guides

If CIRO does decide to move away from a proficiency model that includes accredited courses, as proposed, we strongly recommend that candidates at least have available study guides for each examination. We would define study guides as learning materials that articulate the learning objectives (based on the competencies) and cover the knowledge required of the stated objectives. This could be a “plain-vanilla” compendium of the knowledge required and would be used by exam preparation providers to build their materials and by exam candidates. CIRO points out that, in some cases, due to low volumes, it may not be financially feasible for private vendors to make available exam preparation materials (particularly in both languages). CIRO mentions that it would prepare study guides in those cases. CSI’s view is that study materials, in an exam-centric model, should be made consistently available across all the examinations and naturally in both languages, by CIRO, to ensure learning consistency and economies of scale. While competencies set the framework for what an approved person needs to know to undertake the role, they can be interpreted in many ways in terms of breadth and depth of coverage. Without a study guide, non-accredited examination preparation providers may, based on the same competency grid, come up with very different learning outcomes and content, which can be counter-productive to the goal of a consistent proficiency standard.

It is for this reason that many jurisdictions provide study guides through the regulator, affiliate of the regulator or governing body for their licensing exams including two of the three jurisdictions CIRO mentions in its consultation paper (Australia and Singapore). India is another jurisdiction that offers study guides within an exam-centric model for securities industry registration. In Canada, Canadian Insurance Services Regulatory Organizations (CISRO) decided some years ago to produce its own LLQP study material (which is licensed out to accredited providers) because, among other reasons, they found wide discrepancies between the education provider’s content. The CFA Institute also, several years ago, decided to build its own study guides within a learning eco-system over concerns they were sending the wrong message to candidates by not providing the curriculum and that candidates were confusing third-party material with CFA’s curriculum.

Another example (there are many) is the Global Association of Risk Professionals (GARP). GARP provides learning objectives and study materials for their Financial Risk Manager (FRM®) examination.



## Canadian Securities Course (CSC)

The CSC has been offered for close to 60 years (pre-dates CSI). The original vision was that it would not only serve as a licensing standard for RRs, but also as a training program that would help increase financial literacy in Canada (“know what your broker knows”). It has served that vision well, arguably becoming the most popular financial course in Canada. The course has appealed not only to IR, RR and mutual fund representative candidates, but also to the investing public, and college and university students where it is part of curricula for over 100 post-secondary institutions, individuals who service the financial industry, regulators, journalists, investor relations professionals and most individuals who seek employment within a financial institution.

It is unclear what the curriculum for CIRO’s proposed “general industry exam” will consist of at this time, but we encourage CIRO, if they move away from required courses as proposed, to consider the CSC as at least an equivalency to the exam requirement, given how deeply embedded it is in Canada and the broader role it serves in contributing to financial literacy.

### Summary

CSI applauds CIRO for taking ownership of proficiency and putting the time and effort into this Consultation Paper. We agree with a number of the proposals, particularly those which promote better proficiency and efficiency.

However, we encourage CIRO to maintain RR proficiency requirements consistent with the important role these Approved Persons play in the lives of their clients.

We also encourage CIRO to consider the benefits of accredited courses. At the very least, in a model without accredited courses, we suggest that CIRO produce study guides that define the body of knowledge associated with the competencies.

Regardless of the model selected by CIRO, CSI is prepared to provide support in the transition and hopes to play a role of value in the new model that CIRO is creating.

Sincerely,

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Moody’s Analytics