

September 20, 2023

Canadian Investment Regulatory Organization
Sherry Tabesh-Ndreka
Acting Senior Director, Registration

Via Email: stabesh@iirc.ca

Dear Ms. Tabesh-Ndreka,

RE: Consultation Paper – Proposed Proficiency Model – Approved Persons under the Dealer and Partially Consolidated Rules

The Investment Industry Association of Canada (IIAC) is the national association representing investment firms that provide products and services to Canadian retail and institutional investors.

The IIAC is the independent, constructive, and informed voice of investment firms. The IIAC engages with government and regulators, on their behalf, to ensure healthy, growing and compliant markets for investors.

The IIAC appreciates the opportunity to provide input and feedback.

Executive Summary

The Proposal provides a mixture of proposed proficiency requirements and education models.

The proficiency requirements are not fully addressed and should be completed with the assistance of an enhanced CIRO proficiency committee prior to the implementation of the revised education model. The proficiency committee should include industry professionals. This committee may determine exam content which should be reviewed yearly.

The elimination of mandatory courses tied to exams, and the leaving of courses to the competitive market is welcomed. This should also apply to any general exam, which should not be subject to a single course provider but should also derive the benefits of a competitive marketplace.

The continuation of a general or baseline exam requirement (currently the CSC) with changes to the current exam content is also welcomed.

There are several negatively impactful implications to requiring firm sponsorship prior to enrolling in an AP exam, and therefore this requirement should be deleted.

The value and utility of requiring a baseline formal education or limiting the education or experience deemed relevant for RRs in both retail and institutional is unclear. These requirements should be removed.

With this, the IIAC is pleased to provide the following comments in response to specific questions and issues identified in the consultation paper, on behalf of our members.

I. *The need and/or utility of a general exam requirement – Framework Overview (s. 4.1)*

The IIAC agrees that high proficiency standards play a key role in investor protection and the integrity and efficiency of capital markets.

First, we agree that there is baseline industry knowledge that should be expected of all Approved Person (“AP”) categories. Currently, the Canadian Securities Course (“CSC”) has been utilized as the baseline expectation for AP categories. In practice, the exam is being used as the all-purpose requirement, despite concerns over content in the face of regulatory changes and developments within the industry.

With this, we agree with the continuation of a general exam. The content of that exam needs to be updated. As with all other exams, it should include professional conduct content. This would eliminate the need for mandatory professional conduct training as described in the proposal. Similarly professional conduct may form part of exam requirements for all AP categories, further eliminating the need for mandatory conduct training proposed. The publication of a code of conduct is unnecessary and redundant in light of the CISO rules and guidance notices, including but not limited to Client Focused Reforms.

Updated exam content may be achieved through an enhanced CISO proficiency committee including industry professionals and education providers.

Preparatory courses for the exam should be open to and benefit from the competitive market as with all other exams.

Furthermore, we would like to ensure there is a grandfathering provision included in any updated general exam requirement to address existing APs that have met all required proficiencies under the previous regime. The CISO proficiency committee should also consider reviewing the validity period of exams.

As such, we agree with the continuation of a general exam requirement with changes to the current exam content and an open, competitive market of preparatory course providers.

II. *The feasibility and implications of requiring firm sponsorship prior to enrolling in an Approved Person exam – Framework Overview (s. 4.1)*

A form of firm sponsorship is proposed, which will be required before an individual may enroll in an AP exam. The proposed requirement for sponsorship (prior to a candidate's successful demonstration of proficiency) introduces some causal factors which can lead to barriers to investors accessing advice:

- i. **Reduces Eligible Registrant Candidate Pool.** The requirement limits potential candidates from applying to work in the industry or in a different registration category, even if they would be able to pass the relevant exams. It introduces this barrier without any clear regulatory benefit, as a candidate may wish to apply to work at a dealer or for a different job within the dealer. Given ongoing concerns about the "advice gap" in the market, and the need for general Canadian populations to have access to professional financial advice, it is critical that the industry invite a healthy pool of applicants to service client needs.
- ii. **Uncertainty In Hiring Process/Business Planning.** It is more complex to hire into a role that requires an individual to pass an exam, without allowing the individual to pass the exam before entering the role. The proposal essentially requires the firm to issue conditional letters of employment until the applicant passes the AP exam, leaving the firm unable to plan for headcount over a sustained period, and imposing additional costs for overstaffing or understaffing to service client needs. Again, this cost is imposed on the industry without a clear regulatory benefit.

We believe that individuals should have the option to complete AP exams without being linked to a firm. As such we would like CICO to consider a model where individuals may take an AP exam without sponsorship.

In summary, there are several negatively impactful implications to requiring firm sponsorship prior to enrolling in an AP exam, and therefore this requirement should be deleted.

III. *The value, impact and utility of requiring a baseline education or relevant experience for RRs in both retail and institutional – Baseline education or experience for RRs (s. 4.4.1)*

The IIAC agrees that it is important for the proficiency model for our industry to reflect the high calibre of knowledge and experience of professionals.

We have concerns that we are limiting the advisor talent pool by requiring a narrower baseline formal education or experience as currently deemed relevant. What is seen as "traditional" required experience or education is not the only path that leads to professionalism. It is unclear whether this limited baseline education or experience, rather than one open to other disciplines and experiences, translates into lower likelihood of misconduct or improved ability to meet expected proficiency. As such, this proposal appears to create another barrier to entry.

Accordingly, the value, impact and utility of requiring a narrower baseline education or experience deemed relevant for RRs in both retail and institutional is unclear. These requirements should be removed.

IV. *The elimination of mandatory courses tied to exams and views as to leaving this primarily to the competitive market and/or relying on study guides provided by CIRO – No mandatory courses tied to exams (s. 4.2.3.5)*

We are interested to know if dealers will take an active role in training their new hires to prepare for the exams – Firm training – retail (s. 4.5.1), Firm training – institutional (s. 4.5.2)

The IIAC is supportive of the elimination of mandatory courses tied to exams and leaving preparatory courses to the competitive market. This allows individuals to choose the course providers that they deem best suited to their needs.

Similarly, we expect Members will continue to provide training, whether proprietary or through external providers.

The finalization of clear proficiency standards to inform exam content will be key. It is necessary that general exam requirements are relevant to the market and finalized on a timely basis so that study guides and preparatory courses are available and responsive to the exam. This may be achieved through an enhanced CIRO proficiency committee, who reviews exam content yearly and includes industry professionals and education providers.

In short, we are supportive of the elimination of mandatory courses tied to exams, and supportive of leaving course providers to the competitive market.

V. *A consolidated derivatives exam, based on published competencies, to ensure all Approved Persons who trade or supervise in derivatives understand trading and risks associated with trading in all derivatives products – Key changes relating to assessment - RRs and IRs (s. 4.2.3.1) and Supervisors (s. 4.2.3.3)*

We believe the CIRO Proficiency Committee described in this submission should consider this in the context of all AP examination requirements based on the finalized proficiency models.

By way of additional comments, we offer the following:

The Proposal was unexpected and has added confusion to the discussion of proficiency, considering that the proficiency models for each AP category are still in the consultancy phase and have not been finalized; and considering the Request for Expressions of Interest (REOI) procurement process was underway.

The Executive Summary of the Proposal clearly states that the model proposed is focused solely on the proficiency regime as it relates to individuals at investment dealers approved by CIRO under Investment Dealer Partially Consolidated rules (IDPC). The consideration of changes to the proficiency regime relating to mutual fund dealers should be done concurrently, in collaboration with the Canadian Securities Administrators (CSA), in order to ensure a harmonized macro view is taken, particularly for the benefit of Members who employ APs under both regimes. CIRO's proficiency regime should also seek to exempt participation of CIRO and its members in the Financial Professionals Title Protection Act in Ontario and any other applicable provinces.

We would like to note that we have not commented substantively on all proficiency requirements, such as the relevant roles and competencies for IRs, RRs, APMs, and PMs. These, for example, may be addressed through an expanded CIRO Proficiency Committee, which should include industry participants and education providers engaged through a competitive model.

The IIAC is grateful for the opportunity to comment. We would be pleased to address any questions or concerns in respect of our comments.

Sincerely,

Investment Industry Association of Canada