

September 17, 2024

**Registration, Proficiency**

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Dear CIRO:

**Re: CIRO Proposed Proficiency Model — Approved Persons under the Investment Dealer and Partially Consolidated (IDPC) Rules – Further Request for Comments (the “Consultation”)**

The Investment Industry Association of Canada (**IIAC**) is the national association representing investment firms that provide products and services to Canadian investors. Our members manufacture and distribute a variety of securities and provide a diverse array of portfolio management and advisory services.

We thank CIRO for its many positive amendments to its proficiency model and appreciate the opportunity to express our comments on this further Consultation.

**EXECUTIVE SUMMARY**

Recommendations include:

Concurrent and similar changes to the mutual fund dealers’ proficiency regime, which should be consolidated with and administered by CIRO.

A revised start date.

The inclusion of the substance of the proposed conduct training in all prescribed exams, underscoring its importance and rendering separate training unnecessary.

Exam content, study guides and competencies profiles subject to expert preparation and annual review.

Further public consultations.

An expanded CIRO Proficiency Committee

Deference to firm hiring decisions.

A series of suggestions to minimize cost and administration.

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## DETAILS OF RECOMMENDATIONS

### **(1) Harmonization for all CIRO Members.**

Concurrent and similar changes should be made to the mutual fund dealers' proficiency regime, which should be consolidated with and administered by CIRO. Similarly, we welcome an integrated Continuing Education (CE) model through CIRO.

Similar changes include no mandatory courses as prerequisites to exams, annual review of exam content, CIRO training modules published for comment, and a public request for proposal for third-party vendors / exam administrators to ensure an open, competitive market and its several benefits. The sufficiency of proficiency requirements recognized through the MFDA should continue to be recognized.

### **(2) Amended Timeline.**

We commend CIRO's efforts to address proficiency requirements on a strict timeline.

As revised exams and exam content are being carefully considered across registration categories, and competencies have not yet been finalized, we recommend a revised start date with corresponding amendments to currently proposed dates.

Should CIRO wish to align the revised start date to CE cycle, a revised start date may be January 1, 2028.

### **(3) Professional conduct.**

To maximize the effectiveness of professional conduct training and underscore its importance, all prescribed exams in draft Rule 2603 should properly include professional conduct content. The substance of the conduct training proposed in Rule 2604(2) can be included within each exam, rendering the conduct training as proposed in draft Rule 2604(2) unnecessary.

Alternatively, any proposed conduct training content by CIRO and its structure should be published for comment with details of CIRO's approach to ensure it will not result in duplicative efforts.

### **(4) Exam content, study guides and competency profiles subject to expert preparation and review.**

All exams and study guides should be prepared and reviewed on a yearly basis, through an expanded Proficiency Committee and a series of expert advisors, to ensure relevance and currency.

Exam study guides should be published annually, with a notification confirming that the content has been reviewed for currency and, if applicable, refreshed.

Approved Person competency profiles should likewise be subject to a similar preparation and annual review, with proposed changes published for public comment, like the baseline competency profiles which were issued for comment.

### **(5) Public comment for CIRO training modules.**

The proposed content and structure of the firm training modules that CIRO intends to publish for dealers

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should be available for public comment prior to finalization, regardless of their alignment with the sub-competencies.

**(6) Expanded CIRO Proficiency Committee.**

The mandate of CIRO’s proficiency committee should be updated with specific responsibilities to assist in fully addressing proficiency requirements prior to implementation of the revised model, including determining and finalizing exam content, study guides, firm training modules and continuing education.

CIRO’s proficiency committee should continue to include CIRO members and should be expanded to include non-member individuals from applicable backgrounds, professions, educational institutions, and professional associations. CIRO and its expanded proficiency committee should be open to input from external expert advisors.

**(7) Revised proficiency model should minimize member costs and administration.**

The revised model should not result in any increased costs to Dealer Members, in line with CIRO’s objectives to lower licensing costs and entry barriers.

The proposed requirement to provide training “within 90 days of approval” and report training completion to CIRO “within 90 days” would be administratively burdensome and impractical compared to the current process, which we are advised works well. This remains so whether “within 90 days” is from the completion date of the training or another date.

The status quo avoids the unintended consequence of automatic suspensions and career disruptions in the event there are administrative errors or delays that occur with a post-approval reporting obligation for investment dealers.

The Consultation (which was limited to investment dealers) states in part: “We find that we have an opportunity to create greater alignment between our competencies and firm training, and take a more principle-based approach to firm training in alignment with the Mutual Fund Dealer rules. We note that Mutual Fund Dealer Rules 1.2.4 and 100 do not include a provision for automatic suspension.

Alternatively, It would be more practical for dealers to report specific non-compliance to CIRO rather than impose automatic suspensions.

**(8) With respect to CIRO’s questions:**

**(a) The practicality of the transition provisions, in particular:**

**(i) The proposed grandfathering provision**

**Response:**

With respect to draft Rule 2625(2), the Consultation’s executive summary states, “An individual will be considered to continue in the same role provided they did not cease to be approved for longer than 90 days.”. This does not accord with the current course regime (Rules 2627(1), 2628(1), and 2628(2)) and proposed exam regime (draft Rule 2628), under which an individual is eligible to reactivate their registration in the same category within three years from the date of termination of their registration,

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without the requirement to retake specified courses or rewrite specified exams. . The time limit of 90 days is an unnecessary and prejudicial standard for grandfathering that creates barriers for re-entry, contrary to CIRO's objective as stated in the Consultation.

The standard for considering an individual to "continue in the same role" should be that the individual returns to the same role for which they were previously registered

The exemption contemplated in draft 2625(2)(i) is unclear as it appears to refer to both an applicant for approval and an individual who has experience in an Approved Person category and has met proficiency requirements.

The exemption in 2625(3) may be further clarified by referring to the same (as opposed to legacy) options or futures contract, futures contract options. Also, in efforts to consolidate regulatory expectations within the rules, CIRO's expectation, as set out in its executive summary to this Consultation, that these individuals qualify their titles with "options only" or "futures only," should be included in the rule.

In addition, registered representatives who deal only with institutional clients should be exempted from retail focused training courses. We have interest within our membership in training specific to registered representatives who solely service institutional clients/institutional representatives. Training needs may vary on a dealer-by-dealer basis.

**(ii) The proposed transition for those who have enrolled in a CSI exam prior to January 1, 2026, and not yet completed the course and related exam**

**Response:**

By way of housekeeping, draft Rule 2629 should refer to necessary courses (in the plural) where applicable.

**(iii) The proposed transition provision for those who are required to complete the Wealth Management Essentials course.**

**Response:**

See prior comments regarding a January 1, 2028, start date and amended timeline.

**(b) The amount of time your dealer needs to update their RR and IR training programs, keeping in mind that the published competency profiles and related sub-competencies will be utilized for providing guidance on the training programs proposed to be completed within 90 days of approval.**

**Response:**

Due to the number of outstanding matters, the time needed cannot be determined at this time. See prior comments regarding a January 1, 2028, start date and amended timeline.

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**(c) We are interested to know if dealers will take an active role in training their new hires to prepare for the proposed exams.**

**Response:**

This will vary on a dealer and exam basis.

**(d) We are interested to receive comments on the relevant experience proposed and the types of experiences that dealers find common and relevant.**

**Response:**

Relevant education and experience vary within each registration category and the unique needs of the firm at any given time.

Once a requisite exam has been passed, hiring decisions rest with the dealer who is best placed to select the most fitting job candidates from its available options. We note that several regulated professions do not require hiring decisions approved by their regulator.

We recommend that CIRO defer to Dealer Members' professional judgment in their determination of relevant education and experience.

Accordingly, the language, "*acceptable to the Corporation*" and "*as may be acceptable to the Corporation*" throughout the proposed rules should be replaced with, "*as determined in the exercise of the Dealer Member's professional judgment, with the Corporation's approval not unreasonably withheld.*"

For ease of reference, these changes should be made to draft rules 2603(1)(ii)(a), (b), c(I), c(II), (d), (e) and (g) (Proficiency requirements prior to approval), 2502(2)(iii) (General requirements for Directors), 2503(2) (General requirements for Executives), and 2628(1)(iii) (Exam validity).

We further recommend a new section 2603(2) to set out an efficient escalation process in the event a Dealer Member requests an application review.

**(9) Housekeeping matters**

As firm sponsorship is no longer required, Rule 2604(1)(ii) does not appear necessary and adds avoidable administration.

We remain happy to discuss these recommendations further with you.

Respectfully submitted,

***Investment Industry Association of Canada***

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