



FP CANADA RESPONSE TO CIRO CONSULTATION ON THE PROPOSED PROFICIENCY MODEL FOR APPROVED PERSONS

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INTRODUCTION

FP Canada™ is pleased to respond to the Canadian Investment Regulatory Organization (CIRO) Consultation Paper on the Proposed Proficiency Model for Approved Persons.

Established in 1995, FP Canada is a national not-for-profit education, certification, and professional oversight organization working in the public interest. FP Canada is dedicated to championing better financial wellness for all Canadians by leading the advancement of professional financial planning across the country. There are about 17,000 CERTIFIED FINANCIAL PLANNER® professionals and about 1,900 QUALIFIED ASSOCIATE FINANCIAL PLANNER® professionals who are held to FP Canada's rigorous professional and ethical standards.

COMMENTS ON THE CONSULTATION PAPER

FP Canada commends CIRO for undertaking this important project. In general, FP Canada is supportive of CIRO's proposed proficiency regime, and the shift towards a more competency-based and assessment-centric model. We previously expressed support for the development of competency profiles by IIROC for Approved Persons.¹

We have provided comments both in response to several of the specific matters CIRO has sought feedback on, as well as some additional general comments that we felt would be of relevance to CIRO. Our comments are based on our own experience setting standards, accrediting education providers, delivering education and developing and administering examinations.

Competency-Based Examinations

We support the shift to a competency-based examination approach. We would echo CIRO's finding that "assessments based on competencies, and not based on courses are best practice." FP Canada has long embraced competency-based examinations for its own certifications, which ensure candidates are not only able to *recall* knowledge, but actually *apply* it.

Baseline Education or Experience Requirement

We support a baseline education or experience requirement – particularly for categories of representatives dealing with the public. We agree this change would enhance CIRO's proficiency regime and serve the public interest. FP Canada similarly requires a combination of education and/or work experience for its own certifications.

¹ <https://www.iiroc.ca/sites/default/files/2021-08/FP%20Canada%20-%20November%2016%2C%202020.pdf>

With that said, and as discussed further below, this requirement alone may not be a substitute for prescribed pre-examination education requirements that directly align with CIRO's competency profiles.

We would also flag that a two-year experience exemption from a diploma/degree requirement may be too low to best serve consumers. The purpose of a post-secondary education requirement, from our perspective, is to provide enhanced confidence that individuals have the foundational skills and abilities required to engage in a higher level of analytical and critical thinking and to help the client produce positive outcomes. We are concerned a two-year exemption is insufficient as a proxy to ensure individuals have the communication, critical thinking and problem-solving skills and competencies afforded through completion of post-secondary education.

For reference, for FP Canada's certifications allow candidates who do not have a diploma or degree to obtain certification based on work experience, only if the individual has five years (for QAFP® certification) or ten years (for CFP® certification) of qualifying work experience. As another example, mature students with no undergraduate degree can enter the CPA Professional Education Program if (among other requirements), they have at least eight years of relevant experience in one of the CPA technical competency areas.²

Elimination of Mandatory Pre-Examination Courses and A *Laissez-Faire* Approach to the Education Marketplace

We agree with CIRO that there is a robust market of education providers capable of delivering high quality education leading to a successful career in Canada's investment industry, and that a more flexible approach (as opposed to the current single course/single provider model) could have broad benefits.

However, we also believe there is some risk on all sides to eliminating mandatory pre-examination education courses and leaving education entirely to the market, without at least *some degree* of CIRO oversight.

1. Risk of Overreliance on the Examination Process to Ensure Proficiency of Approved Persons

In looking holistically at the proposed proficiency model for Approved Persons, we are concerned there may be an overreliance on the examination process, at the expense of complementary prescribed pre-examination education requirements, when it comes to ensuring individuals possess all the required competencies.

Given the breadth of competencies required for certain approval categories, it may be difficult to ensure that individuals possess all the competencies required of them solely through the examination

² <https://www.cpacanada.ca/en/become-a-cpa/pathways-to-becoming-a-cpa/cpa-pep-admission-requirements-workforce>

process (even a dual examination process). While a rigorous examination will serve as a barrier to entry such that only qualified candidates pass and are permitted to enter the profession, and candidates who do not demonstrate the required competencies fail the examination and are prohibited from entry, there is still the potential for knowledge and competency gaps among those who pass the examination, which may ultimately create risk for consumers. The combination of prescribed education, education assessments and examination process allows for broader coverage of the required competencies, reducing both knowledge and competency gaps.

Prescribed pre-examination education requirements, when delivered by qualified education providers, can be an important tool to mitigate consumer risk, acting as a failsafe to ensure individuals have at least been *instructed* in all the expected competencies, even if they are not *tested* in them through the examination process. FP Canada has been doing this effectively for many years. In addition to a summative assessment, using accredited education providers is another way to ensure potential registrants have the breadth of coverage across competency areas.

This does not necessarily mean maintaining the current single-course/single-provider model of pre-examination education (as discussed below, there are a number of qualified education providers in the market who, through accreditation, can help provide flexibility to students and firms). But it may mean a more active role for CISO in setting out pre-examination education expectations and assessing prospective providers against their ability to deliver them. Education providers can leverage the new competency profiles to ensure their programs provide students with the underlying knowledge to demonstrate the expected competencies.

2. Risks of Unregulated Multiple Provider Approach

In the interest of student and firm flexibility, we support the move away from a single-provider model of pre-examination education. With that said, we believe a more “hands on” approach by CISO to overseeing pre-examination education providers is in the consumer’s best interest and would also be beneficial to industry stakeholders.

When you have an ecosystem with multiple education providers, there can be variance in the quality of education delivered to students. Under the proposed proficiency model, the overall approach to pre-examination education would essentially be *laissez-faire*, whereby students and firms are left to navigate the market of education providers and offerings independently, hoping their choice ends up being of appropriate quality and alignment with CISO’s requirements to succeed in their chosen profession. In some cases, this approach may result in financial harm and frustration on the part of students left unprepared by their chosen education provider, as well as their sponsoring firms, which could reflect poorly upon CISO. A lack of consistent quality across education providers can also create risk for CISO, and undermine the efforts taken to raise the competency levels.

The risks of allowing multiple providers could likely be mitigated by CISO oversight, such as an accreditation process for providers and/or courses. If CISO opts not to mandate pre-examination education, in keeping with the current proposed approach, such accreditation could still be done on a voluntary basis. Providers could voluntarily seek to have CISO accredit their offerings, which would offer assurance to prospective students and firms seeking training.

For context, while some of the courses FP Canada requires for its certifications are delivered by a variety of accredited third-party providers, we also diligently review and approve the curriculum and learning materials of each provider, ensuring sufficient alignment with our Competency Profile and Body of Knowledge. We have found this to be an effective way of ensuring our candidates are receiving appropriate education supporting their journey to certification. A similar course approval process could be implemented by CIRO. We would be happy to provide further details on FP Canada’s education accreditation process if this would be helpful.

Mandatory Professional Conduct Training Within 30 Days of Approval

We support the notion of mandatory professional conduct training for all Approved Persons. However, we would flag potential challenges with respect to CIRO’s proposed *sequencing* of this requirement. Specifically, CIRO is proposing that all new Approved Persons would have to complete this training “within 30 days of approval.” In other words, individuals would be required to complete this training *after* they have been approved by CIRO.

While 30 days to complete the mandatory professional conduct training may seem like a short enough period to mitigate any potential consumer risks associated with giving individuals the CIRO “stamp of approval” before they have technically completed all their education requirements, CIRO is likely to face logistical difficulties with this approach in practice.

For example, individuals may seek extensions based on a variety of extenuating personal circumstances (e.g., illness, family emergencies, other leaves, etc.). Such extensions can go on for significant lengths of time, turning a 30-day window into a much longer period, and all the while they may continue to engage with consumers. Moreover, when it comes to cancelling or revoking the approval of individuals who fail to complete this training within the 30-day window, this process may take time to implement and execute which will result in an extended window (beyond the initial 30 days), leaving consumers potentially vulnerable and leaving the impression with consumers that the individual has met all requirements imposed by CIRO during both the 30-day window and any following administrative period of delay.

For context, FP Canada recently made changes to the pathway for its QAFP certification, moving the mandatory QAFP Professional Education Program from a *post-certification* requirement to a *pre-certification* requirement. This change was made for the benefit of consumers, to ensure QAFP professionals had mastered all the critical professional and relationship-building skills to be career-ready at the time of certification, while simultaneously reducing administrative challenges associated with ensuring compliance. This change also ensures that all individuals certified by FP Canada have demonstrated all proficiencies such that only those individuals who have met the requirements are certified.

While we recognize CIRO and its predecessor organizations have experience with post-licensing requirements, the shortness of the proposed 30-day period is likely to exacerbate administrative

challenges, and we would suggest using development of this new proficiency model as an opportunity to head off potential problems and provide a more consumer-focused approach.

CONCLUSION

FP Canada appreciates the opportunity to provide comment on this important topic. We commend CIRO for the research and ambition behind this consultation and would welcome the opportunity to discuss our comments with CIRO staff in greater detail.




Contact Details

FP CANADA™

902-375 University Avenue, Toronto, Ontario M5G 2J5

416.593.8587 | 1.800.305.9886 | fpcanada.ca

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