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Canadian Investment Regulatory Organization (CIRO)
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Consultation Paper – Proposed Proficiency Model- Approved Persons under the Investment Dealer and Partially Consolidated Rules

[Consultation Paper – Proposed Proficiency Model- Approved Persons under the Investment Dealer and Partially Consolidated Rules | Canadian Investment Regulatory Organization \(ciro.ca\)](#)

Kenmar commends IIROC/ CIRO for undertaking this timely consultation. We support initiatives which increase Registered Representative (RR) skills and professionalism. Kenmar appreciate the opportunity to comment on the no mandated courses, *no books* model for increasing registrant proficiency. We welcome CIRO's intent to increase its engagement with issues related to RR proficiency. This engagement will help ensure that baseline Competency profiles, RR education / CE and examinations are kept current and in line with regulatory reform, technological change and investor expectations /needs.

Kenmar Associates is an Ontario-based privately-funded) organization focused on investor education via on-line articles hosted at www.canadianfundwatch.com . Kenmar also publishes ***the Fund OBSERVER*** on a monthly basis discussing investor protection issues primarily for investment fund investors. Kenmar routinely interact with regulators in supporting consultations. Kenmar also assists, on a no-charge basis, harmed investors and/or their counsel in filing investor complaints and restitution claims.

Introduction

High RR proficiency and conduct standards are fundamental in protecting retail investors from incompetent, unfair, unethical, improper or fraudulent practices and helping retail investors achieve their financial objectives. RR's must put their clients' interests first in their dealings with clients when providing investment advice and trading in securities and must resolve conflicts-of-interest in the best interests of clients.

Due to time limitations, examinations can only focus on a narrow range of topics and may not accurately or adequately reflect the broader educational curriculum. This can lead to a lack of diversity in the assessment process and limit RRs' understanding of required competencies. Mandated courses expose the student to the entire spectrum of required knowledge.

The move towards proficiency (implies skill; value) is aligned to effectiveness (doing it well with integrity) and efficiency (timeliness, cost, value-add). We don't

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want folks to complete courses for the sake of completing courses or simply passing one-time exams. In our view, mandatory education and training is required but all education and training needs to be consumer-focused; a focus on any/all education and training that deals with real-life problems, case-studies, real-world challenges etc. the consumer needs to solve. If the education and training is tied to foundational consumer needs and outcomes, the education and training is of great value.

With the decline in DB pension plans, CIRO RR registrants are now accountable for managing the retirement income security of millions of Canadians. The consultation asks for comments on a proposal that would have Canadians engage with individuals that have been able to obtain a passing grade at the time of the examination on a CIRO approved exam without necessarily having had a defined structured education. With the limited information provided, Kenmar are constructively critical that this model is the best one leading to an advice industry that Canadians should trust with their life savings.

CIRO provided a cursory overview of proficiency models in the US (FINRA), Singapore (MAS) and Australian Securities and Investments Commission (ASIC) and found that each of these jurisdictions rely on an assessment centric model, either in whole or in part.

In Appendix I we comment on the Competency profile .In APPENDIX II we comment on Dealer barriers to RR success.

Some questions

We employ the Socratic method to help constructively drive the conversation, discussion and debate:

Will CIRO have the financial funding, resource capacity and specialized educational expertise to effect this major change even as it creates a new organization, develops a new rule book, prepares for TCR, implements the demanding Client Focused Reforms (CFR), , modernizes the arbitration program ,becomes a Ontario FSRA accredited FA Credentialing Body (assuming ISO 17024 criteria , not a FSRA rubber stamp)* and deals with the many ongoing changes in the financial services industry such as technology, Environmental, Social and Governance (ESG), cryptocurrency, cybersecurity, inclusion/diversity etc.?

* **If a rubber stamp exemption, we question whether the FSRA has the authority to represent CIRO as an accredited CB and whether such an exemption is socially responsible regulation.**

A Profession is a calling requiring specialized knowledge and long and intensive academic preparation. Does the proposed model lead to a profession as the term is commonly understood or it primarily a sales license?

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Is the proposed education model compatible with CIRO becoming a Credentialing Body (CB) for the Ontario FA title credential? (obtaining the FSRA FA title requires passing prescribed courses via a FSRA approved CB)

Is CIRO confident that a healthy, sustainable, competitive commercial educational marketplace will develop?

Is the January 1, 2026 implementation date realistic given that educators must calibrate their content to align with the assessments?

Is there a material risk that for-profit schools will focus on teaching students what they need to know to pass examinations and meet CIRO exam targets, rather than providing a rounded education?

Can the proposed model be depended upon to provide competent, professional *financial* advice and satisfactory **client outcomes** without a candidate body of knowledge and required educational content beyond that of the Competency profile?

Without a baseline curriculum, how will an applicant prepare for the exams? In principle, the Competency profile could be used but we are not confident that would be an adequate, practical guide for individuals to determine their RR education needs. (The Competency profiles and other materials appear to provide educational institutions with sufficient information to develop education course content.)

Will courses be delivered in-class, video conference or via correspondence? It seems to us that one of the biggest disadvantages of distance learning is that students may find it overwhelming to absorb the course material without the support of an instructor and fellow student interactions to guide them.

Is there empirical research that passing an examination without any prescribed courses provides a high degree of assurance of RR proficiency and competency?

Will prior sample exams be available for purchase by exam writers? Will Study guides, quizzes, sample questions be available for applicant use?

Should CIRO commission textbooks for the RR candidates to use as a basis for preparing for exams? It is our understanding that the CFA program offers textbooks, which are entirely built on the CFA body of knowledge.

Will examinations utilize computer-adaptive testing technology? A computerized adaptive test is a computer-based exam that uses algorithms to tailor its test question difficulty levels to the individual test taker, depending on that examinee's previous correct and incorrect answers. This means the test is different for every examinee based on their responses. See ***5 reasons to use adaptive tests*** <https://www.cem.org/blog/5-reasons-to-use-adaptive-tests>

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How will exams be set and proctored? By who? What is a "passing" grade? Who sets it? Who marks the exam? (to quote CIRO "Our review also demonstrated that assessments based on courses offered by the same provider could create a conflict of interest.")

Will exam grading have minimum permissible scores for certain Competency profile modules e.g. KYC?

We are informed that the successful completion of the "general exam" can lead to a form of Dealer sponsorship which would be required in order to enroll in an Approved Person exam. How many questions constitute the "general exam" exam, what is its length (in minutes/hours)? What mark constitutes a passing grade?

Is empirical evidence available supporting the argument that a general exam and a RR Approved Person examination can be effective in assessing the Competency profile status of a RR? We note that the Monetary Authority of Singapore examination modules are divided into discrete areas of knowledge which cover specific rules, regulations, product knowledge and analysis.

We take it for granted that all examinations offered must be available in both official languages. In addition to examinations, course material/ textbooks will also need to be available in both languages. Can this necessary professional translation work be accomplished in the time remaining to meet the implementation deadline?

Have CIRO considered the use of Term papers, case studies in proficiency assessment? It is our understanding that such a requirement was once required as part of CSC but was removed sometime in the early 2000's.

Is it envisioned that a RR could be *independent* (not sponsored by a Firm)?

Will the proposed proficiency model lower RR entry barriers? (Investor barriers to personalized advice access include high prices and minimum account sizes imposed by CIRO registered Dealers).

Should the professional conduct training not require an exam to confirm understanding of principles and how to apply them?

On what prescribed schedule will the RR Competency profile be reviewed/updated? Is the existing profile congruent with CFR, especially conflict-of-interests, client best interests and risk profiling provisions?

Is there is significant retail investor risk created by eliminating mandatory pre-examination education courses and leaving education entirely to the free market, without *some* CIRO / IIROC guidance / direction?

Do the present courses adequately deal with anti-terrorist financing, AML?

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What Metrics is IIROC using to assess superiority of their proposal? Lower cost , greater course accuracy , more timely course updates , higher quality exams , more proficient RR's , more choice in course delivery, integrity of examination process, faster adoption of technology etc.?

Will exemptions from this model be permitted? Under what conditions? Will CFP's, CFA's (or other) professional designations be granted exemptions from exams?

Will the RR Competency profile be broadened beyond investments to include elements of financial planning, estate planning, retirement planning? e.g. financial advice vs. investment advice (these services are currently marketed by CIRO Member Firms but not part of registration).

Should there be dedicated course/exam for client complaint investigators? This a sensitive retail investor touchpoint that can use more professionalism, relationship and analytical skills.

Will a CIRO RR license obtained under this model automatically result in the right to use the controversial FSRA *Financial Advisor* title in Ontario?

Will Member Firms be permitted to prohibit FSRA FA title use by its representatives in Ontario if they believe it is misleading?

Will RRs operating under this model be required to carry E&O insurance?

Our worst case fear: An applicant reads a few articles, checks out old exams, writes a 3 hour multiple choice exam, obtains 61% and becomes eligible for registration as a RR.

General Comments/suggestions

Exam based certification does not designate that a person has sufficient knowledge in a subject area, only that they passed a defined test (albeit a well-designed one). Without a mandated curriculum, there is no guarantee that the applicant has mastered all components of the Competency profile. In addition, the criteria for a pass may be set so low that an applicant passes but is not competent in certain aspects of the profile. The lower the passing grade the more likely it is that that applicant is not fully qualified. The standard of the exam is critical .The examination process will also need to set criteria for the rewriting of exams that resulted in a failing grade.

Education-based certifications requires that a person completes a course of study that satisfies certain body of knowledge claims to demonstrate that the person has sufficient knowledge in the subject area.

Exam (and educational course materials) should include an input based on Dealer client complaint information and from OBSI feedback (client complaints are signals that the system has failed and the failure mechanism needs correction). The

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connection to real world issues will help make exams better, more effective and improve investor outcomes.

At present there are Nineteen (19) courses and exams specified for the different categories of Approved Person. Under the proposal, students must pass, at least, one of nine (9) Approved Person exams, each of which will be based on a role-specific Competency profile and a general exam.

The IIROC Competency profile is at a high level making it more likely than not that course materials between competing for-profit educators will vary to some degree.

The general exam (and associated courses) should be available to the public at a reasonable fee. This would help bolster the financial competency of Canadians and better inform them of industry obligations and capability. That would be in the Public interest.

We assume that examinations could be taken securely online and that the examination questions will require analysis and insight. [Authorized testing centers should have the necessary expertise to assure the integrity of the exam process.](#)

The consultation paper does not provide examples on what types of degree or diploma would be relevant nor what specific types of work experience in the financial industry may be relevant for RRs and industry executives.

The number of choices in a multiple choice exam should be such that the chance of a random response being correct is low.

A number of years of relevant experience working in the financial industry as an apprentice under the supervision of a RR or other trained authority could be a component leading to RR licensing. We cannot comment as to the adequacy of the proposed two year minimum.

The Competency profile should remain a public document, updated as needed - it can be used as a valuable source of information for retail investors as to the obligations RR's must satisfy and/or in client complaint resolution (including civil litigation).

Consider requiring an oath to comply with the Code of Conduct as an integral part of registration. (Some form of attestation that the RR understands her/his obligation to act in the best interests of clients at all points of interaction in the advisory relationship).

IIROC should consider preparing a guide on how students should select a course provider .See for example *How to choose a course provider*: RECA <https://www.reca.ca/wp-content/uploads/2022/01/Choosing-a-Course-Provider.pdf>

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An FSRA FA titled RR will need to comply with the CB's Code of Conduct, the Dealer's Code of Conduct, CIRO's Code of Conduct and the Code of Conduct of any professional Society to which she/ he is a member.

There may be some training required to accommodate the work-at-home protocol as it appears this method of working could become a permanent fixture of the advice industry. Use of video conferencing, digital signatures, security, privacy protection, record retention etc. are some of the changes that need to be addressed. We expect such training will be provided by Dealers and not be part of the CIRO examination/assessment process.

Under this model, KYP training obligations accountability will remain with CIRO Member Firms and integrated into CE.

If there is a requirement for Firm sponsorship prior to enrolling in an Approved Person exam, individual Canadians could not take these exams. Individuals, presumably, could however, enroll in courses leading to the exam.

It is our understanding that while proficiency may be enhanced and a Code of Conduct introduced, RR's will still not be required to be bound to an overarching Best interests or fiduciary standard.

Security protection over exam papers needs to be very high. Exams will need to be continuously changing due to new rules, products, technology and for reasons of examination system integrity.

Commentary

Our desire is to support a better education model that would provide financial consumers the level of confidence necessary to trust their Registered Representative with their life savings.

A key assumption of the proposed examination model is that there is a significant number of commercial educational institutions available that could provide, at competitive prices, high quality courses that support passing the CIRO approved examinations and proctoring/marking services.

Because certain courses generate more revenue than others, having too many education providers could dilute the number of possible enrollees for each course, incentivizing companies to focus on lucrative courses at the expense of costly but still important ones. Is there a risk that other less popular courses may raise prices due to a low numbers of participants? In any event, IIROC have committed to deploy resources in the event an acceptable course vendor does not exist- they will prepare study guides, or supplementary materials to aid students in the preparation for exams.

The consultation paper states that CIRO/ IIROC "...engaged in some modelling work, with the assistance of an education consultant [unidentified] that included

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research and analysis of current and alternative proficiency models and industry best practices". Making the research public could help us better understand why IIROC concluded that assessments based on competencies, and not based on defined educational courses, are a best practice for licensing RR's.

We recommend that a comparison table be presented comparing the proposed model to the existing model to demonstrate why the proposal is the "best" approach to licensing RR's. From the perspective of Main Street, "best" means better outcomes for investors. For Bay Street, it may simply mean faster, easier, cheaper licensing of their representatives. In addition, we would appreciate receiving any independent empirical research that the proposed model is indeed the "best" model and what CIRO define as the "best".

Alignment with Firm training is a positive in that such alignment will ensure there are no gaps, inconsistencies or misinterpretation of securities laws and regulations and the training is timely. This initiative will take considerable specialized IIROC resources to effectively implement and maintain in the constantly changing marketplace. Guidance notes such as GN-3400-21-001 *Sales Practice Obligations Relating to Leveraged and Inverse Exchange-Traded Funds* can be very helpful in RR training/ CE for complex products. The timing of such training is critical to prevent mis-selling. (In too many cases we have seen Firms' training focussed on sales production, product promotion, IPO's and high fee product marketing.)

A recognized university degree, say in finance, economics, quantitative methods, engineering or an MBA would alleviate our concerns in that such professions develop a rounded education, analytical and math skills, ethical conduct, logical thought and a desire to learn. A relevant university degree will add credibility and stature to the RR profession. [We support this recommendation.](#)

Rather than have separate exams focused separately on either options or futures, each of which currently has a different set of course and exam requirements, IIROC (CIRO) is proposing one consolidated exam for RR's which would cover the requisite understanding of all derivatives. [We believe that a working knowledge of options is a core RR competency needed to construct resilient portfolios.](#) There should be no grandfathering on current options license holders to trade futures. Trading in futures requires a high level of sophistication. We are not qualified to comment on the recommendation that a dedicated futures examination should be eliminated.

[Providers of examination services should be decoupled from providers of educational services.](#) There may be effective ways to mitigate conflict risk but given the critical importance of the examination process, risk avoidance may be the safest route, at least in the first few years of model rollout.

Per the proposed model, once the general exam is satisfactorily completed, an applicant would require sponsorship from a Dealer prior to being permitted to write the additional exams, which will be specific for each approved person category (based on the proposed Competency profile). This constraint appears to us to put the industry in charge of the profession of RR's. If passing the RR exam is strictly a

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license to sell, perhaps that constraint may not be unreasonable. We leave it to financial advice professionals to opine on the appropriateness of this constraint.

The elimination of mandatory courses tied to exams, leaving education primarily to the competitive, for-profit market, is not risk free. For example, in the banking sector, multiple competing External Complaint Bodies (ECB) has produced poor results necessitating a change back to a single, non-profit ombudsman service (the majority of the major banks drifted to the lesser rated ECB). In the case of Ontario's title protection program, competing Credentialing Bodies have led to claims that there are vast differences in robustness between the competing entities. [One of the approved CB's is currently facing financial challenges]. Another possible failure mechanism might see the Big bank-owned Dealers focus their business on one for-profit educational institution and thereby acquire an unhealthy level of influence. IIROC should determine what conditions must be in place to ensure healthy, high quality competition.

Variable quality between education providers can create reputational risk for IIROC/CIRO and compromise the ambitious efforts taken to raise RR proficiency. **Kenmar recommend that CIRO consider accrediting or endorsing select courses / institutions.**

Key changes relating to assessment of RRs and IRs: CIRO propose having a general industry exam (the general exam), based on the competencies common between all the profiles. Kenmar agree that exams for each Approved Person Category based on the published Competency profiles should be required.

CIRO propose an increase in baseline education requirements for RR's to include a relevant degree, diploma, **or** two years of relevant experience working in the financial services industry- the challenge will be how to determine relevancy. **We do not see how two-year's industry experience is a substitute for RRs to have the analytical skills and professional standards achieved through completion of a university degree from a recognized educational institution.** The ASIC requires the completion of an approved university degree.

We agree that for retail RRs (and IRs), CIRO should continue to require the current 90-day training program for RRs and 30-day training program for IR suitably updated to align better with the relevant Competency profiles.

While CIRO are of the view that an assessment centric model is *the **best model*** for the Approved Persons in that the model would raise the proficiency bar and enhance the proficiency regime applicable to Approved Persons; increase responsiveness to industry changes; create opportunities for better learner experience, and lower the cost of licensing , **the consultation paper does not, in our opinion, provide sufficient evidence that RR proficiency will **increase** via adoption of the new proficiency model or that is the best model .** CIRO also needs to evaluate risks to the industry, educational institutions and/or retail investors if the view is not correct.

Professional Conduct Training

Conduct training is essential in order for clients and society to have trust in RR's and the financial services industry. Integrity and fairness are essential. RR's should be required to complete professional conduct training **BEFORE** they have been approved by CRO since such training is fundamental to the client- registrant relationship.

You cannot make someone ethical. You can inform people of what is and is not ethical so that plausible deniability is removed as a defense. You can also increase the stakes such that being unethical becomes undesirable. The former is achieved by verifying that a professional knows the ethical expectations (which can be done through a combination of attestations and testing). Undesirability is achieved through the ability to impair one's invested career path and /or monetary penalties.

Proficiency includes achieving a high standard of ethical conduct. We agree with IROC/CRO that conduct /ethics is not just a question of having the appropriate competencies and reading the Code of Conduct. Conduct, ethics and communication skills training should be via mandated course education - preferably in-class.

IROC will publish a Code of conduct which outlines how RR's should conduct themselves when carrying out their regulatory responsibilities and in their relationships. *A Code is a necessary foundation for the conduct training.* The FP Canada **STANDARDS OF PROFESSIONAL RESPONSIBILITY** is a good starting benchmark <https://www.fpcanada.ca/docs/default-source/standards/standards-of-professional-responsibility.pdf> [As an Ontario *Financial Advisor* CB, CRO will be required to have a Code of Conduct for its credentialed Ontario FSRA FA title holders.]

Where the Firm's Ethics code conflicts with the CRO prescribed Professional Code of conduct, the latter shall have precedence. We expect CRO will take action to reconcile any differences.

CRO's current thinking is to have case studies provided through interactive online training programs. We are informed that this will improve access to training for newly Approved Persons .An ethical decision-making framework should provide RR's with a tool for following the principles of the Code of Conduct. CRO states "*We plan to include some form of assessment throughout the interactive training to ensure that the individual is learning the information, rather than passively listening.*" *We are not convinced that individual online training will be effective but remain open to persuasion.* See **What's wrong with ethics training?** | LinkedIn "*It's unclear to me how many of the standard ethics training courses help people behave better in their complicated and multi-faceted working lives, particularly when they are completed online, and alone.*" <https://www.linkedin.com/pulse/whats-wrong-ethics-training-catherine-greene-1e/>

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See also Best **Practices in Ethics Training** - Network for Business Sustainability)
<https://nbs.net/best-practices-in-ethics-training/>

Basic ethical principles should be cited. Consider raising actual ethical dilemmas that the industry is facing (or CIRO settlement agreements/ OBSI case studies), so that the ethics discussion is grounded in real life scenarios and shared experiences.

IIROC/ CIRO should also require Firms to demonstrate how they plan to keep professional conduct top of mind (this could be via CE and periodic seminars). A round-table discussion about what ethical behavior is and to role-play tricky situations are components of a good conduct training course. In our experience, in-person conduct and ethics training is more effective where student interactions with a group, breakout rooms and quizzes prevail.

The preparation of the conduct training course will require expertise and periodic revision/ updating.

The sort of assessment process used to determine information retention will be a key factor in deciding the robustness of the proposal given that no examination is proposed. [No examination is proposed for those taking the online course.](#)

For the conduct training to have meaning, CIRO must ensure that Member compensation and other practices do not incent otherwise ethical individuals to engage in unethical, questionable or unprofessional conduct for financial or personal gain. The recent CSA conflicts-of-interest Report suggests that much work remains to be done. Tone at the top determines corporate culture.

When a regulatory sanction includes a requirement to retake conduct training and rewrite and pass the conduct exam, that course/ exam should be more stringent.

Mandatory Continuing Education (MCE)

We do not disagree with CIRO being “actively involved in the exam design process,” and in designing the mandatory conduct training and Continuing Education (CE). CE training has too often been on the shallow side and not highly correlated with real needs in a timely manner. **Impactful** CE should improve investor outcomes.

CIRO believe that their proficiency model would generally allow for greater relevancy and currency than is available today. To address this, CIRO plan to provide 1 to 3 hours of mandatory CE on an annual basis for all Approved Persons to ensure that they keep up to date with those matters which CIRO find are of utmost importance in a given year. This will be part of the mandated applicable CE currently set at 10 hours of compliance and 20 hours of professional development. This appears to be a positive development as timely, relevant personnel education and training in a dynamic field is a necessity.

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CIRO also plan to offer online interactive CE training in order to enable Approved Persons to access the training program from any location. We are unable to provide informed commentary on this proposal as we have not researched the efficacy and risks of online interactive CE training.

The MCE program for RR's should include at least some regular review of ethical/conduct content.

Summary and Conclusion

There is an argument for wanting to re-assess the current education/exam process. The current practice of awarding a sole source education contract potentially reduces innovation, productivity growth and competitiveness. The winnowing of the number of exams to align with registration categories and the proposed CE and baseline competency changes are likely improvements.

The proposed model creates an environment for CIRO to become the industry's de facto education provider, as the predecessor IDA did - the CSI; a very challenging mandate for a newly formed SRO with a lot on its plate.

The proposed RR proficiency model is bold, ambitious and impactful which makes it essential that IIROC publicly reveal to commenters the research it relied upon to assure itself that it is the best one.

IIROC oversees approximately 174 Firms and more than 31,000 registered representatives, so this proposed change is a bold, ambitious undertaking. Retail investors and every component of the financial services industry will be impacted. Robustly building/administering high-stakes examinations with a serious set of learning **outcomes** is a demanding task. **Doing this to a high level requires significant specialized expertise and will be a key success factor.**

Under the proposed model, individuals must decide how they want to be educated in order to have the body of knowledge to successfully pass the examinations. This will require a knowledge of which courses and institutions provide current, accurate and complete coverage of the necessary educational materials. This could be very challenging for students.

While a rigorous examination process may help ensure that only qualified candidates pass and are licensed to become RR's, and candidates who do not demonstrate the required competencies fail the examination and are prohibited from registration, there is still the potential for knowledge and competency gaps among those who pass the examination, which may ultimately create risk for clients

There are a significant number of fundamental questions, model unknowns and exam design details. [Without more information on the examination design process](#)

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and other details we cannot definitively opine on the acceptability of the proposed model. **The devil is in the details.**

We might feel less uncomfortable with the proposed model, if (a) CIRO implement a modern, long delayed client complaint handling rule; (b) OBSI was provided a binding decision mandate; (c) the systemic issues protocol recommended by the 2021 OBSI Independent Review was implemented and (d) CFR conflict-of-interests obligations are complied with by Member Firms. These actions will result in better client outcomes and assist the IIROC RR Competency profile to continuously evolve via real world feedback from the complaint system.

We encourage CIRO/ IIROC to liaise with the FSRA for lessons learned from the bumpy rollout of the FA title protection experience.

We look forward to hearing the views from professional societies, individual registrants, educators, consumer groups/investors, industry participants and the CIRO Investor Advisory Panel.

Going forward, CIRO will need to consider the role of AI in providing financial advice to clients. See <https://www.deloitte.com/global/en/Industries/financial-services/perspectives/ai-next-frontier-in-investment-management.html>

Either before and/ or after the consultation closes, **we recommend a Round table be held with stakeholders to discuss and debate the proposed proficiency model.**

We hope this Comment letter provides a useful input and look forward to participating in any follow up activities.

Respectfully,

Ken Kivenko, President
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APPENDIX I: Adjustments to Competency Framework

A primary purpose of the RR Competency profile is to provide teaching institutions with information to support education content and examination development. It is therefore critical that this profile be impactful, accurate, complete, current and consistent with securities laws and regulations and Dealer service offerings. In this Appendix we provide our views on possible adjustments to the baseline Competency profile.

Based on our experience in assisting victims of financial assault and interactions with investors we feel there is a need for improved RR education/training in risk profiling, behavioural finance, detection of client vulnerability (TCP – temp with-holds) , insurance, basic estate planning , integration with government tax/social benefit programs and dealing with seniors/retirees/vulnerable clients. According to

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Statscan, on July 1, 2022, almost one in five Canadians (18.8% of the population; 7,329,910 people) were at least 65 years of age).

Income tax optimization is a critical skill we think deserves more attention. We have also observed that there is a need for more training for managing de-accumulating accounts (retirement/pension accounts). [**Participants in the 2023 IE Dealers' Report Card, shared that, on average, more than one-third of their books (34.2%) are in the de-accumulation phase**].

Given the growing attention given by government, regulators , investors and advisors to ESG matters, we believe there should be a specific RR knowledge requirement for familiarity with basic terminology, ESG-features of investment products, and the various types of sustainable investing strategies with particular application when making a portfolio suitability determination (per CFR) to consider environmental, social and governance matters.

Given the changes to NI 31-103/CFR with respect to conflicts-of-interest, we believe that additional consideration and expansion of the conflicts and ethics category is necessary. With respect to conflicts, RRs (and IRs) should, at a minimum, be aware of their Firms' "conflict inventory" and mitigation or avoidance requirements for each such conflict. In order to consider *competitive products* under CFR, RR's will need a specific knowledge competency relating to its competitors' products, at least at a high level.

RR's should have a knowledge of the complaint handling system including the important role played by the independent Ombudsman (OBSI).

The Competency profile should accommodate these skills/ competencies and examinations should test for them.

From the retail consumer perspective, the key deliverables expected of a Registered Representative (RR) are:

- Is thoroughly familiar with applicable securities laws, regulations and rules
- Understands what it means to make recommendations in the client's Best interests (ethics, conduct, fees, cost)
- Ability to prepare a basic financial plan/ Assist with basic estate planning (not a registration requirement)
- coaches with expertise in cash flow budgeting and where to prioritize spending and saving (not a registration requirement)
- Understands market dynamics and portfolio construction theory
- Can assess issuer financial statements and reports
- Ability to effect a meaningful investor KYC (listening and communications skills)
- Able to construct an investment portfolio that meets client objectives and risk profile at optimal cost (analytical and mathematical skills)
- Make recommendations that are tax-efficient (basic tax code knowledge) and are in the client's best interests.

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- Is familiar with the Rules regarding registered plans (TFSA, RESP, RRSP, RRIF etc.) and social benefit programs.

In addition to a working knowledge of regulations, finance, taxation and markets, Registered Representatives (RRs) require analytical skills, math skills, communication skills and interpersonal skills. **The licensing system should focus on outcomes as much as process.**

See National Occupational Classification **11102 – Financial Advisors** (<https://noc.esdc.gc.ca/Structure/NocProfile?objectid=Y0aZzJd7NTVjDB0Cr50oYPyq%2BnHwXRpMhVua%2BiaDRAk%3D>) for the role a FA should play in providing *financial* advice to Main street.

Appendix II Barriers to RR success

CIRO registered Firms must be required to provide RR's with the tools and information needed to do their jobs. This would include, but not be limited to, clear rules, ongoing training, a robust IT system, a risk profiling methodology, simulators, CRM software and effective supervision. Dealer compensation systems can negate the benefits of higher RR proficiency standards. It must also be mentioned that when a CIRO registered Firm imposes a restricted/ proprietary product shelf on its RR's, their proficiency, skills and conduct are impaired. **CIRO's new rule book needs to ensure that RR proficiency is actually allowed to be employed in servicing retail investors.** In the most recent IE broker survey the #1 and #2 important categories for advisors were freedom to make product choices and the quality of the product shelf.

With a few notable exceptions, the issues faced by retail investors relate as much to misconduct than inadequate RR proficiency. **Over the years we have found the majority of root causes of poor advice provided to clients is directly related to management actions and policies.** Examples include, but are not limited to: poor RR supervision, flawed risk profiling tools, insufficient staff training, advice skewing incentives and awards, use of stretch sales quotas, restrictions on product shelves, creation of irreconcilable conflicts-of-interest, inadequate IT systems, career advancement based primarily on sales production, misleading marketing materials, slow response compliance systems, and an adversarial climate in client complaint resolution. **RR proficiency alone will not, in our opinion, overcome the many barriers to professional advice giving.**

REFERENCES

Kenmar comments on IIROC competency profile
<https://www.iroc.ca/sites/default/files/2021-08/Kenmar%20-%20October%2013%2C%202020.pdf>

CIRO's open proficiency proposal raises questions, concerns | Wealth Professional

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<https://www.wealthprofessional.ca/news/industry-news/ciros-open-proficiency-proposal-raises-questions-concerns/379409>

Competency profile for RR Appendix 1: IIROC

<https://www.iroc.ca/media/12341/download?inline>

Competency profile for RR Appendix 2: IIROC

<https://www.iroc.ca/media/12336/download?inline>

Ethics and the Investment Industry : CFA Institute

<https://www.cfainstitute.org/en/ethics-standards/ethics/code-of-ethics-standards-of-conduct-guidance/ethics-and-investment-industry#:~:text=Widely%20acknowledged%20fundamental%20ethical%20principles,that%20behavior%20for%20other%>

Training and Competence: U.K. Financial Conduct Authority

<https://www.fca.org.uk/firms/training-competence>

FCA PS22/9: A new Consumer Duty The UK Financial Conduct Authority (FCA) have adopted a new Consumer Principle that requires Firms to act to deliver good **outcomes** for retail customers. <https://www.fca.org.uk/publications/policy-statements/ps22-9-new-consumer-duty>

Pervasive sales culture at Canadian banks designed to push clients into high fee products

"...A branch-based adviser at a Big Six bank is typically a salaried employee who holds a mutual-fund sales licence. Those advisers are not permitted to sell stocks and bonds. But securities legislation allows them to also sell exchange-traded funds (ETFs), which typically have much lower fees than mutual funds. Even so, the banks have moved at a snail's pace to provide branch advisers with access to trading platforms for a product that has spiked in demand because of its lower fees. To date, only two banks – Toronto-Dominion Bank and Royal Bank of Canada – provide limited access for branch clients to buy proprietary ETFs...."

<https://www.theglobeandmail.com/investing/personal-finance/article-pervasive-sales-culture-at-canadian-banks-positions-system-against-its/>

Online Ethics Training: 6 Factors For Successful Execution

<https://getimpactly.com/post/online-ethics-training>

Proficiency Assurance: The Next Phase in Proficiency Regulation |

September, 2015 IIROC

As IIROC enters the next phase of the evolution of the IIROC proficiency assurance model, IIROC will continue to work cooperatively to optimize proficiency of license holders and *ensure the highest levels of **professionalism** in the industry.*

<https://www.iroc.ca/news-and-publications/notices-and-guidance/proficiency-assurance-next-phase-proficiency-regulation>

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CFA Exam Prep Courses & Study Materials - Kaplan Schweser

<https://www.schweser.com/cfa>

How to pass the Canadian Securities Course Part 1 - YouTube video

https://m.youtube.com/watch?embeds_referring_euri=https%3A%2F%2Fwww.google.com%2F&source_ve_path=Mjg2NjQsMTY0NTA2&feature=emb_share&v=FOX6qg-Nf1o

Advisers are trained to look for inefficiencies, but miss the most important one of all: investor behaviour - Steadyhand Investment Funds

https://www.steadyhand.com/national_post/2023/07/20/advisers-are-trained-to-look-for-inefficiencies-but-miss-the/?utm_source=Steadyhand+Updates&utm_campaign=d0bb71278d-RSS_EMAIL_CAMPAIGN&utm_medium=email&utm_term=0_8fda198faa-d0bb71278d-122291457. RR training / proficiency should address this issue.

Advisors asking for more education opportunities | Investment Executive

https://www.investmentexecutive.com/newspaper_/dealers-report-card/advisors-asking-for-more-education-opportunities/ IIROC's plan to get more involved with RR training appears to be timely and appropriate.

Advisors renew complaints about client account statements | Investment Executive

https://www.investmentexecutive.com/newspaper_/dealers-report-card/advisors-renew-complaints-about-client-account-statements/ Firms must support the work of RR's by providing meaningful account statements in a timely manner.

2023 Canada Full-Service Investor Satisfaction Study | J.D. Power

One key finding of the 2023 study:

Only a fraction of investors receives comprehensive advice: The study shows that only 6% of investors in Canada are receiving a comprehensive level of service and advice from their wealth management professionals. Comprehensive advice is defined as personalized guidance from an advisor that addresses all financial and wealth management needs; demonstrates an intimate understanding of the client's lifestyle and goals; puts the client's best interests first; includes a financial plan; ensures clients understand the fees they pay; and is an integral part of the client's life. <https://canada.jdpower.com/press-releases/2023-canada-full-service-investor-satisfaction-study>

Mining for Goals How Behavioral Nudges Can Help Investors Discover More-Meaningful Goals: Morningstar

<https://assets.contentstack.io/v3/assets/blt4eb669caa7dc65b2/blte374a23eca64e209/619f97634be578123cfb560d/MiningForGoals2019.pdf>
[Behavioural finance a necessary RR competency.](#) Behavioural finance a necessary RR competency.

In-Person vs. Online Learning - Pros & Cons of Each | Yellowdig

<https://www.yellowdig.co/post/in-person-vs-online-learning-can-they-compare>

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2023 Canadian Retirement Survey: HOOPP

The 2023 Canadian Retirement Survey from Healthcare of Ontario Pension Plan (HOOPP) and Abacus Data finds a significant savings shortfall. A large cohort of Canadians approaching what should be their retirement years, have only enough saved for a couple of months at best. **The research reveals that 44% of Canadians aged 55-64 have less than \$5,000 saved and one in five workers have nothing set aside at all.**

<https://hoopp.com/home/pension-advocacy/research/canadian-retirement-survey-2023>

AI arrives on Wall Street

During its 2023 investor day, JPMorgan reported that it expected AI and machine learning technology to deliver \$1.5 billion in value for the company in 2023. But it could have its sights on a more consumer-facing product. In May, JPMorgan **applied to trademark a product called Index GPT that relies on "cloud computing software using artificial intelligence" for "analyzing and selecting securities tailored to customer needs."** <https://www.investmentnews.com/ai-arrives-on-wall-street-239607>

A Candidate's Handbook for Understanding Certification Examinations in Ontario

https://www.prometric.com/sites/default/files/2023-01/CMTO%20CandidateHandbook%20-%202023_CMTO.pdf We expect that CIRO or some other entity will prepare a similar handbook regarding examinations similar to that of CMTO.

JOINT CANADIAN SECURITIES ADMINISTRATORS / CANADIAN INVESTMENT REGULATORY ORGANIZATION STAFF NOTICE 31-363 CLIENT FOCUSED REFORMS: REVIEW OF REGISTRANTS' CONFLICTS OF INTEREST PRACTICES AND ADDITIONAL GUIDANCE

https://www.osc.ca/sites/default/files/2023-08/csa_20230803_31-363_client-focused-reforms.pdf One third (34%) of registrants failed to identify material conflicts of interest; 66% had inadequate policies and procedure re conflicts.

How To Pick The Right CFP Educational Program For You

<https://www.kitces.com/blog/how-to-pick-the-best-cfp-registered-program-to-complete-your-cfp-education-requirement/>

Canadians are 2x as likely to change wealth managers compared to their global counterparts, finds EY survey | EY Canada

https://www.ey.com/en_ca/news/2023/06/canadians-are-2x-as-likely-to-change-wealth-managers-compared-to-their-global-counterparts

NOTE: CIRO state "Our research and review demonstrated that assessments based on competencies, and not based on courses are a best practice." Why must these assessments be mutually exclusive? For example, professional engineers must take

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a defined course curriculum at a recognized university AND successfully pass exams based on the course materials. Engineers also participate in the ritual of the calling of an engineer. During the ceremony, all new engineers are given an iron ring as a symbol of becoming part of the profession. The Iron Ring is a ring worn by Canadian-trained engineers, as a symbol and reminder of the obligations and ethics associated with their profession. The ring is presented to engineering graduates in a private ceremony known as the Ritual of the Calling of an Engineer.