

VIA EMAIL ONLY

Sherry Tabesh-Ndreka

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Canadian Investment Regulatory Organization
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Dear Sherry Tabesh-Ndreka,

Re: Response to Consultation Paper on Proposed Proficiency Model for Approved Persons under Investment Dealer and Partially Consolidated Dealer Member Proficiency Rules

The Federation of Mutual Fund Dealers is pleased to provide our response to the CIRO consultation on the proposed proficiency model for approved persons under Investment Dealer and Partially Consolidated Rules.

The Federation of Mutual Fund Dealers (“Federation”) has been, since 1996, Canada’s only dedicated voice of mutual fund dealers. We currently represent dealer firms with over \$124 billion of assets under administration and greater than 24 thousand licensed advisors that provide financial services to over 3.8 million Canadians and their families. As such we have a keen interest in all that impacts the dealer community, its advisors, and their clients.

We appreciate the opportunity to offer feedback on the Proposed Proficiency Model.

General comments:

We are responding to this consultation intended for the Investment Dealer and Partially Consolidated rules with the expectation that the Proposed Proficiency Model will be rolled out in a harmonized manner to the Mutual Fund Dealer rules.

We support high educational standards for Financial Advisors and Planners, mitigating increased costs to dealers, and a harmonized principles based approach to regulating conduct across all registration categories.

In response to the specific feedback requested, please find our comments below.

1. The Need and/or Utility of a General Exam Requirement:

We recognize and strongly support a general exam requirement as a foundational assessment of an individual’s comprehensive knowledge and understanding of the investment industry. A well-designed general exam could contribute to establishing a common baseline of proficiency across all approved persons, registration categories, and geographies.

A well considered and objective approach to selecting the exam proctor and setting any qualifying standards for education providers will be important for a flourishing and open education market.

While we welcome increased involvement and oversight from CIRO over education, we do not support the potential cost involved with our SRO establishing an education infrastructure. A cost effective approach would see any CIRO specified content be made available through education providers to include within their programs. SRO created content risks competing with the marketplace, drawing the majority of students, and impelling the regulator to create further content.

2. Feasibility and Implications of Requiring Firm Sponsorship:

We have reservations regarding requiring firm sponsorship prior to enrolling in an Approved Person exam. While the intention to ensure adequate preparation is commendable, it places dealerships in a challenging position. Firms will be preselecting candidates and committing resources before being aware of their exam results and ability to succeed in educational endeavours. This requirement will create undue pressure on dealerships to bear the financial burden of sponsoring candidates who may not ultimately meet proficiency standards. Requiring a candidate to select a firm prior to successfully completing the examination may limit the candidates opportunity to explore the marketplace of dealerships, were only a limited number of dealerships willing to extend their resources to pre-licensed individuals. Some individuals may not be able to secure a firm apprenticeship, preventing them from taking the examination and starting their own businesses. It represents an additional layer of bureaucracy and blocks those who would take the exam for self-interest.

Consider whether it could create a risk of pre-licensure client activity, or risks with individuals who fail the examination.

We recommend foregoing this requirement or exploring alternative approaches that focus specifically on the initiative of the individual candidate, and have education and preparatory programs remain open to the broadest possible scope of students.

3. Value, Impact, and Utility of Requiring Baseline Education or Relevant Experience:

Requiring baseline education or relevant experience for Representatives in both retail and institutional contexts could enhance the quality of service provided to clients. It's essential that the requirements are realistically attainable and don't inhibit the ability of otherwise intelligent and committed individuals to enter the industry. Consider that distribution firms do review the qualifications of potential registrants prior to selecting and onboarding them.

Professional Engineers Ontario recently removed their two year experience requirement to favour an exam in order to facilitate the participation of foreign trained engineers.

Internationally trained engineers no longer require Canadian work experience to be licensed in Ontario, the province's labour minister said Tuesday, calling the move a "game changer." The development for qualified immigrant engineers will help fill roughly 7,000 vacant positions in Ontario, said Labour Minister Monte McNaughton.

"I hear it every day that the single biggest barrier to immigrants landing well-paying jobs is a requirement many regulators have for Canadian work experience,"

"This move is a game changer that will help thousands of qualified immigrant engineers pursue their dreams over the coming years."

Vice-president Christopher Chahine said the change, which went into effect last week, moves the regulator to a model focused on competency, rather than geography. "We continue to serve the public interest by ensuring all licensed professional engineers meet the rigorous qualifications and that only properly qualified, competent and ethical individuals practise engineering,"¹

Congruent with the open nature of the proposed examination, newcomers, retired professionals, and others that may not hold formal secondary education commerce degrees should be able to engage in standards adherent education programs that will facilitate a pathway to entering the securities profession as a registrant. They may seek to benefit from the experience and exposure of working in a financial firm prior to registration, and should be able to optionally pursue that path.

We believe the community benefits from highest possible qualifications for registrants, while recognizing the responsibility of balancing high standards against the necessity of increasing the availability of professional and skillful advice distribution to Canadians. A continuous flow of qualified new registrants supports a strong and self selecting marketplace of both niche and broad distribution firms.

4. Elimination of Mandatory Courses Tied to Exams:

We view the elimination of mandatory courses tied to exams as a positive initiative.

"for those courses or exams that have historically lower enrolment volumes, a competitive market of preparatory courses may not be available." ²

The Federation recognizes the importance of allowing market competition to offer a range of study and exam preparation tools, as they do today. We note that the creation of 'basic regulator provided study guides, courses, and other content' will necessarily discourage providers from engaging the cost and effort required to create and offer that content to learners. Where a single third party provider offers satisfactory materials for a lower enrolment exam, the situation will not be enhanced by the regulator competing with them.

"We are of the view that as a regulator, we need to ensure that there is an opportunity to learn and study for our mandated exams. Where we find that such an opportunity does not exist, we will prepare study guides, or supplementary materials." ²

We ask which exams or registration categories today are not successfully supported by education provider content, and/or which are projected to not have independent study content available upon launch. Education providers seek out opportunities to be first to market with new courses. We're convinced they would engage with CISO's needs on these opportunities in advance of launch.

We request that our self-funded regulator not engage in the cost and risk of 'scopecreep' with creating an internal financial services educational wing, instead tightly focusing on the critical regulatory components of proficiency; competency profiles, education & examination standards, and compliance & oversight.

¹ The Canadian Press · Posted: May 23, 2023 11:43 AM EDT | Last Updated: May 23 via CBC. <https://www.cbc.ca/news/canada/toronto/ontario-engineer-regulations-1.6851909>

5. Active Role of Dealers in Training New Hires for Exams:

While we acknowledge the attraction of encouraging dealers to play an active role in training new hires to prepare for exams, we express our concern regarding the financial burden on dealerships. The cost associated with developing comprehensive training programs and resources for exam preparation (where they don't already exist) will strain the financial resources of dealerships, particularly smaller ones. Prospective candidates would necessarily be directed to only join investment firms that can afford to develop and/or rollout such programs, preventing midsize and smaller firms from recruiting talented early stage, lower cost individuals to refresh or grow their advisory talent.

As we see now, firms that can afford robust onboarding and training programs do so with the confidence of retaining that individual for the long term. With preparatory courses mandated and potentially a two year experience requirement, a smaller dealer may only be able to attempt to recruit this person after they've developed a loyalty, comfort, and familiarity with their initial dealer. As well, consider dealers offering an expensive training program to every hopeful advisor in the country. They will experience all of the smaller firms recruiting the successful candidates away post-exam.

In conclusion, we thank you for considering our responses. We are committed to collaborating with CIRO to ensure the successful development and implementation of a proficiency model that enhances industry standards while addressing the costs, operational complexities, and potential risks faced by dealerships, their advisors, and Canadian investors.

We look forward to engaging in further discussions and actively contributing to the refinement of the proposed proficiency model.

Respectfully,

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² CIRO Consultation Paper – Proposed Proficiency Model- Approved Persons under the Investment Dealer and Partially Consolidated Rules Posted: July 7, 2023 <https://www.ciro.ca/news-room/publications/consultation-paper-proposed-proficiency-model-approved-persons-under-investment-dealer-and-partially>