

December 7, 2022

VIA ELECTRONIC MAIL

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Re: IIROC Consultation Paper on Competency Profiles for Associate Portfolio Managers and Portfolio Managers

Dear Ms. Tabesh-Ndreka:

I am writing on behalf of the Investments and Wealth Institute f/k/a Investment Management Consultants Association, Inc. (“IWI”) to provide comments to the Investment Industry Regulatory Organization of Canada (“IIROC”) on the competency profiles for the Portfolio Manager (“PM Profile”) and Associate Portfolio Manager (“APM Profile”) profiles set forth in Registration/Approval categories.

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II. BACKGROUND-IWI

IWI is a non-profit certification body and education provider that serves advanced financial services professionals located worldwide, although principally in the United States. IWI offers three certification schemes, CERTIFIED INVESTMENT MANAGEMENT ANALYST® (“CIMA®”), CERTIFIED PRIVATE WEALTH ADVISOR® (“CPWA®”), and RETIREMENT MANAGEMENT ADVISOR® (“RMA®”). IWI is the only certification body that has more than one certification scheme accredited by one of the two recognized accreditation bodies. IWI’s CIMA and CPWA schemes are accredited by the ANSI National Accreditation Board (“ANAB”) under the international standard ANSI/ISO/IEC 17024. See <https://www.finra.org/investors/professional-designations/accredited-designations>. The CIMA program is the IWI certification that currently applies internationally to non-US-based financial services professionals.

IWI has 11,982 certified professionals and approximately 15,000 members. Canada and Australia are IWI's second and third largest markets. In Canada, IWI has 71 active Canadian certified professionals (all CIMA certificants) and approximately 150 Canadian members. IWI believes that its Canadian numbers have been adversely impacted by the current Canadian proficiency regime on which IROC is now seeking comment.

IWI was established in 1985 to deliver premier investment consulting and wealth management credentials and world class educational offerings. IWI's CIMA certification is the only certification designed specifically for financial professionals who want to attain a level of competency as advanced investment managers. The financial services industry recognizes the CIMA certification as one of the top certifications for financial professionals providing investment advice. The CIMA certification demonstrates that the consultant has completed a rigorous process reflecting a high level of competency in investment, professionalism, and ethics. Additional information about IWI and CIMA can be found on IWI's website at www.investmentsandwealth.org or directly from me. My phone number is 303-850-3082, and my email is rfrankel@i-w.org.

III. THE CIMA CERTIFICATION

CIMA professionals have voluntarily submitted themselves to a process of certification in the field of investment management consulting. As described in more detail below, that process requires demonstration of three years of industry experience, appropriate ethical background, completion of an executive education program (currently offered through the Booth School of Business at the University of Chicago, the Yale School of Management, and Portfolio Construction Forum in Australia), and obtaining a passing score on the certification examination. CIMA certification means that the certificant has successfully met initial and ongoing standards to provide objective investment advice and guidance. CIMA certificants apply investment theory and integrate a complex body of investment knowledge systematically and ethically to assist clients in making prudent investment decisions.

Continuing Competency and Ethical Fitness Requirements

To maintain and sharpen their professional skills, CIMA certificants are required to complete 40 hours of continuing education every two years including two hours in the field of ethics and one hour in taxes and regulations. Practitioners who fail to report acceptable continuing education are no longer authorized to use the marks. Ongoing standards also include an ethics review every two years, and those who violate IWI's Code of Professional Conduct or Disciplinary Rules and Procedures are subjected to a fair and impartial disciplinary process that could potentially lead to findings of no violation, a private censure, a public censure, or the loss of the right to use the certification marks for a set period of time (suspension) or permanently (termination).

ANAB Accreditation under ANSI/ISO/IEC 17024

Since April 2011, CIMA certification has been recognized as one of the only financial services certifications in the United States to have met an international standard for personnel certification (ANSI/ISO/IEC 17024) and earned accreditation by ANAB. Among the hundreds of

financial certifications and certificates currently offered in the marketplace, few meet national/international standards which support consumer protection. Competency-based certifications that meet stringent global standards with third-party accreditation provide stakeholders with the confidence that those holding the certification have met specific requirements. In the U.S. today, several federal agencies including the Department of Defense, Department of Energy, FDA, and OSHA rely on ANSI accreditation to identify credible certifications. The Canadian accreditation and standards body holds AABI in high esteem, and Dr. Vijay Krishna of ANAB wrote to you about the merits of accreditation on July 8, 2019.

IV. COMMENTS ON THE CONSULTATION PAPER

Given the aforementioned background, IWI offers the following comments exclusively with regard to the Competency Profile for the PM and APM categories.

General Comments

The final paragraph in section 5 (Next Steps) of the consultation paper says:

We also intend to commence the procurement process with the publication of a Request for Expressions of Interest (REOI) in early fall 2022. The aim of the REOI is to establish a shortlist of potential education service providers for the subsequent Request for Proposal that will eventually lead to the selection of an education service provider following the expiry of the CSI contract on December 31, 2025.

IWI does not believe that a single education service provider should be selected for recognition because there are several sophisticated certification and education programs that could all validly teach these core competencies. IWI will likely be submitting an expression of interest for its CIMA program to be that lead program. However, IWI believes Canada would be best served by providing alternative paths to demonstrating these core competencies by recognizing all appropriate certification and/or education programs that can demonstrate sufficient coverage of the core competencies ultimately established by IIROC. We suggest that the current recognition of both the CPH and CIM courses is the proper model; it simply needs to be opened to other, equivalent designations.

As you know, financial professionals often move locations and positions. They can be employed by IIROC Dealer Members, registered advisers, and buy-side clients such as pensions funds. The system should allow for such mobility among registration regimes where each regime recognizes equivalent qualifications and does not require time-consuming and expensive exemption procedures. Further, diversity of thought within an investment management team enhances quality of service and client experience. Having teams of PMs and APMs with differing educational backgrounds that all meet basic competency requirements but have different emphases can improve the team knowledge brought to bear on portfolio management.

IWI agrees that the categories set forth in the competency profiles are important for financial advisors wherever they practice. Many of these are required by regulators worldwide with forum-specific differences. However, we suggest that it is impracticable and unnecessary for a third-party certification to be Canadian-specific and firm-specific. Indeed, even within Canada, there are province-specific rules that would create consistency issues, just as the states in the United States have variances in their regulatory schemes.

IWI believes it is in IIROC's interest to open the core competencies to various designations and supplement those competencies with a Canadian-specific course like the *Conduct and Practices Handbook for Securities Industry Professionals Course* devoted to specific local rules and industry practices.

In addition, firm-specific knowledge and behaviors should be taught at the firm level, while some are acquired through practice, as is recognized by the two-tier categories of Associate Portfolio Manager and Portfolio Manager.

In general, therefore, most of what we believe is relevant to a general course on portfolio management is listed in the Knowledge column of the competency profiles. We have noted briefly in our specific comments those skills and behaviours that may fall within what is necessary for a general education and certification program and what aligns more with a course covering local rules and practices or firm-specific training.

In general, the behaviours and skills listed are creditable and should be fostered, but are not amenable to inclusion in a course teaching portfolio management. For example, it is important to keep up to date with industry trends and changes to regulatory environments, but that is not a behaviour that can be taught. Similarly, the differences between the roles of APM and PM are specific to Canadian rules and should form part of a local rules and practices course rather than a general course on portfolio management applicable in any country under any regulatory regime.

That this perspective is applied in the following specific comments is not meant to denigrate the importance of the skills and behaviours listed that form part of the competencies of an APM or PM; it is directed at identifying those areas of knowledge that should, we think, be included in any Request for Proposal for an APM/PM qualification course or designation.

Specific Comments

1. Regulatory Environment and Ethics

1.1 Regulatory and operating environments		
Knowledge	Behaviour and Skills	IWI Comment
<ul style="list-style-type: none"> • Regulatory requirements, including: <ul style="list-style-type: none"> o Business conduct o Trade conduct o Know Your Client (KYC) o Know Your Product (KYP) o Conflicts of interest, including prohibited 	<ul style="list-style-type: none"> • Consider fundamental regulatory and industry knowledge • Keep up to date with industry trends and changes to regulatory requirements as it applies to discretionary managed business 	<p>Of the listed areas of knowledge, KYC, KYP and conflicts of interest should be core parts of a general course using general concepts and guidelines without reference to specific rules.</p> <p>The rest of the knowledge items are specific to a country's laws and regulatory regime(s).</p>

1.1 Regulatory and operating environments		
Knowledge	Behaviour and Skills	IWI Comment
<ul style="list-style-type: none"> personal financial dealings with clients o Disclosures to clients o Differences between the role of APMs and PMs o Anti money laundering (AML) and terrorist financing requirements o Dealer and regulatory restrictions regarding external communication o Investment management fees, fee structures and applicable guidelines for compensation • Changes to the regulatory landscape, including: <ul style="list-style-type: none"> o Fee-based account trends o Online advice o Organizational structure, key roles, and responsibilities of others in servicing a managed account client: <ul style="list-style-type: none"> • Relationship managers • Sub-advisors • Fund managers • Back office and head office functions • Chief Investment Officer (CIO) • Head of equities • Head of fixed income 	<ul style="list-style-type: none"> • Exercise discretionary authority on managed accounts while abiding by regulatory requirements, keeping in mind the difference in the roles of APMs and PMs • Identify the key internal employees and Approved Persons (Aps) to support the role as a PM • Build relationships with the different areas at the firm • Identify the difference between servicing retail clients compared to institutional clients • Identify the key internal roles and how information flows to help foster investor protection • Identify the different types of communications for clients and adhere to dealer's best practices and regulatory rules and guidelines regarding social media and other external communication • Adhere to investment mandates and regulatory requirements when dealing with various types of clients • Consider regulatory trading requirements for various marketplaces, including stock exchanges and alternative trading systems (ATS) 	

1.1 Regulatory and operating environments		
Knowledge	Behaviour and Skills	IWI Comment
<ul style="list-style-type: none"> • Investment analysts • Trade execution • Sales and marketing • Client service staff • Canadian Securities Administrators (CSA) <ul style="list-style-type: none"> o National instruments o Soft dollar arrangements • Client privacy requirements <ul style="list-style-type: none"> o Personal Information Protection and Electronic Documents Act (PIPEDA) requirements • Canadian Investor Protection Fund (CIPF) • Role of Office of the Superintendent of Financial Institutions (OSFI) • Types of communications with clients • Industry challenges • Corporate governance <ul style="list-style-type: none"> o Regulatory trading requirements for various marketplaces, including stock exchanges and alternative trading systems (ATS) 		

1.2 Ethics		
Knowledge	Behaviour and Skills	IWI Comment
<ul style="list-style-type: none"> • Importance of ethics • Ethical principles • Individual values and awareness • Ethical dilemmas • Framework for ethical decision making • Critical thinking skills • Importance of independence and objectivity • Unethical practices in securities trading • Written code of ethics and standards of conduct, including: <ul style="list-style-type: none"> ○ Loyalty to clients ○ Trading ○ Risk management, compliance, and support ○ Performance reporting and valuation, and disclosure 	<ul style="list-style-type: none"> • Demonstrate behaviour that conforms to high standards of ethics and conduct • Apply critical thinking to identify and address ethical dilemmas and making ethical decisions • Apply high standards of ethics and conduct when dealing with clients and engaging in other professional activities, and promoting such behaviour with coworkers and employees • Act with independence and objectively • Carry out professional responsibilities in a thoughtful and objective manner, free from any personal obligations, encumbrances, or biases, such as gifts or relationships that may influence judgement • Escalate matters of non-compliance and unethical behaviour as appropriate 	<p>IWI is a strong proponent of ethical behavior, and IWI would agree with the categories identified by IIROC noting only that third-party certifications likely do not enumerate “critical thinking skills” and “importance of independence and objectivity” in their detailed content outlines, albeit critical thinking should be implicitly demonstrated by the passage of an examination for a quality financial services certification based upon the need to have a portion of the examination questions involving reasoning as opposed to memory. Independence and objectivity are firm-specific competencies. IWI believes that critical thinking should apply to all topics in the core competencies and use within each category might prove too difficult for IIROC to assess in reviewing third-party certifications because some quality certifications might test critical thinking in other topics but not in ethics.</p>
1.3 Fiduciary Duty		
Knowledge	Behaviour and Skills	IWI Comment
<ul style="list-style-type: none"> • Principles of fiduciary relationships, including: <ul style="list-style-type: none"> ○ Relationship of trust ○ Duty of care 	<ul style="list-style-type: none"> • Uphold the principles of fiduciary relationships in all dealings with clients • Build and foster a relationship of 	<p>IWI agrees that PM and APMs would need to understand the concept of a fiduciary</p>

<ul style="list-style-type: none"> o Duty of loyalty o Duty of good faith o Acting in the best interest of clients • Management of conflicts of interest: <ul style="list-style-type: none"> o Address o Disclose o Avoid 	<p>trust</p> <ul style="list-style-type: none"> • Serve the best interests of clients • Act with independence and objectively with prudence • Act honestly and in good faith in dealings with clients • Avoid conflicts of interest, or disclose and address as appropriate • Consider client's needs and circumstances including those of vulnerable clients 	<p>duty. However, country-specific or province-specific approaches would create a problem for third-party certifications. Those differences, along with firm-specific issues, should be taught and demonstrated elsewhere.</p>
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1.4 Managed Accounts

Knowledge	Behaviour and Skills	IWI Comment
<ul style="list-style-type: none"> • Dealer's policies and procedures regarding client information, new accounts, and updates to material client information • IIROC managed account requirements, including: <ul style="list-style-type: none"> o Suitability o Account appropriateness o Opening a managed account o Account approval o Managed account agreement o Supervision o Managed account committee o Managed account review o Fair allocation of investments • Relationship disclosure requirements • Primary responsibility over clients and restrictions on delegation • Confidentiality and Privacy legislation requirements 	<ul style="list-style-type: none"> • Develop a business and marketing plan to build and maintain a book of managed accounts within dealer and regulatory requirements • Use effective communication skills and inform clients about the necessary disclosures and nature of the discretionary relationship and managed accounts • Ensure team members, including APMs, use effective communication consistent with the regulatory requirements when dealing with clients • Ensure that matters are delegated appropriately 	<p>IWI agrees with these competencies in general. However, firm and regulatory policies will vary by country, province, and firm, making it impracticable to create a test that demonstrates compliance with these competencies. With regard to the behaviors and skills, which deal with marketing, communication, and delegation, they are impossible to assess and ought to be taught on the job by the employing firms.</p>

1.5 Compliance and Supervision

Knowledge	Behaviour and Skills	IWI Comment
<ul style="list-style-type: none"> • Key roles and information flow • Role of the Supervisor of managed accounts • Role of managed account committee • Managed account review • Compliance, including: <ul style="list-style-type: none"> o Licensing and regulatory reporting 	<ul style="list-style-type: none"> • Adhere to regulatory requirements and dealer's best practices for risk control and securities trading as it relates to portfolio management • Escalate situations of non-compliance to the appropriate Supervisor or compliance staff 	<p>IWI agrees with these competencies in general. However, firm and regulatory policies will vary by country, province, and firm, making it impracticable to create a test that demonstrates</p>

<ul style="list-style-type: none"> o Sales and marketing o Advertising guidelines o Investment guidelines and restrictions • Best practices for risk control and securities trading, including: <ul style="list-style-type: none"> o Performance measurement o Signing authority matrix o Employee personal trading practices o Investment management agreement o Investment guidelines and restrictions 	<p>including Chief Compliance Officer (CCO)</p>	<p>compliance with these competencies.</p> <p>That being said, performance measurement and investment guidelines and restrictions are topics that should be included, as described more fully in Section 4 on Portfolio Construction and Section 5 on monitoring and evaluation.</p>
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2. Investment Policy

2.1 Investment Policy Statement		
Knowledge	Behaviour and Skills	IWI Comment
<ul style="list-style-type: none"> • Scope, purpose, and details of an investment policy statement (IPS) • KYC and KVP requirements • Investment objectives <ul style="list-style-type: none"> o Return, including: <ul style="list-style-type: none"> ■ Measuring the return objective ■ Required return ■ Benchmarks ■ Retirement needs analysis o Risk, including: <ul style="list-style-type: none"> ■ Client's willingness to take on risk ■ Client's ability to take on risk ■ Establishing a risk tolerance and risk capacity ■ Defining a risk objective • Investment constraints and portfolio restrictions, including: <ul style="list-style-type: none"> o Time horizon o Liquidity requirements o Tax management o Legal and regulatory requirements o Environment, social, and governance (ESG) considerations and other personal values 	<ul style="list-style-type: none"> • Formulate and draft a clear IPS, taking into consideration KYC, KVP and financial profile of a client • Ensure the IPS is tailored to the client and is suitable considering their investment objectives, constraints, and restrictions • Review the IPS with the client, use effective communication to explain the documented IPS, and make changes as necessary • Provide financial investment advice and recommendations to clients • Make investment decisions on managed accounts that are consistent with the IPS including constraints and concentration limits and use of leverage • Consider the limitations of the APM role before making changes to the portfolio 	<p>IWI concurs with this competency, although testing for the behaviors and skills belongs at the firm level.</p>

<ul style="list-style-type: none"> • Concentration and liquidity requirements • Leverage use and restrictions • Correlation, beta, and alpha • Multi-factor risk exposures • Asset mix categories • Types of financial instruments and their benefits and risks 		
<h2>2.2 Asset Allocation</h2>		
<p>Knowledge</p> <ul style="list-style-type: none"> • Strategic asset allocation, including: <ul style="list-style-type: none"> ○ Mean-variance analysis ○ Human capital state variable sensitivity analysis ○ Equal-weighted vs. market-cap weighted ○ Home country bias ○ Portfolio allocation models such as Black-Litterman model • Typical asset allocation composition considering factors such as age, employment characteristics, time diversification and ad hoc approach • Dynamic asset allocation, including: <ul style="list-style-type: none"> ○ Temporal rebalancing ○ Weight-based rebalancing • Tactical asset allocation, including: <ul style="list-style-type: none"> ○ Value-based approach ○ Cyclical approach • The distinction between mechanical re-balancing and strategic re-balancing and when the APM needs pre-approval of the PM • Risks and benefits of using an asset allocation strategy • Model portfolios • Key aspects in selecting a rebalancing strategy <ul style="list-style-type: none"> ○ Benefits and costs of a rebalancing strategy 	<p>Behaviour and Skills</p> <ul style="list-style-type: none"> • Develop and recommend a strategic asset allocation and ongoing asset allocation plan for a client account • Conduct portfolio rebalancing if necessary • For an APM, obtain the necessary pre- approval from a PM before: <ul style="list-style-type: none"> ○ Constructing an asset allocation and providing it to a client ○ Providing a new or revised IPS or similar document that contains an asset allocation ○ Selecting a model portfolio for a client ○ Conducting rebalancing of a client's account that is not mechanical in nature 	<p>IWI concurs with this competency, although testing for the behaviors and skills belongs at the firm level.</p>

2.3 Transaction Costs, taxation and inflation		
Knowledge	Behaviour and Skills	IWI Comment
<ul style="list-style-type: none"> • Impact of householding • Transaction costs, including: <ul style="list-style-type: none"> ○ Management fees ○ Trailer fees ○ Commission ○ Trading expense ratio (TER) • Tax treatments on different investment, including: <ul style="list-style-type: none"> ○ Interest income ○ Capital gains ○ Return of capital ○ Canadian source dividends ○ Foreign source income, dividends, and other types of distributions • Inflation • Portfolio management strategies to minimize tax, including: <ul style="list-style-type: none"> ○ Tax-loss harvesting ○ Crystallization ○ Reducing the yield of securities ○ Reducing the turnover of securities ○ Purchasing a put option • Characteristics of tax efficient investments • Efficiency ratios, including: <ul style="list-style-type: none"> ○ Capture ratio ○ Relative wealth measure ○ Morningstar tax cost ratio • Inflation-sensitive assets • Tax deferral plans 	<ul style="list-style-type: none"> • Consider impact of householding and the appropriate transaction costs and fee structures in line with stated client agreements • Consider inflation and tax implications and other impediments to wealth accumulation when putting together suitable client portfolios • Assess the tax efficiency of investments using efficiency ratios • Implement portfolio management strategies to minimize the tax burden for client accounts • Implement fee structures in line with stated client agreements 	<p>IWI concurs with this competency, although testing for Canadian-specific taxes (and perhaps province-specific taxes as well) belongs outside of a general portfolio management course. Conversely, some knowledge of generic tax practices affecting foreign investments should be included.</p> <p>Assessment of some of the behaviors and skills belongs at the firm level.</p>
2.4 Trade Strategy and Execution		
Knowledge	Behaviour and Skills	IWI Comment
<ul style="list-style-type: none"> • Motivations to trade • Types of trades • Benchmarks for trade execution • Trading and settlement procedures • Bundled trades and fair allocation according to IIROC Rules • Trading procedures • Best execution requirements • Mechanics of exchange and over-the-counter (OTC) market trading • Trade cost measurement 	<ul style="list-style-type: none"> • Consider the appropriate trading strategy and communicate as needed with the trade desk • Consider trade cost measurements • Consider best execution if/when responsible for executing the trade 	<p>IWI concurs with this competency in general terms with Canadian specifics handled in a separate Canadian course. Testing some of the behaviors and skills might also belong at the firm level.</p>

3. Research and Analysis

3.1 Research		
Knowledge	Behaviour and Skills	IWI Comment
<ul style="list-style-type: none"> • Data collection • Sources of research, including: <ul style="list-style-type: none"> o Academic journals o Recommended lists o Internal research reports o Third party research reports o Analyst reports o Offering documents and/or prospectus o Annual reports and financial documents o Continuous disclosure o Economic reports o Other data sources • Regulatory requirements for research reports 	<ul style="list-style-type: none"> • Consider various sources of available research and data to evaluate the economy, industry sector, and individual companies, as needed 	<p>The use and assessment of research, including general economic, industry and issuer research as well as issuer disclosure, is implicitly embedded into investment management and selection.</p> <p>Specific regulatory requirements for research lie outside of what a general course can cover, while assessing behavior, and skills should be done at the firm level because of differences in national, industry, sector and product factors between firms.</p>
3.2 Economic and Industry Analysis		
Knowledge	Behaviour and Skills	IWI Comment
<ul style="list-style-type: none"> • Macroeconomic analysis, including: <ul style="list-style-type: none"> o Macroeconomic factors that affect investor expectations and the price of securities o Economic principles that have an impact on capital markets and the needs of clients o Capital market expectations in the portfolio management process o Economic growth trend analysis o Major approach to economic forecasting o Business cycles and long and short-term expectations o Inflation and the business cycle o Causes and impacts of inflation, disinflation, and deflation on an economy • Implications of inflation for various investments <ul style="list-style-type: none"> o Effects of monetary and fiscal policy on business cycles and the economy o Key economic indicators o Cyclical trends 	<ul style="list-style-type: none"> • Perform economic and industry analysis to help determine individual security selection in a portfolio • Consider impact of economic indicators, trends, and forecasts on portfolio strategy • Consider economic principles that have an impact on capital markets and the needs of clients • Consider how industries can be classified and the impact on investment approach 	<p>IWI concurs with this competency.</p>

<ul style="list-style-type: none"> o Secular trends o Economic forecasts o Consensus forecasts o Keynesian, monetarist, and supply-side theories o Theories of interest rate determination and how interest rates affect the economy o International trade, balance of payments and their impacts on the economy o Exchange rates and their impacts on the economy o Valuation techniques and models o Economic reports and other relevant sources of information, including the assumptions and valuation approach used • Industry analysis and impact on a company's security valuation, including: <ul style="list-style-type: none"> o Industry classifications o Global industry classification system o Life cycle stages and their different growth rates and risks o Industry performance during different stages of the economic cycle o Differences in how companies are analysed and valued within the industry • Key industry characteristics <ul style="list-style-type: none"> o Industry reports and other relevant sources of information, including the assumptions and valuation approach used 		
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3.3 Company and financial analysis

Knowledge	Behaviour and Skills	IWI Comment
<ul style="list-style-type: none"> • Regulatory filings • Other sources of information • Factors involved in performing company analysis to determine whether a company represents a good investment • Company reports and other relevant sources of information, including the assumptions and 	<ul style="list-style-type: none"> • Perform company and financial statement analysis to help determine individual security selection in a portfolio • Calculate the intrinsic value of a stock and determine if a stock is undervalued or overvalued • Conduct due diligence of mutual funds, hedge funds, real 	<p>IWI concurs with this competency in general terms with Canadian specifics handled in a separate Canadian course. Testing some of the behaviors and skills might also belong at the firm level.</p>

<p>valuation approach used</p> <ul style="list-style-type: none"> • Takeover process and takeover legislation • Insider bids and issuer bid regulations • The rules for public company disclosure and statutory rights of investors • Qualitative company analysis, including: <ul style="list-style-type: none"> o Management and corporate governance o Competitive advantage o Business model • Financial statement analysis, including: <ul style="list-style-type: none"> o Income statements o Balance sheets o Cash flow statements o Notes and auditor's report o Intrinsic value o Expected return o Dividend discount model o Discounted cash flow model o Relative valuation models and ratios o Limitations of accounting data and financial statement analysis 	<p>estate, and private equity within the context of the portfolio under review</p>	
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3.4 Technical and statistical analysis

Knowledge	Behaviour and Skills	IWI Comment
<ul style="list-style-type: none"> • Market theories explaining stock market behavior • Chart analysis • Evidence on the (lack of) efficacy of chart analysis • Types of price charts, including: <ul style="list-style-type: none"> o Bar charts o Line charts o Candlestick charts • Types of chart patterns, including: <ul style="list-style-type: none"> o Trendlines o Support and resistance levels o Reversal formations o Continuation patterns • Statistical analysis • Multi-factor regression analysis • Trend-following indicators such as 		<p>IWI concurs with this competency in general terms with some room for debate as to the inclusion or exclusion of items listed under this category.</p> <p>For example, there is considerable controversy about the use of technical analysis, while its being a possible factor in the marketplace is worth knowing without necessarily accepting its theoretical basis.</p>

<ul style="list-style-type: none"> moving averages • Momentum indicators, including: <ul style="list-style-type: none"> o Momentum oscillator o Moving average convergence-divergence (MACD) o Stochastic o Relative strength index (RSI) • Sentiment indicators, including <ul style="list-style-type: none"> o Investor expectations o Contrarian indicators o Bullish and bearish consensus indicators o Public short ratio o Intermarket analysis 		
3.5 Financial technology (fintech)		
Knowledge	Behaviour and Skills	IWI Comment
<ul style="list-style-type: none"> • Use of fintech in investment management • Big data projects • Artificial intelligence tools • Machine learning 	<ul style="list-style-type: none"> • Stay up to date with the use of fintech in investment management processes, as appropriate or needed 	<p>IWI concurs with this competency with the proviso that firms should test behavior and skills.</p>

4. Portfolio Construction and Strategies

4.1 Portfolio Construction		
Knowledge	Behaviour and Skills	IWI Comment
<ul style="list-style-type: none"> • Principles of portfolio construction • Product due diligence process • Various investment products in a portfolio • Correlation, beta, and alpha • Multi-factor asset pricing models • Risk and return relationships of investment products • Overall risk budget for the portfolio and subdivision over the sources of investment return • Diversification and concentration • Asset classes • Capital market expectations • Backtesting and simulation analysis • Sensitivity analysis • Portfolio management styles • Ongoing consideration of account appropriateness 	<ul style="list-style-type: none"> • Consider the investment products available, their correlation, and risk and return relationship, when constructing a portfolio suitable for the client based on their IPS • Ensure investment strategies are appropriate • Consider impact of concentration and diversification and evaluate it within context of the IPS • Consider the use of backtesting and simulation analysis and the use of sensitivity analysis to see how an investment strategy may perform • Consider overall costs when constructing portfolios • Evaluate the ongoing appropriateness of the portfolio construction for a client and rebalance as needed 	<p>IWI concurs with this competency in general terms with some room for debate as to the inclusion or exclusion of all of the detailed items listed under this category as opposed to being listed in another category.</p>

<ul style="list-style-type: none"> Overall costs, including embedded fees Factors affecting rebalancing policy 	<ul style="list-style-type: none"> Consider the limitations of the APM role before making changes to the portfolio 	
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4.2 Behavioural Finance

Knowledge	Behaviour and Skills	IWI Comment
<ul style="list-style-type: none"> Principles of behavioural finance Efficient market hypotheses: <ul style="list-style-type: none"> Weak form Semi-strong form Strong form Irregularities in the overall market, including: <ul style="list-style-type: none"> Fundamental Technical Calendar Behavioral and risk-based explanations for anomalies Limits of arbitrage Behavioural biases of individual investors, including: <ul style="list-style-type: none"> Investor biases Cognitive biases Emotional biases Implications for financial decision making Investor personality types and dimensions, including: <ul style="list-style-type: none"> Uses Limitations Behavioural biases of individual investors, including: <ul style="list-style-type: none"> Investor biases Cognitive biases Emotional biases Implications for financial decision making Investor personality types and dimensions, including: <ul style="list-style-type: none"> Uses Limitations 	<ul style="list-style-type: none"> Consider behavioural finance and how it may cause irregularities to a market's efficiency Identify behavioural biases in clients and how it can affect their decision making Apply bias diagnoses when structuring asset allocation 	<p>IWI concurs with this competency.</p>

4.3 Equity investments within portfolios

Knowledge	Behaviour and Skills	IWI Comment
<ul style="list-style-type: none"> Bottom-up approaches: <ul style="list-style-type: none"> Value-oriented approach Growth-oriented approach Top-down approaches: <ul style="list-style-type: none"> Macro or micro-economic analysis of trends and market 	<ul style="list-style-type: none"> Evaluate various strategies to create a portfolio with the goal of maximizing overall investment return, controlling risk, and matching the investment strategy to the investment objectives, 	<p>IWI concurs with this competency.</p>

<p>forecasts</p> <ul style="list-style-type: none"> • Portfolio management strategies: <ul style="list-style-type: none"> ○ Passive <ul style="list-style-type: none"> ▪ Evidence supporting passive ▪ Replicating an index ▪ Tracking an index ▪ Fundamental indexing ▪ Risk budgeting and enhanced indexing ○ Systematic factors <ul style="list-style-type: none"> ▪ Multi-factor funds ▪ Size, value, profitability, investment, momentum ○ Active <ul style="list-style-type: none"> ▪ Evidence on the failure, on average, of managers to beat passive indexes ▪ Sector rotation ▪ Timing ▪ Growth investing ▪ Value/income investing ▪ Small-capitalization size investing • Active portfolio construction: <ul style="list-style-type: none"> ○ Long only portfolios ○ Enhanced active equity investing ○ Market neutral long-short investing ○ Portable alpha strategy • Equity valuation • Use of derivatives in managing equity portfolios <ul style="list-style-type: none"> ○ Hedging with equity index derivatives ○ Changing a portfolio's asset mix <ul style="list-style-type: none"> ▪ Stock index futures ▪ Equity swaps • Tax considerations • Concentration • Diversification • New issues 	<p>constraints, and risk profile for the client.</p> <ul style="list-style-type: none"> • Consider impact of concentration and diversification and evaluate it within context of the IPS • Consider overall costs when constructing portfolios • Consider the costs with new issues including whether there is "double dipping" 	
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4.4 Debt investments within portfolio

Knowledge	Behaviour and Skills	IWI Comment
<ul style="list-style-type: none"> • Active strategies, including: <ul style="list-style-type: none"> ○ Interest rate strategies ○ Yield curve strategies 	<ul style="list-style-type: none"> • Evaluate various strategies to create a portfolio with the goal of maximizing overall investment 	<p>IWI concurs with this competency.</p>

<ul style="list-style-type: none"> o Intermarket spread strategies o Intramarket spread strategies • Passive strategies, including: <ul style="list-style-type: none"> o Buy and hold <p>Variable credit and term exposure/fixed income factor investing</p> <ul style="list-style-type: none"> o Barbell portfolio o Indexation o Laddered portfolio <ul style="list-style-type: none"> • Dedicated strategies, including: <ul style="list-style-type: none"> o Cash-flow matching o Immunization o Contingent immunization • Evaluating different management techniques • Valuation and pricing • Bond financing and repo transactions • Risk factors, including: <ul style="list-style-type: none"> o Default risk o Interest rate risk o Reinvestment rate risk • Bond duration, including: <ul style="list-style-type: none"> o Properties of duration o Calculate Macaulay duration o Calculate modified duration o Calculate a portfolio's modified duration o Matching duration o Assumptions • Bond's convexity • Structured notes • Marketplaces for different types of fixed income investments 	<p>return, controlling risk, and matching the investment strategy to the investment objectives, constraints, and risk profile for the client</p> <ul style="list-style-type: none"> • Evaluate and use the appropriate debt strategy to create a portfolio • Calculate the price and yield of debt securities • Analyze debt securities based on price volatility <p>Calculate changes in bond prices due to duration or convexity</p> <ul style="list-style-type: none"> • Evaluate the investment quality, term structure and pricing of debt securities • Determine bond price volatility using duration and convexity • Evaluate and consider a company's capital structure • Consider marketplaces when purchasing and selling different types of fixed income investments 	
<p>4.5 Other bond portfolio construction techniques</p>		
<p>Knowledge</p>	<p>Behaviour and Skills</p>	<p>IWI Comment</p>
<ul style="list-style-type: none"> • Securitization • Asset-backed securities • Mortgage-backed securities • Collateralized debt obligations • Foreign denominated bonds • Real return bonds • Using derivatives in fixed income management <ul style="list-style-type: none"> o Forward rate agreements 	<ul style="list-style-type: none"> • Evaluate other fixed income investments and strategies and consider their suitability when constructing a portfolio 	<p>IWI concurs with this competency.</p>

<ul style="list-style-type: none"> o Interest rate futures o Interest rate swaps o Credit derivatives • High-yield bonds, including: <ul style="list-style-type: none"> o Credit rating agencies and methodology o Default risk and default rates o Recovery rates o Credit spread o Unique coupon structures • Fixed income exchange traded funds (ETFs) 		
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4.6 Derivatives within portfolios

Knowledge	Behaviour and Skills	IWI Comment
<ul style="list-style-type: none"> • Various derivative strategies and how they can be used in a client portfolio • Applications of derivative investments including: <ul style="list-style-type: none"> o Hedging o Directional bets o Creating desired payoffs o Replicating an asset's return • Use of options strategies, including: <ul style="list-style-type: none"> o Covered calls o Protective puts o Spread strategies • Derivatives strategy selection <ul style="list-style-type: none"> o Options pricing models, including: <ul style="list-style-type: none"> o Intrinsic vs. time value o Black-Scholes-Merton o Binomial • Variable sensitivity metrics, including: <ul style="list-style-type: none"> o Delta o Gamma o Theta o Vega o Rho • Swaps, forwards, and futures strategies, including: <ul style="list-style-type: none"> o Currency o Interest rate o Equity 	<ul style="list-style-type: none"> • Consider correlation between the underlying interest, such as stocks, commodities, currencies, bonds, indices, and the derivative itself • Consider and evaluate the use of derivatives in a client portfolio, including using pricing models and variable sensitivity metrics 	<p>IWI concurs with this competency.</p>

4.7 Alternative investments within portfolios		
Knowledge	Behaviour and Skills	IWI Comment
<ul style="list-style-type: none"> • Types of alternative investments including: • Hedge funds and hedge fund strategies <ul style="list-style-type: none"> • Relative value • Event driven • Directional • Fund of hedge funds ○ Commodities ○ Real estate funds ○ Private equity ○ Liquid alternative funds ○ Insurance based investment products • Role of alternative investments in portfolios, including: <ul style="list-style-type: none"> ○ Ways to invest ○ Features and risks ○ Due diligence in selection of alternative investments ○ Advantages and challenges ○ Fees and costs and their impact on returns • Trends and developments, including: <ul style="list-style-type: none"> ○ Increased government regulation ○ Evidence of poor performance after costs ○ Institutionalization ○ Continued innovation ○ Cryptocurrency 	<ul style="list-style-type: none"> • Evaluate alternative investments and consider their suitability when constructing a portfolio • Consider the use of alternative investments, including their valuation and correlation, within a portfolio 	<p>IWI concurs with this competency.</p>
4.8 Managed products within portfolios		
Knowledge	Behaviour and Skills	IWI Comment
<ul style="list-style-type: none"> • Use of managed products, including: <ul style="list-style-type: none"> ○ Client's needs ○ Size of the client account ○ Transaction costs and management fees ○ Liquidity • Mutual funds, including: <ul style="list-style-type: none"> ○ Trust structure 	<ul style="list-style-type: none"> • Conduct due diligence on managed products and evaluate whether they are suitable for a particular client portfolio • Consider and evaluate the pros and cons of the various techniques for obtaining overlay management, including fees and costs to the client 	<p>IWI concurs with this competency.</p>

<ul style="list-style-type: none"> o Corporate class structure o Types of funds o Management o Philosophy and investing style o Process o Performance o Fees o Trading expenses • Closed-end funds and their use in client portfolios • The use of ETFs and platform traded funds (PTFs), including: <ul style="list-style-type: none"> o Key features o Advantages and disadvantages • Wrap products, including: <ul style="list-style-type: none"> o Wrap funds o Wrap accounts o Fund of funds • Overlay management <ul style="list-style-type: none"> o Pros and cons o Separately managed accounts (SMA) o Unified managed accounts (UMA) o Unified managed household accounts (UMHA) 	<ul style="list-style-type: none"> • Consider and evaluate the best class of funds suitable for a client account 	
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4.9 International investing

Knowledge	Behaviour and Skills	IWI Comment
<ul style="list-style-type: none"> • Major international equity benchmarks • Advantages and disadvantages of international investing • Ways to invest internationally, including <ul style="list-style-type: none"> o Private placement o Publicly traded shares of individual foreign companies o American depository share (ADS) o Mutual funds o ETFs • Other considerations, including: 	<ul style="list-style-type: none"> • Conduct due diligence and consider international investments into an asset allocation plan as suitable for the client 	<p>IWI agrees with this competency in general in terms of international investing viz a viz the location of the client. The general information on factors to be considered - taxation, foreign exchange risk, trading and settlement issues, legal system enforcement of property rights – matter, but the “international” nature of investments depends upon the location of the client. If a Canadian PM or APM has an Australian or American client,</p>

<ul style="list-style-type: none"> o Additional costs and expenses o Implications of home country bias and Canadian market relative size o Foreign trading and settlement conventions o Foreign withholding taxes and implications based on account types and investment o Foreign currency exchange costs o Impact of conversion spreads o Foreign currency hedging costs o Different volatility levels of international markets o Foreign regulatory restrictions • International tax conflicts and double taxation • Recoverable vs. unrecoverable foreign withholding tax costs in different account types (taxable, RRSP, TFSA, etc.) • Sources of international tax law and how they interrelate • Tax treaties • Jurisdictional tax requirements as they relate to residency • Source country taxation • Tax relief exemptions under domestic tax law 		<p>that PM or APM should treat the clients differently. Canadian specific material ought to be in a separate course.</p>
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5. Portfolio Monitoring, Evaluation and Client Reporting

5.1 Portfolio monitoring		
Knowledge	Behaviour and Skills	IWI Comment
<ul style="list-style-type: none"> • Effective portfolio monitoring system, including: <ul style="list-style-type: none"> o Continuous monitoring for compliance with client's objectives and other financial circumstances o The importance of communication with clients about changes that have affected their portfolio 	<ul style="list-style-type: none"> • Establish and implement an effective system to monitor client portfolios • Review for consistency with IPS, KYC and other relevant information • Consider the changes in economic environment • Communicate with clients as appropriate, utilizing the firm's contact management system 	<p>IWI agrees with this competency, with the proviso that it is impracticable to expect a third-party certification or licensing agent to be able to test firm contact management systems. Firms are best suited for that.</p>

	<ul style="list-style-type: none"> Consider the limitations of the APM role before making changes to the portfolio 	
5.2 Evaluation of Investment Risks		
Knowledge	Behaviour and Skills	IWI Comment
<ul style="list-style-type: none"> Capital asset pricing model Arbitrage pricing theory/multi-factor asset pricing models Systematic risk or market risk Other priced risks (company size, relative price, etc.) Unsystematic risk or non-market risk Common risks faced by clients, including <ul style="list-style-type: none"> Inflation or purchasing power Credit risk Liquidity risk Currency risk Measures of historic risk Measures of expected risk Measures of investment risk, including: <ul style="list-style-type: none"> Standard deviation of returns Beta, including multi-factor analysis of different forms of beta Semi-deviation Considerations to reduce a portfolio's investment risk, including: <ul style="list-style-type: none"> Diversification strategy Correlation coefficient Efficient frontier Options strategies Use of futures contracts 	<ul style="list-style-type: none"> Evaluate a portfolio's investment risk using various measures Assess and implement the appropriate strategies to reduce a portfolio's investment risk Determine portfolio's exposure to known risk factors Rebalance the portfolio's investment risk, as needed For an APM, seek pre-approval from the PM as required prior to making any changes to the portfolio 	<p>IWI agrees with this competency.</p>
5.3 Portfolio performance evaluation		
Knowledge	Behaviour and Skills	IWI Comment
<ul style="list-style-type: none"> Calculation of a portfolio's return using: <ul style="list-style-type: none"> Dollar-weighted return Time-weighted return Pre-tax versus post-tax return Pre-fee versus post-fee return Performance appraisal and benchmark comparisons, including: <ul style="list-style-type: none"> Characteristics of an appropriate benchmark 	<ul style="list-style-type: none"> Apply performance presentation guidelines and standards when presenting information and portfolio management reports to clients Identify and reconcile any discrepancies in the portfolio management reports generated, and escalate as needed 	<p>IWI agrees with this competency with the understanding that taxes vary by location making them more appropriately tested by a Canadian and provincial tax and regulations course.</p>

<ul style="list-style-type: none"> o Classes of benchmarks o Advantages and disadvantages • Multi-factor benchmarking • Matching multi-factor benchmark to manager based on style • Use of comparison or performance universes • Problems associated with comparison universes, including: <ul style="list-style-type: none"> o Poorly defined comparison universes o Survivorship bias • Evaluation of a portfolio's performance using: <ul style="list-style-type: none"> o Performance attribution analysis, including: <ul style="list-style-type: none"> ■ Sector attribution factors ■ Performance attribution styles • Risk-adjusted return measures <ul style="list-style-type: none"> o Jensen's alpha o Treynor ratio o Sharpe ratio o Multi-factor alpha 		
<p>5.4 Client portfolio presentation</p>		
<p>Knowledge</p>	<p>Behaviour and Skills</p>	<p>IWI Comment</p>
<ul style="list-style-type: none"> • Standardized performance presentation guidelines • Global Investment Performance Standards (GIPS) <ul style="list-style-type: none"> o Key aspects, including information about: <ul style="list-style-type: none"> • Firm and responsibilities of the firm • Composite requirements • Data used to determine performance calculations • Calculation methodologies • Presentation and reporting guidelines • Portfolio management reports: <ul style="list-style-type: none"> o Information included o Frequency o Tax implications • Discrepancies between portfolio 	<ul style="list-style-type: none"> • Apply performance presentation guidelines and standards when presenting information and portfolio management reports to clients • Identify and reconcile any discrepancies in the portfolio management reports generated, and escalate as needed 	<p>IWI agrees with this competency with the understanding that regulations vary by location making them more appropriately tested by a Canadian and provincial tax and regulations course.</p>

manager reports and periodic regulatory client statements		
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6. Servicing Institutions

6.1 Institutional portfolio management		
Knowledge	Behaviour and Skills	IWI Comment
<ul style="list-style-type: none"> • Service channels/Investment product structures, including pooled investment vehicles ○ Institutional Investor and client types, including <ul style="list-style-type: none"> ○ Pension plans ○ Mutual funds ○ Insurance companies ○ Endowments ○ Charitable foundations ○ Family trusts/estates ○ Corporate treasuries • KYC and suitability rules in dealing with institutional clients • Fiduciary duty and institutional investment funds, including: <ul style="list-style-type: none"> ○ The named fiduciary in the trust indenture or fund's documents ○ Fund's board of trustees ○ Fund's administrative committee ○ Carrying out duties prudently • Fiduciary duty and corporate pension plans, including: <ul style="list-style-type: none"> ○ Who is and can be a fiduciary ○ Business decision vs fiduciary action 	<ul style="list-style-type: none"> • Identify the difference between servicing retail clients compared to institutional clients • Adhere to investment mandates and regulatory requirements when dealing with various types of institutional clients • Consider the use of different asset classes including alternative investments, their valuation and correlation within a portfolio • Consider special fiduciary duty owed to investment funds and other institutional clients 	<p>IWI concurs with this competency.</p>
6.2 Management of funds		
Knowledge	Behaviour and Skills	IWI Comment
<ul style="list-style-type: none"> • Regulatory requirements applicable to each type of fund including mutual funds, pooled funds, ETFs, and other similar funds • Fund compliance and risk control process and procedures • Creation and implementation of investment mandate • Investment monitoring procedures 	<ul style="list-style-type: none"> • Assist or manage a Canadian Mutual Fund or pooled fund in compliance with regulatory requirements and the investment mandate • Assist with the implementation and maintenance of risk controls and monitoring procedures • Prepare investment and fund 	<p>IWI agrees with this competency in general with the understanding that regulations and products may vary by location making them more appropriately tested by a Canadian and provincial tax and regulations course.</p>

	<p>compliance reports to satisfy institutional investor needs and requirements</p> <ul style="list-style-type: none"> • Consider how the fund may be reviewed by potential investors and other firms for their product due diligence process • Consider the difference in the regulatory requirements applicable to each type of fund 	
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6.3 New investment products

Knowledge	Behaviour and Skills	IWI Comment
<ul style="list-style-type: none"> • New investment product development process, including: <ul style="list-style-type: none"> ○ Key steps ○ New product development committee ○ Project management committee ○ Benchmark selection ○ Common design factors for investment guidelines and restrictions, including: <ul style="list-style-type: none"> ▪ Investment objectives ▪ Passive versus active management ▪ Portfolio management style ▪ Sector restrictions ○ Unique factors in equity mandate design, including: <ul style="list-style-type: none"> ▪ Capitalization ▪ Sector or industry specific funds ▪ Dividend yielding securities ▪ Cash and short-term investments ▪ Covered call writing ○ Short sales ○ Unique factors in fixed income mandate design, including: <ul style="list-style-type: none"> ▪ Sector-specific mandates ▪ Credit quality ▪ Term to maturity ○ Unique factors in balanced fund mandates, including: <ul style="list-style-type: none"> ▪ Target asset mix policy 	<ul style="list-style-type: none"> • Consider the key factors in creating new investment products, funds, or model portfolios • Consider investment guidelines and restrictions of investment products 	<p>IWI generally agrees with this competency and believes conflicts of interest in firm products ought to be a core sub-competency within this competency.</p>

<ul style="list-style-type: none">• Development of model portfolios<ul style="list-style-type: none">○ Strategic versus tactical asset mix strategy		
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Very truly yours,



Robert E. Frankel, JD, AIF®
General Counsel