



Tuesday, September 17, 2024

By email: proficiency@ciro.ca ; marketregulation@osc.gov.on.ca;
CMRdistributionofSROdocuments@bcsc.bc.ca

Registration, Proficiency
Canadian Investment Regulatory Organization
Suite 2600
40 Temperance Street
Toronto ON M5H 0B4

Trading and Markets
Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, Ontario M5H 3S8

Capital Markets Regulation
B.C. Securities Commission
P.O. Box 10142,
Pacific Centre 701 West Georgia Street
Vancouver, British Columbia, V7Y 1L2

Re: CIRO Request for Comments 24-0206 – Rule amendments — Request for comments — Proposed Proficiency Model — Approved Persons under the Investment Dealer and Partially Consolidated Rules, published on July 4, 2024

The **Canadian Independent Finance and Innovation Counsel (CIFIC)** appreciates the opportunity to provide comments to the Canadian Investment Regulatory Organization (CIRO) on the Proposed Proficiency Model.

The Canadian Independent Finance and Innovation Counsel represents national Investment Dealers and their industry's position on securities regulation, public policy, and industry issues. We represent notable CIRO-regulated Investment Dealers in the Canadian securities industry.

CIRO position

In its proposal, CIRO states:

Proficiency standards are a cornerstone of the CIRO regulatory regime. High proficiency standards play a key role in investor protection and the integrity and efficiency of capital markets. CIRO's goal is to create, maintain and promote high proficiency standards and a robust proficiency regime in the investment industry.

Under the proposed model, there would be no mandatory courses as prerequisites to exams. However, exams would still be required for each Approved Person category based on the competency profiles, including for some categories, a general exam. Once an Approved Person is approved, there would be mandatory conduct training, and well as continuing education training on mandated topics each year.

The Investment Dealers we represent agree with CIRO's position on the importance of proficiency to protect Canadian investors. We are proposing, in the hopes of attracting and retaining more knowledgeable employees, a few recommendations that we believe will be beneficial to the industry and to the mandate of investor protection.

Guidance on Relevant Experience

In order for Investment Dealers to have sufficient time to digest, analyse, and implement a new proficiency model, CIRO must release guidance to dealers on what would constitute "relevant experience" for Registered Representatives **well in advance of the implementation date of the new proficiency program.**

Such clarification is also needed for Executives, including for the Ultimate Designated Person, as this individual should have a minimum two years of "relevant experience" based on the category of approval, the responsibilities of the Executive, and the firm's type of business. Since the Investment Dealer will need to assess "relevant experience" prior to submitting a request for approval to CIRO, guidance is required as soon as possible.

Mandatory Training (Ethics and Conduct)

CIRO has proposed a mandatory conduct training, provided by CIRO, to be completed by all new Approved Persons within 30 days of approval. Failure to complete the mandatory training would result in an automatic suspension. Furthermore, all existing Approved Persons would need to complete the conduct training by December 31, 2026.

The industry believes that the 30-day period for new Approved Persons is too short and should be extended. The Investment Dealers we represent believe that **the 30-day period should be extended, at a minimum, to 60 days after approval**. Furthermore, ethics and conduct training **should not be required for existing Approved Persons** as their prior training covered ethics and conduct.

Training for Registered Representatives and Investment Representatives

With respect to the training provided by the dealer firm itself, the proposed amendments will allow the training of Registered Representatives (RRs) and Investment Representatives (IRs) dealing with retail clients (and newly proposed training for those dealing with institutional clients) to be provided within 90 days of approval instead of as a pre-approval requirement.

While the industry agrees with an extension of the timeframe for dealer-led training of RRs and IRs (especially in contrast with the 30 days proposed for passing the mandatory conduct training), it does not believe 90 days is enough time for RRs and IRs to prepare. The Investment Dealers we represent believe that the 90-day period for completion of dealer firm training is too short and **should be extended to 120 days after receiving CIRO approval**.

Furthermore, an extended period of time will be required by dealers after the publication of the CIRO firm training modules they need to consider. Given the expectation that dealers leverage and integrate CIRO's recently published competencies and sub-competencies into their systems and align their training with this new approach, and also given that the firm training modules that will need to be considered by dealers have not yet been published, an extended period of time is required. Some firms may be able to create their own programs, but smaller Investment Dealers will probably turn to third-party vendors due to their own limited resources. **The Investment Dealers we represent believe a minimum period of nine months after CIRO publishes its guidance and guidelines for training will be required to allow dealers to make the necessary operational adjustments to meet such a change.**

Additionally, since CIRO is proposing that exams may now be written without firm sponsorship, the administrative steps to approval may become more complicated as more people (sponsored and unsponsored) may write the exams. The timing of CIRO approval is usually unknown and may be extended due to the possible increase in approval requests. Since the timing of the CIRO approval is hard to predict, the Approved Persons should be allowed more time to complete the training as approvals may come at an inopportune time (such as vacation).

Training Criteria

Instead of prescriptive criteria, CIRO is proposing new training would need to address the published competencies and sub-competencies applicable to the firm's individual business model, and the role of the Registered Representatives and Investment Representatives at the applicable dealer firm.

Investment Dealers may require further guidance as well as assurance from CIRO that they will be flexible when assessing training provided by firms themselves.

As mentioned above, the CIRO firm training modules to be considered by Investment Dealers when developing their own training programs **should be published and provided to Investment Dealers promptly**. Since they will be expected to align their training with the new competency profiles and create new training for institutional representatives, this information and guidance must be provided as soon as possible. Many firms may never have created training materials before and require, as well as further guidance from CIRO, more time in which to do so. As discussed above, **firms believe a minimum of nine months should be granted to them to create proper training materials (or select the right third-party vendor) and implement additional relevant compliance procedures, including policies for reporting completion of dealer-led training to CIRO.**

Dealer role in exam preparations

The absence of mandatory courses does create an opportunity for dealers to do more to help candidates meet the requirements; however, smaller dealers have limited resources. They will do what they can to help properly prepare their employees, but they may not be able to take on an active role on an ongoing basis, in helping prepare candidates for their exams. Third-party vendors may need to be engaged to help in that regard and **the cost should remain reasonable.**

Grandfathering Provisions

The Proficiency Model mentions that existing Approved Persons will not be subject to the new proficiency requirements provided they continue in the same role. This is provided they did not cease to be approved for longer than 90 days.

The industry believes that the 90-day period is too short and should be extended to one year.

Furthermore, **existing Approved Persons, as mentioned above, should not be required to complete the mandatory ethics and conduct training.**

Firm Sponsorships

The industry welcomes the fact that firm sponsorship will not be required for an individual to write an exam and individuals will not be required to be sponsored by an investment dealer to be eligible to write an Approved Person exam. The industry believes this should help reduce barriers to entry and expand the population of those serving the diverse, investing public.

Transition

The Investment Dealers we represent believe CIRO should perform the selection of education service providers as soon as possible. These **education service providers must be selected well**

in advance of the expiration of the CSI contract on December 31, 2025, in order to ensure sufficient transition and implementation periods for Investment Dealers.

The industry would like to stress that **the cost of the training these education service providers supply should be fair and reasonable**, including for smaller dealers. Training should not become a competitive advantage for larger firms versus smaller firms.

Industry’s Main Recommendations: Exam Validity Periods and Extended License Retention

CIRO has asked for specific feedback on the proposed grandfathering provision and on the types of experiences that dealers find “common and relevant.” In response to these queries, the Investment Dealers we represent propose a consideration that we believe would significantly benefit our industry. As you are aware, the current proficiency framework restricts registered representatives from maintaining their licenses for an extended period once they leave the financial industry or are no longer associated with an investment dealer. The same is true for exam validity periods that are not in line with proper succession planning for Investment Dealers. While we understand the intent behind these policies, we believe they present challenges, particularly in the areas of succession planning, and for the ongoing professional development of industry participants. They also remove experienced and knowledgeable workers from the industry and create an unnecessary barrier for their re-entry.

1. Exam Validity Periods – Proficiency Education

It would be highly beneficial if CIRO established a framework that allowed for the retention of proficiency education by registered and unregistered individuals, ensuring that their qualifications do not become outdated over time. This could potentially be achieved by expanding the grandfathering provision, adapting the exemptions process for such individuals, or implementing other changes to accommodate these populations.

Such an adjustment would not only streamline succession planning but also enable firms to develop future leaders without the risk that their education would become stale before they assumed an approved role (for example, a future Chief Financial Officer or Chief Compliance Officer that has passed the required courses but is still being mentored by the current Chief Financial Officer or Chief Compliance Officer could maintain their qualifications until the firm is ready to promote them). Investment Dealers we represent note that there may also be a reluctance to encourage individuals within the succession chain to pursue relevant courses due to the fear that these qualifications which are required for CIRO approval, may expire before they can fully utilize them. We would therefore ask CIRO to **extend the course validity periods beyond the proposed three-year validity period to five years.**

2. Extended License Retention

We frequently hear concerns from Investment Dealers that seasoned professionals, despite remaining active in the industry, are required to re-take their exams due to lapsed licenses. This can be both frustrating and unnecessary, as their expertise and experience remain intact.

By allowing registered representatives and Approved Persons to **retain their licenses for an extended period of five years**, CIRO would foster a more adaptable and resilient workforce, better equipped to meet the demands of our evolving industry.

This important issue affects many firms within our industry, and particularly smaller ones. It also concerns the ability of professionals in a pre-retirement phase to maintain their registration status while working intermittently within the investment industry. The same issue applies to professionals with more than 10 years of experience in the industry.

CIRO is likely aware that many experienced professionals nearing retirement often prefer to contribute their expertise on a part-time or seasonal basis. These individuals may work for a few months at a time, taking extended breaks in between periods of employment. Their knowledge and experience are invaluable to our Investment Dealers, yet the current regulatory framework presents challenges with respect to retaining their registration during these gaps in active employment.

The Investment Dealers we represent believe CIRO should **create a new framework that allows individuals with extensive experience (for example, 10 years or more) to easily put their licence on hold for an extended period of time**. The framework could include an annual fee for a licence that is on hold and some mandatory continuing education. Such a framework could lower the number of exemption requests made to CIRO and decrease the barriers to industry re-entry for such professionals, who can flexibly contribute their vast experience to a firm or multiple firms on a part-time basis.

Investment Dealers have found that the existing exemption process, while useful in certain situations, is not well-suited to the recurring, flexible, and modern employment model that these professionals require. It appears to be designed for one-time exemptions, rather than accommodating the ongoing, intermittent nature of their work. Consequently, firms, especially smaller ones, face difficulties re-engaging these professionals as they navigate repeated, burdensome registration procedures.

To address this issue, we respectfully request that CIRO consider implementing a regulatory adjustment that allows professionals, including those in the pre-retirement phase, to maintain their registration status during periods of non-employment, including during sick leaves. Such a framework should enable firms to quickly and efficiently re-engage these experienced individuals as needed, thereby improving operational flexibility and reducing the costs and unknowns associated with constantly seeking, hiring, and registering new staff.

This proposed change would be particularly beneficial to smaller firms, which often rely on the specialized expertise of seasoned professionals. Enabling these firms to retain such part-time or seasonal employees with minimal regulatory hurdles would strengthen the overall stability, competitiveness, and diversity of the industry, while maintaining strong investor protections.

Examples: Maintaining Qualifications (FINRA) and Maintaining a Professional Designation – Certified Professional Accountants (CPA)

The Investment Dealers we represent can recommend two examples CIRO could examine in reference to our proposal:

- 1) The Financial Industry Regulatory Authority (FINRA), which established a Maintaining Qualifications Program (MQP) providing eligible individuals who terminate any of their representative or principal registrations with the option of maintaining their qualifications for certain terminated registrations by completing annual continuing education. The program provides individuals a maximum of five years in which to reregister with a member firm without having to requalify by exam or obtain an exam waiver.
- 2) Certified Professional Accountants (CPAs) in Canada, who are able to maintain their designation even if their current roles do not directly involve accounting functions. This is achieved through a commitment to ongoing professional development, as CPAs are required to successfully complete continuing education on an annual basis. This ensures that they remain knowledgeable and up to date in their field, allowing them to preserve their professional status and uphold the standards of excellence expected within the accounting profession, regardless of their specific job responsibilities. Furthermore, CPAs in Canada are required, on an annual basis, to formally acknowledge their adherence to the code of conduct and ethics that governs their profession. This commitment underscores their dedication to maintaining the highest standards of integrity, professionalism, and ethical behavior.

We would invite CIRO to explore these examples further and consider implementing a similar requirement to the CPA's annual acknowledgement, to ensure all professionals under its purview consistently reaffirm their commitment to the ethical practices and principles that guide our industry. Persons that have their licence on hold should also be required to sign an annual acknowledgement. Such a measure would not only reinforce the importance of ethical conduct but also enhance the overall trust and confidence in our profession.

A New Proficiency Model - Training for Investment Dealers and Approved Persons

The proficiency model for our industry has never undergone such a significant change as the one CIRO has now proposed. These proposed changes would have a major impact on all CIRO dealers and thousands of Approved Persons.

We recommend CIRO **host a recorded webinar once the new proficiency requirements are finalized**. Both Investment Dealers and Approved Persons should be invited to attend. This approach would ensure that the responsibility for initial training does not fall solely on each CIRO dealer.

This webinar should thoroughly explain the new proficiency model; registration categories; CIRO's new role in exam administration; training; grandfathering; transition plans; and continuing education (CE) credits — essentially covering all the proposed changes. A question-and-answer period at the end of the webinar as well as an FAQ (and recording) posted to the CIRO website would also be valuable tools for Investment Dealers, who could then provide additional, firm-specific training as needed.

Conclusion

We urge CIRO to explore the possibility of **creating a streamlined process or a flexible registration category specifically tailored to the needs of industry professionals that cannot or do not want to remain permanently employed by an Investment Dealer**. A new category for “Independent Approved Persons” (for example) could be created and used when a professional is no longer associated with an Investment Dealer but wishes to put their licence on hold. **If a professional remains associated with an Investment Dealer but wishes to take an extended break from the industry, a hold should also be made possible.**

This would support and enhance the efficiency and effectiveness of firms that depend on such skilled professionals and eliminate the unnecessary burden associated with exemption applications for both Investment Dealers and CIRO. Additional continuing education could easily be implemented to ensure that these individuals’ professional knowledge remains up to date even when they are not associated with an Investment Dealer.

Our Investment Dealers recommend CIRO consider the following elements of a flexible registration category that supports the retention of qualifications while maintaining industry standards:

- Create a flexible registration category (such as “Independent Approved Person”) or streamlined process such as a “hold” to allow registered representatives to maintain their licenses for an extended period after leaving the financial industry or when not actively associated with an investment dealer, in order to address the issue of seasoned professionals needing to re-take exams due to lapsed licenses despite maintaining their expertise and knowledge.

- Implement a regulatory adjustment to allow pre-retirement phase professionals or professionals with more than 10 years of experience to maintain their registration status during periods of non-employment or part-time/contract work; or, consider adapting the exemption process to accommodate the intermittent work patterns of pre-retirement phase professionals and professionals with more than 10 years of experience in order to enable firms, particularly smaller ones, to re-engage seasoned professionals quickly and efficiently without repeated registration procedures.
- Support succession planning by enabling future leaders (e.g., future CFOs or CCOs) to retain their qualifications while being mentored before assuming an approved role.
- Consider adopting a model similar to the Certified Professional Accountants (CPAs), allowing professionals to maintain their licence to practice and education requirements through ongoing professional development, even if their roles do not directly involve specific industry functions.
- Introduce a requirement for all professionals to annually reaffirm their commitment to ethical conduct and the principles governing the industry.

We are available to discuss the content of this submission further, address any concerns you may have, or provide additional information as needed. Your feedback is invaluable to us, and we are committed to ensuring that we all achieve our objectives effectively and efficiently.

Please feel free to contact me at annie@cific.co with any questions, comments, or to schedule a call to discuss any aspects of the letter or explore potential next steps. We look forward to our continued collaboration on this matter.

Sincerely,

A. Sinigagliese

Annie Sinigagliese, CPA, FCSI
Canadian Independent Finance and Innovation Counsel Inc.
Conseil Indépendant Finance et Innovation du Canada Inc.
www.cific.co