CIRO requests comments on major changes to Investment Dealer Approved Person proficiencies

September 06, 2023

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On July 7, 2023, the Canadian Investment Regulatory Organization (CIRO) published a Consultation Paper containing proposals for significant changes to the proficiencies required for every registered position in an investment dealer. Fundamentally the proposed changes move away from a "course centric model, with exams tied to courses" to "an assessment centric model with some mandatory education and training."

Comments on the consultation paper are requested by **Sept. 20, 2023**.

Background

Proficiency for representatives of investment dealers was long on the policy agenda of CIRO's predecessor, the Investment Industry Regulatory Organization of Canada (IIROC), with various competency profiles set out for different groupings of representatives, being published since 2015.

For information and background on the CIRO's Proficiency Initiative, CIRO has a web page dedicated to the project and has developed FAQs.

Proposed model

CIRO has proposed a major shift in the proficiency requirements for all registered positions in an investment dealer - from a course and exam model to a model based on examinations with additional education and training.

It is proposed that there be no mandatory courses that are prerequisite to an exam. CIRO proposes to leave it to the existing competitive market of preparatory course providers to offer preparatory courses. If there are no preparatory course provider for certain exams (for instance if an exam is specialized and there may not be sufficient

volume of enrolment for a course) CIRO has committed to develop study guides and materials.

The basics of the new model are as follows:

- No mandatory courses as pre-requisites to exams.,
- A general industry exam based on competencies common across all Approved Person categories,
- Exams for each Approved Person category based on the published competency profiles,
- Mandatory professional conduct training upon becoming an Approved Person,
- Continuing Education (CE) training on topics mandated by CIRO annually, and,
- An increase in baseline education requirements for Registered Representative (RRs) to include a relevant diploma, degree or 2 years of relevant experience working in financial industry.

Examinations

At present there are 19 courses and exams specified for the different categories of Approved Person. Under the proposed changes, individuals seeking approval will need to:

1. First pass a **general industry exam** based on competencies that are common between all the profiles,
2. Then obtain **firm sponsorship**, which may be in the form of a conditional offer of employment or intent to hire, and,
3. Finally pass, at least, one of nine (9) **Approved Person exams, each of which will be** based on a role-specific competency profile. Exams are proposed for RRs and IRs trading in securities and/or derivatives and depending on whether they serve retail or institutional clients, for associate portfolio managers (APMs) and portfolio managers (PMs), supervisors, traders, directors, executives, and ultimate designated persons (UDP), chief compliance officers (CCOs) and chief financial officers (CFO). Some individuals may need to complete more than one exam, depending on their role.

For PMs and APMs, CIRO will review how to map the exam requirements for Advising Representatives and Associate Advising Representatives under NI 31-103 to the CIRO PM requirements. CIRO will retain the current “relevant investment management experience” (RIME) requirements.

CIRO expects that the exams will be developed and administered by a service provider or providers selected through an RFP process that is expected to commence in Fall 2023 (after the current consultation).

Training

CIRO proposes mandatory training, all of which is to occur after approval of the individual representative, as follows:

- Professional Conduct Training (PCT), and,

- Mandatory Annual Continuing Education (MCE)

The mandatory PCT must be completed by an Approved Person in any category, within 30 days of approval. The training content will be focussed on ethics and conduct. CIRO will create the training program and make it accessible from any location and at convenient times. CIRO will also publish a code of conduct in conjunction with the training which outline the expectations regarding conduct of Approved Persons.

The MCE is proposed to be one to three hours of education on an annual basis for all Approved Persons. The training may include conduct and new regulatory developments. CIRO plans to offer the MCE training online. The MCE will count toward the currently mandated CE hours in the normal CIRO investment dealer CE two-year cycle.

Education or experience

Two changes are proposed regarding experience or educational requirements:

- RRs must have either a baseline education (relevant diploma or degree) or two years of relevant experience working in the financial industry, and,
- Executives, including the UDP must have a minimum of two years relevant experience working in the financial industry.

Regarding the new requirements for RRs, there is no detail 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 executives.

Firm training

For retail RRs and IRs, CIRO expects to continue to require the current 90-day training program for RRs and 30-day training program for IRs. However, CIRO proposes to update the requirements for those programs to align better with the relevant competency profiles.

For institutional RRs and IRs, CIRO proposes to introduce a training requirement similar to the 90-day and 30-day training programs for retail RRs and IRs. The program for institutional RRs and IRs will be aligned with the relevant competency profile. CIRO intends to publish training program criteria for firms to follow.

CIRO requests comments and feedback

CIRO has specially asked for comments on the following:

- The need or utility of a general exam requirement,
- The feasibility and implications of requiring firm sponsorship prior to enrolling in an Approved Person exam,
- The value, impact, and utility of requiring a baseline education or relevant experience for RRs (both retail and institutional),

- The elimination of mandatory courses tied to exams and views as to leaving this primarily to the competitive market or relying on study guides provided by CIRO. CIRO asks whether dealers will take an active role in training their new hires to prepare for the exams, and,
- A consolidated derivatives exam, based on published competencies, to ensure all Approved Persons who trade or supervise derivatives understand trading and risks associated with trading in all derivatives products.

Comment on the proposals and the specific issues outlined above are due **Sept. 20, 2023**.

Next steps

CIRO intends to publish final versions of the competency profiles (last published by IIROC in 2020-2022) and proceed with an RFP for service providers in the fall 2023. CIRO aims to publish the new proficiency rules by fall 2024 and launch the new program in 2026.

This initiative involves a fundamental and ambitious change in the approach to proficiency for Approved Persons working with investment dealers and is potentially highly consequential for all stakeholders. As always, it will be important for industry participants to be part of the development process and be aware of these changes.

Please reach out to either of the authors of this Bulletin, the key contacts noted below or your usual BLG or BLG Beyond AUM Law lawyer to discuss these proposals and how you can provide your feedback to CIRO.

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