

# IIROC NOTICE

## Rules Notice

### Guidance Note

UMIR / Dealer Member Rules

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## IIROC Registration - Proficiency Exemption Requests

### Executive Summary

IIROC rules<sup>1</sup> outline our proficiency requirements. Under certain circumstances, IIROC may grant a discretionary exemption<sup>2</sup> from these requirements.

This notice explains the following:

- general proficiency exemption considerations
- information needed to process a proficiency exemption request

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<sup>1</sup> The proficiency requirements are set out in IIROC Dealer Member Rule 2900 at the time of this publication. Once IIROC implements the plain language rules (PLR), the applicable proficiency requirements will be set out in Rule 2600.

<sup>2</sup> Information on exemption applications from IIROC Dealer Member rules that do not involve proficiency requirements are discussed in IIROC Notice 18-0080 *Exemption applications relating to IIROC Dealer Member rules*.

- comparative analysis
- special circumstances when a comparative analysis may not be required
- deficient applications
- acceptable experience versus exemption requests
- length of time it typically takes to review an exemption request
- other factors that may be considered

## **1. Proficiency Exemption Requests**

### **1.1. General Proficiency Exemption Considerations**

An exemption from a proficiency requirement excuses an individual from completing a mandatory licensing course or fulfilling an experience requirement.

IIROC is of the view that high proficiency standards play a key role in investor protection and the integrity and efficiency of capital markets. We are committed to high standards of proficiency, professionalism and ethics.

If an individual applies for an exemption from an education component of the proficiency requirements, with the exception of circumstances discussed in section 1.4, the individual must demonstrate that he or she has gained the competencies and knowledge covered in the proficiency course from other courses and/or experience.

If an individual applies for an exemption from an experience component of the proficiency requirements, the individual must demonstrate that the alternative experience is at least equivalent to and for a greater length of time than, the experience required under IIROC rules.

Generally, experience may compensate for a lack of education but education may not offset a lack of experience.

### **1.2. Information Needed to Process a Proficiency Exemption Request**

An individual may apply to IIROC for a discretionary exemption by filing an *“Apply for Exemption”* submission and paying the relevant fee through the National Registration Database (NRD).

The application needs to include information and details of the following, in order for IIROC Staff to review the request and determine whether they can support the exemption:

- the individual’s relevant experience including specific role(s), employer name, responsibilities, and length of time in the particular role

- the individual’s relevant courses completed including course name, provider name, date completed, and relevant content covered
- a comparative analysis of the individual’s relevant experience and education, as discussed in section 1.3
- any other documents that the individual or the firm believes would be helpful to assist with the review and the decision making (example: reference letters that explain the individual’s experience)

The information provided in the submission should clearly demonstrate how:

- the individual’s experience is an acceptable alternative to the required education or experience, and/or
- the individual’s education is an acceptable alternative to the required education, or
- the individual has updated and refreshed his or her knowledge through experience or another course, if the request is for an exemption from rewriting<sup>3</sup> a course.

Once IIROC Staff review the information submitted, we may also request additional supporting documents such as the following:

- letters from the individual’s former manager(s) to confirm experience
- official courses transcripts or completion certificates
- reasons why the firm is in support of the exemption and confirmation that the firm has verified the accuracy of the information in the submission

Firms should keep in mind that if a course has gone through significant change since the individual wrote it initially, it might be more appropriate to rewrite the course. Furthermore, in many cases, the firm and individual may find it beneficial, in terms of timing, to have the individual write or rewrite a required course.

Once the firm has provided all required information and Staff have completed their review, Staff would forward the request, their recommendation, and relevant supporting documents to the decision maker for a decision.<sup>4</sup>

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<sup>3</sup> Rewrites are for courses that an individual have previously completed but the time validity of the courses have expired for purposes of IIROC approval. Courses are only valid for two years from the date of successful completion, aside from the CSC, which is valid for three years, or three years from when the course was last required in a registered capacity with IIROC, whichever is later. Under PLR, all courses will be valid for three years.

<sup>4</sup> Pursuant to Consolidated Rule 9206 and 9203(1), the District Council or its delegate (if delegated), has the authority to make a decision on a request for an exemption from the applicable proficiency requirements.

### **1.3. Comparative Analysis**

Generally, exemption requests from writing or rewriting a course should include a comparative analysis of the individual's education and experience against the course requested for an exemption.

- The decision maker cannot approve an application where the firm simply provides a list of courses the individual has taken, a resume, or standard job description without providing analysis as to how the individual's courses or experiences specifically relate to the topics covered in the required course. It is important to provide a detailed comparative analysis including: the individual's experience in comparison to the specific content covered in the course that is the subject of the exemption request (the required course)
- any relevant courses taken, including an explanation of their specific content in comparison to the content in the required course

The comparative discussion and analysis against the topics covered in the required course could be in the form of:

- paragraphs,
- point form, or
- a chart

### **1.4. Special Circumstances When a Comparative Analysis May Not be Required**

There are special situations when a comparative analysis may not be required. An individual who has extensive experience in the securities industry with another Canadian or equivalent foreign dealer in a comparable role, to what the individual is applying for, would not need to provide a comparative analysis. Other circumstances may be a result of changes in policy or upcoming rules. Below are a few examples of when a comparative analysis is not required.

a) Extensive experience as a Chief Compliance Officer:

Chief Compliance Officers are required to complete the Chief Compliance Officers Qualifying Examination (CCO) course and the Partners, Directors and Senior Officers (PDO) course. An individual with extensive experience as a Chief Compliance Officer in the securities industry with another Canadian or equivalent foreign dealer, who applies for an exemption from the CCO course, would not need to provide a comparative analysis. The individual and firm should include details of the individual's experience, duties, and responsibilities in the previous Chief Compliance Officer role(s) and provide information on any relevant training, courses, seminars, and industry events that the individual completed/attended in the past few years.

b) Exemption from courses necessary to attain the Canadian Investment Manager (CIM) or Chartered Investment Manager (CIM®) designation:

Individuals who do not meet the education component<sup>5</sup> of the Registered Representative-Portfolio Manager (RR-PM) proficiency requirements may apply for an exemption if the firm demonstrates that the individual's experience is an acceptable alternative to the required proficiency for RR-PMs. If the individual is seeking an exemption from the time validity of a course leading to the CIM or CIM® designation, then the individual must demonstrate that he or she has the relevant investment management experience (RIME) to conduct discretionary portfolio management on managed accounts; we do not require a course comparative analysis in such cases. The exemption application should clearly set out any requirements the firm has in place for RRs and their PM program. In addition, the individual should include a breakdown of their assets under administration as well as details of their specific experience including:

- their investment management process
- their security selection process
- the sources, tools and techniques the individual uses to conduct research and/or analysis
- the ratio of time they spend on research/analysis; portfolio construction and maintenance; and client relationship management
- if they work as part of a team, the number of people on the team and their roles

c) Experience as a CSA Advising Representative (AR):

If an individual was registered and active as an AR<sup>6</sup>, as defined under National Instrument 31-103, seeks approval to be an RR-PM, we do not expect the individual to provide a comparative analysis when seeking an exemption from the courses required for the CIM or CIM® designation. These individuals would be required to provide the following for the exemption submission:

- a description of the activities he or she conducted as an AR, and

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<sup>5</sup> At the time of publication of this notice, the education component is successful completion of: i) the Conduct and Practices Handbook, and ii) either: A. The courses necessary to attain CIM or B. The three levels of the Chartered Financial Analyst program administered by the CSA Institute.

Once IIROC implements PLR, the time validity of the courses leading to the CIM designation will no longer be an issue as this requirement will change to the CIM or CIM® designation. If, following PLR implementation, an individual has completed the necessary courses to attain the CIM or CIM® designation but does not have the designation, a topic-by-topic comparative analysis would not be required. However, the individual would need to provide a submission in support of how they have kept the content of the CIM® courses current with additional education/training and/or experience, including a minimum of two years' experience.

<sup>6</sup> Under PLR, the CSA Advising Representative will need to seek a discretionary exemption if he or she did not have the CIM® designation or CFA charter but was exempted from these requirements by the CSA based on prior education and/or experience. The information required for the exemption for the CSA AR remains the same when IIROC implements the plain language rules. In other words, course comparative analysis will not be required.

- a letter of confirmation from his or her previous firm confirming his or her role as an AR and activities conducted

### **1.5. Deficient Applications**

IIROC reviews each exemption application on a case-by-case basis, taking into consideration the information provided in the submission. An exemption application is deficient if additional information is still required from the firm or individual. IIROC Registration Staff will contact the firm's Authorized Firm Representative (AFR) with a request for any missing information.

It is the responsibility of the AFR to obtain this information from the firm and/or individual in a timely manner.

In order to avoid stale dated information, requests for any missing information will include a due date, typically four weeks. IIROC expects responses from the firm by this due date and absent reasonable grounds, IIROC will abandon any reviews that are still deficient or outstanding past this date. After this time, the individual or firm will be required to file a new submission on NRD and pay the requisite fee to pursue the exemption.

## **2. Acceptable Experience vs. Exemption Requests**

Some of the proficiency requirements provide an alternative to satisfying the experience requirements. For example, the experience requirement for Supervisors of Approved Persons dealing with retail customers are as follows:

Two years of relevant experience working for a Dealer Member or **such equivalent experience** as may be acceptable to the District Council.

If the firm would like IIROC to consider the alternative experience as equivalent, then the firm needs to provide information and analysis on why or how the experience is equivalent as part of the application for registration submission. In these cases, a separate exemption application is not required. Staff would forward the request from the registration submission to the decision maker, with Staff's recommendation, to decide on whether the experience is acceptable.

However, if in the above example, the individual wishes to be exempt from the two years of relevant experience generally, then an exemption request is required and the firm should follow the normal process of applying for a discretionary exemption.

### **3. Other Factors to Consider When Filing a Proficiency Exemption**

#### **3.1. Timeframe for IIROC Registration Reviews**

IIROC Staff endeavour to complete the review of an exemption application on a timely basis. As each application is unique to the individual's fact situation, the review time may vary with each application and may take more time in the event of the following:

- multiple exemptions are requested for the same individual
- incomplete information or insufficient detail for Staff to make a recommendation to the applicable decision maker
- insufficient analysis to demonstrate that the information provided is an acceptable alternative to the required proficiency

#### **3.2. Date the Course Expired**

A course that has expired recently versus one that has expired over 10 years ago is still an expired course under IIROC Rules. IIROC Registration Staff do not have the discretion to waive or reduce the filing requirements for recently expired courses.

#### **3.3. CSI Discount for Qualifying Individuals**

IIROC has arranged a 50% enrolment price discount for eligible individuals rewriting courses within 10 years of previously writing a required course through the Canadian Securities Institute. For more information, please visit the applicable course enrolment page at [www.csi.ca](http://www.csi.ca).