

IIROC NOTICE

Administrative Notice
General
Request for Comments

Comments due by: **November 16, 2020**

Please distribute internally to:
Institutional
Legal and Compliance
Retail
Training

Contact:

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Consultation Paper - Competency Profiles for Registered Representatives and Investment Representatives, Retail and Institutional

Introduction

The Investment Industry Regulatory Organization of Canada (IIROC) is in the process of developing and publishing competency profiles for all IIROC approval categories¹. The first phase of this project is the publication of competency profiles for its two largest categories of Registered Representative (RR) and Investment Representative (IR).

We are publishing this Consultation Paper to solicit feedback on our proposed competency profile for RRs and IRs.

¹ The list of IIROC Approved Person categories is in IIROC Dealer Member Rule 1.



How to submit comments

We invite interested parties to make written submissions on the Consultation Paper. Please submit your comments in writing via email (only) by **November 16, 2020** to:

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Commentators should be aware that a copy of their comment letter will be made publicly available on the IIROC website at www.iroc.ca.



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1. Introduction

The decision to develop and publish competency profiles for all IIROC Approved Persons was discussed as part of IIROC's proficiency assurance model project which was published in 2015 (the 2015 Notice).² At the time, IIROC committed to setting and publishing competency standards in order to bolster investor and industry confidence in the proficiency system and strengthen IIROC's proficiency regime. Subsequently, in June 2019, the development of competency profiles for all IIROC Approved Persons was set as one of the IIROC priorities.³

A competency profile is generally a set of knowledge, behaviours and skills that an individual must have to perform effectively in role. IIROC staff will develop profiles for eleven IIROC approval categories.⁴ Some of these profiles will require supplementary profiles to reflect the various types of activity, customer and product associated for each category. Due to the volume and complexity of this initiative, the development of competency profiles will take place in three phases over the course of several years.

This initiative has already involved extensive participation across multiple IIROC departments and external industry committees and groups. We have also engaged the services of an external consultant who specializes in adult learning. IIROC recognizes the importance of engaging in a broad consultation in order to obtain meaningful input from individuals and groups with both relevant and varied experience. This Consultation Paper will further our efforts to ensure our stakeholders have the opportunity to provide their input and feedback.

2. Purpose of published competency profiles

IIROC staff believe that the competency profiles will serve as a cornerstone to IIROC's proficiency regime that will ensure the suitability and competence of IIROC Approved Persons. The publication of competency profiles for IIROC approval categories will enhance both investor confidence and add credibility to our proficiency regime by setting out clear and specific expectations of the knowledge, skills and behaviour required to be effective in a certain approval category. More specifically, published competency profiles will:

² IIROC notice 15-0215- Administrative Notice- General- *Proficiency Assurance: The next phase in proficiency regulation*

³ IIROC Notice 19-0099- Administrative Notice- *IIROC's Three Year Strategic Plan and Priorities for Fiscal 2020*

⁴ Portfolio Manager and Associate Portfolio Manager will be introduced as two separate IIROC approval categories with the implementation of the IIROC Plain Language Rules. Those will be in addition to the current IIROC Approved Person categories.



- represent a proficiency benchmark allowing IIROC to evaluate course providers,
- provide education service providers with guidance on course content development, and
- allow Dealer Members and Approved Persons to better understand the proficiency expectations and potentially play a more active role in meeting those standards and maintaining the competence of Approved Persons.

3. Development of competency profiles

3.1 Structure & Timing

Developing competency profiles for all IIROC approval categories requires a thoughtful, thorough and consultative approach. IIROC will develop profiles for eleven approval categories.⁵ Many of these profiles will need to be further subdivided and contain supplementary competencies to recognize the different types of customer, product and activity types associated with each category. For example, there will be two distinct competencies for RR-retail and RR-institutional.

Given the volume and complexity of the categories involved, the development of competency profiles will take place in three phases over the course of a few years:

- Phase I: RRs and IRs
- Phase II: Executives, Directors, Ultimate Designated Persons, Chief Compliance Officers, and Chief Financial Officers
- Phase III: Supervisors, Traders, RRs permitted to conduct portfolio management activities

The results of Phase I are contained in this Consultation Paper. As we receive and review public comments for this phase, we will commence Phase II. We estimate that the final publication of all profiles will take place by early 2024.

3.2 Participants & Consultation

IIROC recognizes the need to engage a diverse group of subject-matter experts to assist in the development of competency profiles. The participants will vary depending upon the category under consideration. We also retained the services of Metrix Group, an independent consultant who specializes in learning solutions and has expertise in developing competency profiles.

⁵ Portfolio Manager and Associate Portfolio Manager will be introduced as two separate IIROC approval categories with the implementation of the IIROC Plain Language Rules. Those will be in addition to the current IIROC Approved Person categories.



For Phase I, we used surveys and in-person group and individual sessions to obtain information regarding the requisite knowledge, behaviours and skills in order for a RR/IR to perform effectively in their role. External groups consulted were the IIROC Proficiency Committee, a working group of the institutional sub-committee of Conduct, Compliance and Legal Advisory Section (CCLS), as well as some of our advisory committees.

3.3 Comparative Research

As part of the analysis conducted internally, we reviewed competency profile models of other regulators, both foreign and domestic. These include Financial Industry Regulatory Authority (FINRA), National Futures Association (NFA), Australian Securities and Investment Commission (ASIC), UK Financial Conduct Authority (FCA), and *La Chambre de la Sécurité Financière* (CSF). We noted that in many jurisdictions, it is common for securities regulators to publish competency standards for the benefit of prospective advisors and training providers. However, there is no uniform approach to competency profiles or standards. Every regulator adopts its own unique form of published framework to meet its particular regulatory needs. In some cases, the competencies are formally codified in the applicable legislation.

FINRA provides two published documents in the form of exam outlines, which identify required competencies for entry-level General Securities Representatives to successfully complete Series 7 and Securities Industry Essentials (SIE) exams. Consistent with this, the NFA publishes outlines that apply to its own suite of qualifying exams for individuals dealing in derivatives. On the other hand, ASIC publishes its minimum training standards for financial product advisors in a Financial Services Training Package (FSTP). The FSTP lists all applicable qualifications, skill sets, and competencies. In comparison, in compliance with the European Securities and Markets Authority (ESMA) guidelines for the assessment of knowledge and competence, UK and Irish regulators have published their own national competency frameworks. The FCA, for instance, published its ‘Training and Competence’ handbook which includes a detailed list of FCA-approved courses that fulfil national qualification standards for specific activities relating to investment advice and information. By comparison, the Central Bank of Ireland published a Minimum Competency Code, which lays down specific competencies required to deal in and advise on retail financial products. Domestically, in Quebec, CSF codifies its competency requirements in various regulations covered under the *Act respecting the distribution of financial products and services*. For example, the *Code of ethics of the Chambre de la sécurité financière* includes applicable requirements for the “competent practice of representatives”.

We also made note of competency profiles developed by professional bodies. For example, FP Canada and the CFA Institute maintain their own competency profiles for the respective benefit of their members.



3.4 General considerations

In developing competency profiles, we considered the existing regulatory requirements applicable to each Approved Person category. This included a consideration of the current proficiency requirements, including requisite courses. This also included a consideration of applicable securities laws and IIROC rules that IIROC Approved Persons should know and understand, as well as other regulations or information that they should be aware of. This information assisted us during Phase I in determining the appropriate scope of knowledge applicable for RRs and IRs.

We also closely examined what we would expect in terms of the application of the knowledge in order to determine the necessary behaviours and skills that we needed to outline.

As noted above, the purpose of competency profiles is to provide guidance to dealers and potential course providers, and also be used by IIROC for benchmarking purposes. As such, in determining the scope of knowledge and related behaviours and skills, we had to keep in mind that our competency profile need to be presented in a measurable manner. While keeping in mind the importance of measurability and providing specifics, we were mindful to not inadvertently create new requirements. Our intention is to reflect the current regulatory framework, requirements and guidance.

3.5 Phase I: Specific considerations

Client relationships are an integral part of the role of an RR and IR. As such, we considered the general knowledge they should have when initiating and maintaining client relationships. We also considered the specific regulatory obligations they should have an in-depth knowledge of, in order to meet their primary responsibilities, and the technical knowledge they should have in order to fulfill their responsibilities.

In considering their scope of knowledge, we looked at the different RR and IR customer types and product types. In particular, we compared the roles and responsibilities applicable to retail and institutional RRs and IRs. We also compared the roles and responsibilities of IRs and the regulatory framework applicable to IRs in comparison to RRs across different business models. We also compared the product type of RRs and IRs as some are approved to trade in one or more of the following: securities, options, futures contracts and futures contract options (futures).



4. Proposed competency profiles (RRs and IRs)

4.1 Retail RRs

Our proposed competency profile (Appendix 1) for retail RRs consists of:

- 7 categories of high-level competencies associated with relationship skills, regulatory skills and technical skills which focuses on the following areas:
 - initiating and maintaining client relationships
 - know your client, suitability, execution and market integrity, and conflicts and ethics
 - product and market impact
- a number of sub-competencies for each category which total over 30 sub-competencies across the 7 high-level competency categories

The proposed competency profile (Appendix 1) shows the relationship between the 7 categories and clarifies that relationship skills, regulatory skills and technical skills are related and continuous. It also demonstrates that RRs and IRs need to continue to understand and apply the knowledge within each of the categories.

We outlined the knowledge (what they need to understand), along with the behaviours and skills (how they should apply the knowledge) associated with each sub-competency in a separate reference document (Appendix 2).

4.2 Institutional RRs

Our proposed competency profile (Appendix 3) for institutional RRs consists of:

- 3 categories of high-level competencies associated with regulatory and technical skills which focuses on the following areas:
 - conduct and compliance
 - execution and market integrity
 - product and market integrity
- a number of sub-competencies for each category which total over 20 sub-competencies across the 3 high-level competency categories



The proposed competency profile (Appendix 3) shows the relationship between the 3 categories and clarifies that relationship skills, regulatory skills and technical skills are related and continuous. It also demonstrates that RRs and IRs need to continue to understand and apply the knowledge within each of the categories.

We outlined the knowledge, behaviours and skills associated with each sub-competency in a separate reference document (Appendix 4). Due to the nature of the work and type of clients in an institutional model, the relationship skills are embedded within the regulatory skills.

4.3 Approach with IRs

We recognize that the role of IRs differs depending on the business model of the dealer. However, we were also mindful that the current education requirements between and IR and RR are generally the same. As such, in order to maintain the current standards, we have not created a separate competency profile for IRs. Rather, we have clarified that each competency outlined is for “an RR to understand and apply, and for an IR to understand, apply or provide support as applicable.”

4.4 Product specific supplementary competencies

We considered the product specific knowledge that RRs and IRs should have when permitted to trade in securities, options and/or futures. As such, we incorporated in product related supplementary sub-competencies that would be applicable depending on the type of product that the RR or IR is approved to trade. We determined that other areas of competencies would be applicable to all RRs and IRs regardless of the product type.

The proposed competency profiles attached (Appendices 1 and 3) and the reference documents outlining applicable knowledge, behaviours and skills (Appendices 2 and 4) include competencies applicable for all RRs and IRs regardless of product type. They further include competencies that would only be applicable if an RR or IR is seeking approval, or approved, in that specific product type.

These are set out in competency category 3 for retail RRs and IRs and competency category 2 for institutional RRs and IRs, as part of technical skills-product and market impact. They are further detailed as separate tabs in Appendices 2 and 4.

5. Next steps

Following the closing of the comment period on **November 16, 2020**, we will review the comments and update the competency profiles as appropriate.



Subsequently, Staff will publish consultation papers on the other IIROC approval categories. The next phase will be competency profiles for Executives, Directors, Ultimate Designated Persons, Chief Compliance Officers, and Chief Financial Officers. The following phase will be competency profiles for Supervisors, Traders, Portfolio Managers, and Associate Portfolio Managers.⁶

Once all comment periods are closed and necessary updates made, Staff will publish the final competency profiles well in advance of the expiry of the next contract with the Canadian Securities Institute (CSI), IIROC's current course provider.

Publishing competency standards are fundamental to developing sound, high-quality IIROC licensing courses by providing important guidance on course content development. For this reason, before IIROC undertakes a competitive procurement process, IIROC first needs to complete its competency profiles. As a result, IIROC has renewed its contract with CSI, the current course provider for IIROC course licensing requirements, until December 2025.

Prior to the publication of the final competency profiles, Staff will consider the impact of other initiatives (example, targeted reforms) on the competency profiles and update them accordingly. Staff will also review the IIROC proficiency rules for any amendments that may need to be made.

6. Consultation

Please submit your comments on the Consultation Paper in writing via email (only) by **November 16, 2020** to:

Sherry Tabesh-Ndreka
Senior Counsel, Registration
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Suite 2000, 121 King Street West, Toronto, Ontario M5H-3T9
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7. Applicable Rules

IIROC Dealer Member Rule 1- Definition of Approved Person

IIROC Dealer Member Rule 2900- Proficiency and Education

Supporting documents (*open with Adobe Acrobat Reader)

[Appendix 1](#) - Competency Profile Registered Representatives and Investment Representatives – Retail “Retail RR/IR Competency Profile”*

[Appendix 2](#) - Reference document for “Retail RR/IR Competency Profile”

[Appendix 3](#) - Competency Profile Registered Representatives and Investment Representatives- Institutional “Institutional RR/IR Competency Profile”*

[Appendix 4](#) - Reference document for “Institutional RR/IR Competency Profile”