

# INVESTOR ADVISORY PANEL

November 16, 2020

Investment Industry Regulatory Organization of Canada  
Suite 2000 – 121 King Street West  
Toronto, Ontario  
M5H 3T9

Attention: Sherry Tabesh-Ndreka  
Senior Counsel, Registration  
[Stabesh@iiroc.ca](mailto:Stabesh@iiroc.ca)

**RE: Competency Profiles for Registered Representatives and Investment Representatives – Retail and Institutional**

The Ontario Securities Commission’s Investor Advisory Panel (IAP) welcomes this opportunity to comment briefly on IIROC’s proposed competency profiles for Registered Representatives and Investment Representatives. The IAP is an initiative of the OSC to ensure investor concerns and voices are represented in the Commission’s policy development and rulemaking process. Our mandate is to solicit and articulate the views of investors on regulatory initiatives that have investor protection implications.

We commend IIROC for undertaking this project to elevate professional standards in the investment industry, but we urge that it be pursued with a higher priority and greater expediency. We believe that articulating and codifying the basic competencies that Registered Representatives (RRs), Investment Representatives (IRs) and other key industry participants must demonstrate is an important and necessary exercise at this time – the key phrase being ‘at this time’. The proposed timeline that IIROC has set out to complete this exercise fails, in our view, to exhibit the urgency and commitment it deserves. We encourage you to move this initiative forward much more quickly.

We also recommend that IIROC closely align each competency profile with the CSA’s Client Focused Reforms (CFRs) to fully operationalize the CFRs in a manner consistent with their intent and principles. In this regard, we note the following:

### **(i) Identifying and addressing conflicts of interest**

The proposed competency profile for retail RRs does not mandate the skill to identify conflicts of interest. Instead, the profile references only identification, analysis and evaluation of applicable regulatory requirements, firm policies and procedures relating to ethics and conflicts of interest – not the specific ability to identify the conflicts themselves.

It is true that knowledge of the rules is a necessary requirement, but it is definitely not sufficient. RRs must be able to spot conflicts of interest that may materially affect the risk associated with investment products they recommend. RRs also must be able to recognize when they, themselves, are in a conflicted position.

Moreover, consistent with the CFRs' requirements, RRs must possess appropriate and effective capabilities to address and resolve material conflicts of interest in a manner that accords with the best interests of their clients.

### **(ii) Risk tolerance and capacity assessments**

Similarly, while the retail RR competency profile expressly mentions proficiency in obtaining Know-Your-Client information, the profile does not appear to reference competency in assessing a client's risk tolerance or risk capacity. This is a significant omission – especially since the proposed competency profile requires, under the heading of suitability, that RRs must be able to demonstrate how an order or recommendation is consistent with the client's risk tolerance and risk capacity.

It is insufficient for competency profiles to declare that RRs must be proficient at extracting KYC information and must make demonstrably suitable recommendations. The key proficiency RRs must demonstrate in relation to suitability is the skill to translate KYC information into thorough, insightful and accurate assessments of risk tolerance and risk capacity. The competency profile should highlight the need for that skill.

### **(iii) Product risk knowledge**

We found unclear the competency profile's references to "product and market impact" and the requirement to know and understand unspecified "characteristics" of equities, fixed income instruments, etc. Presumably, these relate to Know-Your-Product capability, but it would be helpful if the proposed competency profiles clarified this. In particular, the profiles should expressly stipulate that "characteristics" include risks associated with the investment product under consideration.

Overall, we regard this competency profiling initiative as well-intentioned but lacking the urgency, robustness and, to some extent, the clarity needed. We encourage IIROC to reconsider the significance of this undertaking and bring forward a revised proposal better designed to

deliver profiles that can operationalize higher and more consistent professional standards more quickly.

We hope these brief comments will be useful. Please contact us if you wish to discuss the project further.

Sincerely,

A handwritten signature in blue ink, appearing to read "Neil Gross". The signature is fluid and cursive, with the first name "Neil" and last name "Gross" clearly distinguishable.

Neil Gross

Chair, Investor Advisory Panel