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By-Laws and Regulations

Policy No. 6 - Part III The Continuing Education Program Parameters and Guidelines for the Securities Industry Continuing Education Program

The Advisory Committee on Continuing Education (the "ACCE") was asked to prepare guidelines for the Continuing Education Program that will commence on July 1, 1999.

Subject to certain exceptions, individuals registered to do retail business and give advice must complete a Compliance Course and a Product Knowledge/Professional Development course during continual three-year cycles. Those who are not registered to do retail business and those not registered to give advice must complete the Compliance course requirements. Non-trading partners, directors and senior officers do not have any continuing education requirements. Please refer to the Policy for a full discussion of the requirements of the Program.

In order to assist Members in developing and delivering Continuing Education courses, the ACCE Guidelines set parameters for course content, length and rigour for compliance courses. The Guidelines also provide parameters for product knowledge/professional development courses and assist in identifying appropriate external course suppliers. These ACCE Guidelines are set out in detail below.

Part III of Policy No. 6 The Continuing Education Program and the ACCE Guidelines have been approved by the Board of Directors. However, Members are cautioned that the implementation of the Program and the approval of the Guidelines are still subject to review and approval by the Ontario and British Columbia securities commissions.

Lyn M. Gilchrist
Association Secretary

IDA ADVISORY COMMITTEE ON CONTINUING EDUCATION PARAMETERS AND GUIDELINES FOR THE SECURITIES INDUSTRY CONTINUING EDUCATION PROGRAM

Introduction

The Advisory Committee on Continuing Education (ACCE) has been asked to: set parameters for course content, length and rigour for a compliance course developed and offered by Member firms; provide guidance on parameters for courses in the areas of product knowledge and professional development; and establish a process to aid firms in identifying appropriate suppliers and courses in the areas of product knowledge and professional development. These terms of reference are the foundation for both the Parameters for the ACCE's Continuing Education Compliance Course and the Guidelines for Product Knowledge / Professional Development Courses are outlined below.

Rather than to pre-approve courses, which would be an onerous task, the ACCE has developed guidelines for content and delivery of a compliance course. As well the Committee has developed guidelines to assist firms in defining appropriate material and providers to meet the requirements for product knowledge / professional development. These parameters and guidelines should be considered in the context of what is appropriate to the individual, his or her position and responsibilities, and the needs of the firm. The ACCE believes that this can best be accomplished by each firm allocating responsibility to a single person for defining training needs and appropriate programs to address them. Depending on the firm, some responsibility for approval of an individual's program may be delegated to the appropriate supervisory person.

As part of the audit process, IDA, or relevant SRO, will review a firm's continuing education program to ensure that it is properly documented and satisfies the guidelines. Details of the program are contained in IDA Policy No. 6.

PARAMETERS FOR THE CONTINUING EDUCATION COMPLIANCE COURSE

Basic Principles

- The Policy requires that certain registrants must successfully complete a compliance course within each three-year CE cycle. To determine which registrants are required to take the course, please refer to the Policy itself.
- A Member firm can choose to develop and deliver a compliance course which reflects its own assessment of its current needs and priorities or it may purchase a compliance course from the Canadian Securities Institute (CSI). Or firms may offer a combination of both.
- The subject matter that branch managers and others in a supervisory position are trained on should reflect their additional responsibilities, as per Section 3.2 of Policy 6 - The Compliance Course of the IDA's Continuing Education Program
- Successful completion of the compliance course must be documented in the firm's employee records
- As part of the audit process, the IDA (or relevant SRO) will review firm-developed compliance courses to ensure they satisfy the Guidelines.

The industry's Advisory Committee on Continuing Education created the attached Parameters outlining the delivery and required components of a compliance course.

Delivery Guidelines

The compliance course must be a minimum of 12 hours in duration.

The course has been structured to offer the firms and their registrants flexibility. The manner in which the topics are reviewed is left to the Member firm's discretion, provided the minimum 12-hour requirement, for every 3-year cycle, is satisfied.

The firm may choose to deliver the compliance course in a number of ways. The following provides examples of possible modes of delivery, but is not exhaustive:

- (i) a firm may hold an 8-hour in-house compliance seminar, with 4 hours preparatory reading and study. In the first part of the seminar, topic areas (1) through (4) below could be reviewed. Then the information imparted could be used in the discussion of case studies during the afternoon of the seminar; or
- (ii) a firm could offer the compliance course over the three years, by requiring their registrants to participate in a minimum 4-hour seminar, every year. However, the seminar must still cover the 5 topic areas set out below and must do so in sufficient depth.

As well, it is left to the firm to determine what constitutes successful completion of the course by its employees. A firm may define successful completion in a number of ways. The following list of examples is not exhaustive:

- (i) a firm may require its employees to write and pass a firm-developed and delivered exam;
or
- (ii) a firm may require its employees to write and pass a CSI-developed and delivered exam;
or
- (iii) a firm may require a certificate of attendance and participation at a seminar.

Parameters for Course Content

The course training materials must cover the following 5 major topic areas:

1. Environmental Changes
2. Regulatory Changes
3. Rules Relating to New Products
4. Ethics
5. Case Studies Highlighting Compliance and Ethical Issues.

Some examples of relevant issues for the 5 topic areas are provided below. Examples are given for both institutional and retail registrants. Certain of the examples will change over time to reflect new or different issues in the industry.

- How the Securities Administrators and Self Regulatory Organizations Regulate Securities Industry Participants
- Regulatory Developments that Affect Firm Management
- Disclosure of Information to Clients
- Registration and Continuing Education
- Operations and Firm Capital
- Sales and Trading Conduct - General
- Sales and Trading - Institutional Markets
- Current Developments in Bond Market Regulation
- Suitability and New Products

- Corporate Finance - New Rules
- Corporate Finance - Proposed New Rules
- Ethical issues and case studies

Some topics may be covered in more than one area; for each rule or discussion item, the bylaw, policy, rule number and/or all SRO and securities act references should be cited; as well, the issue should be cross-referenced to the relevant section in the new CPH. The importance of certain topic may vary by firm depending on the firm's business and individual responsibilities.

GUIDELINES FOR PRODUCT KNOWLEDGE/PROFESSIONAL DEVELOPMENT COURSES

Basic Principles

- The subject matter that an individual is trained on should reasonably reflect the needs of that person's skill requirements based on the firm's products and market strategies.
- The program undertaken should reflect the industry's commitment to high quality client service and professionalism.
- The subject matter should be of a non-promotional nature.
- The program's provider should be professional, having defined the program's learning outcomes in advance and be able to certify a student's successful completion. Alternatively, the firm may certify a student's successful completion, and assume responsibility for this function.

Time Requirement

The ACCE recommends that the minimum time requirement for Professional Development / Product knowledge be 30 hours over the three year cycle.

Process to Establish Training Solutions

1. Identify Training Needs
 - Identify knowledge and skills which would impact positively on the firm and individuals
 - Identify the outcomes expected from the program or course
2. Identify the evaluation method to be used
 - Determine how successful completion is to be ascertained
3. Identify delivery mechanism
 - Determine whether external or internal delivery is most appropriate approach
 - Determine external suppliers or internal experts who are professional and capable of providing delivery of material
 - Identify programs / courses that would deliver the skills and knowledge which would meet the firm and individual needs
 - Cross-check outcomes desired against outcomes promised

Delivery Alternatives

The determination of delivery should consider both the most appropriate learning tools and the need to ensure that requirements have been met. In different situations, any of the following may prove to be appropriate:

- Self-study materials which may contain an evaluation
- Courses offered through post-secondary institutions
- Material delivered electronically through computer-based technology
- Seminars and discussions delivered through internal or external providers

Material should, where possible, use cases and other application-based learning to develop

problem-solving skills that will improve decision-making skills. Training strategies should focus on product knowledge, regulatory knowledge, business development skills, managerial skills and client communication skills.

Topics to Consider for Training Courses and Material

In general, the courses should be relevant to the securities industry and financial advisors, management-oriented, or designed to improve client service. In all cases, the materials should stress full and fair disclosure to the client and the necessity to determine suitability in a particular case. We also recommend that the course provider give assurance to the firm that the proposed program fulfills some or all of the necessary requirements for product knowledge / professional development, so that the firm and the individual are able to track what requirements remain outstanding.

Additional information on course content and appropriate internal and external courses is contained in Appendix A.

APPENDIX A

Examples of Features in Training Courses and Material

Generally, the courses ought to examine products, services and investment and financial strategies that the individual may offer to clients as well as building business and managerial skill for individuals. More specifically, the courses and materials should deal with the following areas:

- Product features which should be fully communicated to a client in recommending a product
- Approaches to valuation of a product and the product's applicable risk factors
- Strategies for investing in a product including the particular client objectives in which it would provide the most suitable results
- The suitability of the use of leverage for a particular product and investment strategy
- The features and applicable cost of a service which the firm offers
- The regulatory, tax and other features of a product or service which might affect its suitability
- Methods of evaluating competing products, services and investment strategies
- The suitability of a product, service or strategy for clients with different financial, risk and knowledge profiles
- Managerial skills which would assist managers in meeting strategic and operational objectives
- Communication skills which would result in improved client service and determinations of client service
- Practice management skills which would provide tools to assist firm personnel in improving client service

Examples of Appropriate External Courses

The following are some examples of external courses that would likely fit the criteria outlined in the Framework for an individual's course of study:

- Courses and seminars offered by the Canadian Securities Institute
- Courses offered by professional associations which have a licensing and a continuing education program
- Courses delivered through established post secondary institutions

Suggestions for Appropriate Internal Courses

Whether or not internal courses would be appropriate varies among firms. In some firms, programs have been developed beyond the basic licensing requirements for investment advisors, branch managers, and others. These courses are designed to develop additional skills particular to the position. This type of course, where it was developed using the Framework, would generally meet the criteria for the continuing education program. Generally, however, internal courses primarily designed to launch or update the firm on its own products and services do not constitute appropriate continuing education programs.