

APPENDIX 3

Comments Received in Response to Rules Notice 19-0117– Rules Notice – Request for Comments – Dealer Member Rules – Continuing Education Rules – proposed amendments

On July 11, 2019, we issued Notice 19-0117 requesting comments on amendments to IIROC’S Continuing Education Rules (“CE Rules”). IIROC received six comment letters from the following commenters:

Assante Wealth Management Ltd.
Independent Financial Brokers of Canada
Investment Industry Association of Canada
Learnedly
Local Wealth Professionals
MJ Squared Consulting Inc.

Copies of these comment letters are publicly available on IIROC’s website (www.iiroc.ca). We would like to thank everyone for their time reviewing the material and providing their comments. The comments we received and our responses to them are summarized in the table below.

Summary of Comment	IIROC Response and Additional IIROC Commentary
CE Rules	
General comments	
A couple of commenters recommend that IIROC review the CE accreditation regime. They believe the current CE accreditation process is costly, outdated, and lacks transparency. The CE accreditation process needs improvements to ensure better quality education, more choice for participants, and reduced prices.	Thank you for your comments. We will take your comments into consideration as part of our future review of the CE accreditation process.
One commenter recommends we develop training on advisor fraud, and retirees.	Thank you for your comment.

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	IIROC offers continuing education opportunities through video webcasts, seminars and conferences. We will take these suggested topics into consideration when developing future educational programs.
<u>CE Rule 2653(6)</u> – The continuing education program	
Commenters agree Approved Persons should not be allowed to repeat the same continuing education (CE) course for CE credits unless the course provider has substantially updated the course. Commenters requested clarification on what qualifies as “substantially updated” with respect to CE courses.	We have amended this provision to provide clarity that a CE participant cannot repeat the same CE course unless the course has been updated to contain new course content. We will provide further information in the CE Guidance.
One commenter suggests that key courses, such as ethics, should be updated periodically and be a mandatory requirement in each CE cycle.	Thank you for your comment. The CE program requires an individual to complete compliance training in each CE cycle. CE compliance training covers ethical issues, regulatory developments and rules governing investment dealer conduct.
<u>CE Rule 2655(1)(iii)</u> – The compliance courses	
<p>Commenters expressed concern about expanding the types of foreign compliance courses that qualify for CE credits beyond those recognized by a foreign securities regulator: Commenters indicated that since Dealer Members (Dealers) will not have all the relevant course information, it will be difficult for them to ensure that non-regulator endorsed CE courses cover the material in a sufficient manner. Commenters believe broadening the scope of foreign courses beyond those approved by foreign securities regulator will:</p> <ul style="list-style-type: none"> • increase ambiguity around CE qualification criteria, which could result in a more cumbersome course evaluation process for Dealers, and 	We proposed amending this requirement because the current rule may limit a continuing education participant’s (CE participant) ¹ ability to use valuable compliance training that otherwise satisfies the requirement in subsection 2653. The process for evaluating courses, whether it be foreign or Canadian, will be similar. Regardless

¹As defined in clause 2652(1)(ii) of the CE Rules.

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<ul style="list-style-type: none"> lead to inconsistencies in allocating credit for the same or similar foreign courses. 	of the course provider, courses must comply with the CE Rules and follow our best practice guidelines in order to qualify for CE credit.
CE Rule 2657(1)(v) - Dealer Member administration of the continuing education program	
<p>One commenter disagrees with the proposed removal of the requirement for Dealer-delivered programs to include a method of evaluation, such as an examination, course work, or case study. The commenter believes that testing is a critical part of continuing education and is a way of confirming the participant's knowledge of the material.</p>	<p>We have amended this provision. Based on the comments we received on the previous publication from the public, the Canadian Securities Administrators and internal comments we have maintained the requirement to evaluate a CE participant's knowledge and understanding of the course but provided Dealers the flexibility to determine the method of evaluation. We will provide best practice guidelines on this area.</p>
<p>One commenter notes, the modern learning environment allows for several ways to verify course completions without a formal assessment, which is not an effective indicator of long-term retention.</p>	<p>Thank you for your comment.</p>
<p>One commenter expressed support for our elimination of subsection 2657(3), which permitted Approved Persons to use the CSC and the CPH to satisfy their CE requirements.</p>	<p>Thank you for your comment.</p>
<u>CE Rule 2658(2)</u> – Participation of recently Approved Persons	
<p>Commenters suggest the current Rule should be amended to allow any person who becomes licensed in the second year of the CE cycle, to commence their CE requirements in the next CE cycle.</p> <p>Commenters note, that in certain circumstances, it can be extremely difficult for an individual to complete their CE requirements in less than a year. In addition, some Dealers require CE requirements to be completed by October of the second year in order to ensure there is sufficient time to account for any issues.</p>	<p>Thank you for your comments. As discussed in Appendix 3 of Notice 17-0223, we have consulted extensively on this provision and have determined that the six month period set out in the Rule is appropriate. Individuals approved in the last six months of a CE cycle</p>

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	will become subject to CE requirements in the following CE cycle.
<u>CE Rule 2659</u> - Voluntary participation in the continuing education program	
<p>One commenter indicates that limiting the extension of the Voluntary Participation Program (VPP) to one CE cycle would place certain individuals at a significant disadvantage, such as those who have temporarily left the industry for further education, family obligations or another related field of work. The commenter noted that the courses approved for VPP are rigorous and can be significantly more difficult than the Canadian Securities Course (CSC). The commenter is concerned the proposed change is unduly restrictive and potentially punitive. In addition, the commenter notes they are not aware of any other industry where a qualification may be removed once it is attained.</p>	<p>We conducted extensive consultations on the VPP. The feedback we received through our on-going consultations with Dealers and other stakeholders was to either eliminate the VPP or to limit it to former Approved Persons for one CE cycle. We proposed the latter and will continue to review the VPP going forward.</p> <p>We note our time validity of licensing courses and registration is consistent with other investment industry securities regulators including FINRA (US regulator). We are of the view that high proficiency standards plays a key role in protecting investors and supporting healthy Canadian Capital Markets.</p>
Several commenters support our proposed amendments to limit the VPP to former Approved Persons, and only for one CE cycle.	Thank you for your comment.
One commenter suggests we only include courses on our VPP list that are equivalent to the CSC. If multiple courses are permitted, we should clarify which combination of courses are acceptable for VPP.	We are continuing our review of the VPP program and we will take your comments into consideration as part of that review.

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<p>Another commenter noted that individuals should not be permitted to extend the validity of certain essential courses or exams by being allowed to take courses that are unrelated to their core competencies</p>	
<p><u>CE Rule 2662(1) and (2) – Penalties for late filing or not completing continuing education requirements in a continuing education program cycle</u></p>	
<p>Commenters expressed support for our proposed penalty of \$100 per CE participant for each business day the Dealer is late in reporting, as opposed to our current flat penalty of \$2500. The commenters noted that a daily fine provides Dealers with the opportunity to rectify errors and minimize the penalty by filing as soon as possible.</p>	<p>Thank you for your comment.</p>
<p>Commenters request clarification on the reinstatement process for CE participants that have been suspended for failure to complete CE courses.</p>	<p>Once a CE participant has completed their CE requirements, the Dealer should notify IIROC in writing that the CE participant has completed these requirements and request that the suspension be lifted. This request can be submitted by email to the IIROC Registration Manager or Senior Registration Officer for their firm.</p>
<p>Commenters believe that CE participants should not be suspended for their Dealer’s failure to update the continuing education reporting system in a timely manner.</p> <p>One commenter believes only the Dealer should be accountable, by way of a monetary fine, for their failure to report.</p> <p>Another commenter notes that suspension is a hefty penalty, and is unduly punitive to the CE participant given the type of infraction, risk to clients, and their inability to control the outcome of the circumstances.</p>	<p>As discussed in section 2.2.1 of Notice 19-0117, while the CE participant may have completed their CE requirements on time, if the Dealer fails to report this to IIROC, we will not know whether the CE participant has met their obligations under the CE Rules.</p>

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	<p>We note that under the current CE Rules, the fine and suspension occur at the same time. Under the amendments, first, the Dealer will be subject to a penalty of \$100 per CE participant for each business day the Dealer is late in reporting, and the suspension is delayed until the last business day of January.</p> <p>We believe this change will allow enough time for both Dealers and CE participants to satisfy their reporting requirements and avoid any unnecessary suspensions.</p>
One commenter indicates there appears to be a grammatical error in clause 2662(1)(i) as the sentence seems incomplete.	We have amended the provision for further clarity.