

Michelle Alexander
Vice President
malexander@iiac.ca

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Sherry Tabesh-Ndreka
Senior Counsel, Registration
(416) 943-4656
stabesh@iiroc.ca

Dear Ms. Tabesh-Ndreka:

Re: Consultation Paper - Competency Profiles for Registered Representatives and Investment Representatives, Retail and Institutional (the “Consultation Paper”)

The Investment Industry Association of Canada (the “IIAC”) appreciates the opportunity to comment on the above noted Consultation Paper.

The IIAC recognizes the importance of developing appropriate competency profiles for all IIROC Approved Persons. Improvements to IIROC’s proficiency regimes will assist in increasing both investor and industry confidence in the system and is in line with other initiatives, such as the Financial Services Regulatory Authority of Ontario’s *Financial Professionals Title Protection Act*.

Overall, the IIAC generally agrees with the competency profiles set out for Registered Representatives (“RRs”) – retail and institutional as well as Investment Representatives (“IRs”); however, we have outlined below some areas of concern.

GENERAL COMMENTS

The IIAC understands that the competency profiles are intended to not only set out the specific expectations of the knowledge, skills and behaviour required for individual RRs and IRs, but also serve as a benchmark for IIROC to evaluate course providers and provide guidance on course content development to these education service providers. For the education service providers, we acknowledge the detail necessary as listed in Appendices 2 and 4. However, we are concerned that the publication of these Appendices appear as a detailed checklist that RRs must demonstrate and fulfill and, in the case of an investigation or possible litigation, clients may view these documents as an accurate listing of the

necessary knowledge and skills that each and every RR must possess, as opposed to simply guidance. Appendices 2 and 4 present a “gold standard “ of knowledge and skills and, although it would be appropriate for an education service provider to test an RR on this level of knowledge and skills in an exam setting, they are not indicative of the general level of knowledge and skills an RR must employ on a daily basis.

As a solution, we suggest developing different documents for different audiences. For example, the Competency Profiles in Appendices 1 and 3 could perhaps be expanded to provide more details on proficiency and skills for RRs and IRs, while Appendices 2 and 4 could be available only to education service providers.

An alternative would be for IIROC to amend the Knowledge headings in Appendices 2 and 4 to refer to a high level of knowledge or general knowledge/reference knowledge of these items and that while RRs may not know the intricacies of each item listed, they do have knowledge in each of the sub-competencies. Further, it should be recognized that RRs have the ability to refer back and review their course material and firm policies for reference when required without the detailed knowledge of every particular rule or requirement.

As an example, the Macroeconomics analysis sub-competency contained in both Appendices 2 and 4 are overly complex and detailed. While advisors may have learned this material and have general knowledge, they may not be applying these theories on a day-to-day basis, nor may they be required to. Additional examples that also set an unreasonably high standard include: Industry analysis (e.g. industry performance during stages of the economic cycle), Company analysis (e.g. component of the financial statements or different types of business structures), and Technical/statistical analysis (e.g. market theories).

APPROACH WITH IRs

While we acknowledge that IIROC has indicated that it has not set out a separate competency profile for IRs, given the similarity of education requirements between RRs and IRs, we are concerned that the profiles give the appearance that IRs can be delegated tasks for which the RR is accountable (i.e. suitability where recommending products is tied to RR registration). Thus, the IIAC suggests that IIROC should highlight with whom the ultimate responsibility lies with respect to relationship skills, regulatory skills and technical skills.

In addition, we note that Appendices 1 and 3 states that “IRs are to understand and apply or provide support” whereas the headings of Knowledge and Behaviours and Skills in Appendices 2 and 4 state that IRs are to “understand and provide support”. The IIAC requests consistency in the language.

We also request clarification surrounding the following language in the Behaviours and Skills section, which states “For Registered Representatives to apply and Investment Representatives to understand and provide support as applicable”. We question whether the words “as applicable”, refer only to IRs or whether they are equally applicable to RRs. We note that in the text under the Knowledge heading, it specifically states for RRs to understand and apply “as applicable” and therefore suggest the same language be included in the Behaviours and Skills heading.

RETAIL RR/IR COMPETENCY PROFILE

Relationship Skills – Initiate Client Relationships

Under this section, the IIAC wishes to point out that some of these skills may be ones that dealers want to take on in their own training, especially with respect to providing clients with the necessary documents and disclosures, as firms have their own document requirements and such policies and procedures vary from firm to firm.

We have the following comments on specific sections:^{1 2}

Competency 1 – Relationship Skills: Initiate Client Relationship - Sub-competency III – Setting out the scope of the client relationship (pg. 5)

We are unclear what the “conditions (regulatory and firm based) under which the client’s account will be maintained” actually means. We also request more clarity with respect to the language that “The wealth management process and its impact on investment decisions.”

Finally, we question why the “impact of fees, turnover and taxes on managed product returns” only references managed products.

Regulatory and Technical Skills

The proposed competency profile requires retail IRs “to understand to apply or provide support as applicable” on KYC, Product and Market Impact, and Suitability. The IIAC would appreciate IIROC clarifying

¹ Note that these specific comments are only applicable if IIROC does not agree with our suggestion that Appendices 2 and 4 should only be available to IIROC and course providers.

² Note that the following specific comments on various competencies and sub-competencies may be equally applicable to Appendix 4.

its expectations surrounding OEO dealer IRs given that they are prohibited from providing suitability assessments or investment advice.

We have the following comments on specific sections:

Competency 2 – Regulatory Skills: Know Your Client - Sub-competency I – Identifying and explaining the information that is required to be collected (pg. 7)

Under Behaviours and Skills, the statement “Verifies information with clients following meetings” is a best practice usually executed with a follow up note to a client but is not a requirement.

Sub-competency II – Analyzing and evaluating the KYC information

Again, under Behaviours and Skills, it states, “Ensures all client needs have been clearly expressed.” As advisors cannot ensure this, the language should be changed instead to “prompting the client to express their needs” or other language to a similar effect.

Competency 3 – Technical Skills: Product and Market Impact – Sub-competency I – Macroeconomic analysis (pg.10)

Under Behaviours and Skills, it states, “Analyzes closely all relevant documents and sources of information”. We would suggest that IIROC further describe this behaviour to clarify that this is general knowledge.

Sub-competency IX – Characters and information on other investments (pg. 16)

In order to align with the Client Focused Reforms (“CFR”), we suggest that the word “reasonable” be added to the text referring to the range of alternatives and other types of investment an advisor is expected to understand be included.

Competency 4 – Regulatory Skills: Suitability – Sub-competency II: When developing comprehensive investment recommendations (pg. 28)

The language under Behaviours and Skills, “Develops written product recommendations that reflect portfolio suitability, impact, expectations about returns, general product attributes and drawbacks”, sounds more as a best practice, especially given many specific product recommendations are verbal. As such, we suggest that IIROC clarify that this is intended as a best practice.

However, if it is intended to refer to advisor notes, then the language should be clarified to the notes as expected under CFR.

Sub-competency IV: By monitoring client investments regulatory (pg. 31)

Under Behaviours and Skills, it states, “Maintains transparent, open communication with clients about account performance and addresses adverse impact of economic downturns by discussing responsive steps”.

Not all clients may require a response to an economic downturn as this would depend upon the client’s time horizon/KYC. However, as commented upon earlier, this may be addressed if the “as applicable” language in the Behaviours and Skills heading applies to not only IRs, but RRs as well.

Relationship Skills: Maintain Client relationships

We have the following comments on specific sections:

Competency 6 – Relationship Skills: Maintain client relationships – Sub-Competency II: Keeping up to date with changes in requirements (pg. 34-35)

We question what is IROC’s expectation surrounding the competency to consider and add new products into their personal product shelf regularly.

We are also concerned, under Behaviours and Skills, with the language surrounding the need to evaluate the “potential impact of all changes to their own responsibilities, firm processes and client accounts” and whether this is necessarily the role of the advisor or of the firm itself.

Finally, the need to ensure that “account performance is periodically reviewed and the accounts are administered in a compliant manner” appears more to be the responsibility of a supervisor.

Sub-competency III: Identifying and applying documentation requirements and best practices (pg. 35)

We recommend the removal of the words “client reactions” from the statement under Behaviours and Skills to record “all discussions, recommendations, decisions and transactions, including client reactions, dates and time.”

Further, the reference to providing email summaries to clients after all discussions and meetings should clarify that this is a best practice.

Regulatory Skills: Conflicts and Ethics

Sub-competency I: Conflicts of interest and ethics (pg. 37)

We disagree with the Behaviours and Skills that set out that the advisor “Identifies areas that may raise a potential conflict of interest and completes further analysis to determine whether additional action is required”. The advisor does not need to decide how to address the conflict; instead, he or she should refer to the firm’s policies and procedures and/or escalate the issue to the compliance department.

INSTITUTIONAL RR/IR COMPETENCY PROFILE

Regulatory Skills: Conduct and Compliance

We find the language of “all business dealings” far too broad and vague as an RR cannot be aware of all business dealings - it is simply far too all encompassing. For example, an institutional RR would not have knowledge of advertising guidelines in any amount of detail as this task is undertaken by other groups within a firm. As such, more specificity is suggested.

COMPETENCY FRAMEWORK

We would like to point out that there is an apparent discrepancy in the language between the regulatory skills headings in the Competency Profile (Appendix 3), as compared to page 2 of the Table of Contents in the Competency Framework (Appendix 4). In addition, this discrepancy is noted in the headings on pages 4 and 6 of the Framework, which use the headings in the Competency Profile. The Table of Contents should be revised for consistency.

Competency Profile

- I. All business dealings
- II. Dealing with clients
- III. Know your client

Table of Contents – Competency Framework

- I. Building a book of business
- II. Meeting with prospective clients
- III. Setting out the scope of the client relationship

Thank you for considering our comments. If you have any questions, please do not hesitate to contact me.

Yours sincerely,

M. Alexander

701 West Georgia Street | Suite 1500 | Vancouver, BC | V7Y 1C6 | 604.637.1677 | www.iiac.ca