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Delivered by Email to: proficiency@ciro.ca

Registration, Proficiency
Canadian Investment Regulatory Organization
Suite 2600
40 Temperance Street
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Dear Mesdames, Sirs,

SUBJECT: Proposal to harmonize CIRO continuing education programs – Phase 2

The Securities and Investment Management Association (**SIMA**) appreciates the opportunity to comment on the Canadian Investment Regulatory Organization (**CIRO**) consultation on the proposal to harmonize continuing education programs – Phase 2 (**Consultation**).

SIMA empowers Canada's investment industry and is now the leading voice of the securities and investment management industry, which oversees approximately $4 trillion in assets for more than 20 million investors and whose members participate in Canada's capital markets. Our members, which include asset and investment fund managers, investment and mutual fund dealers, capital markets participants, and professional service providers, are committed to building a resilient and innovative investment industry that drives long-term economic growth and finds investment opportunities for Canadians.

We operate under a formal governance framework that allows us to gather input from our members through our proactive working groups. Recommendations from these groups are submitted to the SIMA Board of Directors or Board-level committees for guidance and approval. This process results in a submission that reflects the input and guidance of a broad range of SIMA members.

Introduction

We support and appreciate CIRO's objective to harmonize the continuing education (**CE**) programs of mutual fund dealers (**MFD**) and investment dealers (**ID**). Generally, the harmonization will increase efficiency and help reduce regulatory burden, especially for the firms that are registered in both categories.

This project presents a great opportunity to modernize and harmonize the applicable continuing education regime. We note however, that many of the critical proposals of the Consultation have not taken into account previous comments from the industry or the proportionality of the rule for the business model of the registrants. We submit that each element of the regime must be subject to a thorough review to determine its relevance, consistency, and added value for registrants. We provide our comments by assessing each proposal based on its merits.

Some proposals of the Consultation aim to carry forward legacy systems or rules that are outdated. For example, we observe that the Consultation did not take into account one of our main recommendations in our submission[1] in the Phase 1 of the project regarding using CERTS as the prescribed reporting system. The chosen system must be based on a strong business case that concretely and optimally responds to registrants' needs. As we outline below, the position of the large majority of our members is that CERTS is a superior system as compared to CIRO Services and should therefore be the prescribed system going forward. In fact, we believe that CERTS can also be updated to include functionalities that exist on the platform of the Chambre de l'assurance (**CA**).

We understand that the Canadian Securities Administrators (**CSA**) have already approved Phase 1 that puts reporting and record keeping obligations on the dealers. However, given that Phase 1 and 2 will be implemented together, we reiterate the compelling case for the industry's position to move forward with CERTS as the designated reporting system.

We are also concerned that the Consultation puts the obligation to comply with CE requirements on the dealer rather than the Approved Person (AP). We understand that currently this is the practice for IDs and CIRO wants to expand that to MFDs. However, this important element needs to be re-evaluated and not just carried forward and expanded. As we outline below, it is the recommendation of our MFD and ID members to put the obligation on APs to make the process more efficient, increase accountability of APs, increase the chance of compliance and reduce unnecessary burden for dealers.

We urge CIRO to closely align future policy with genuine industry needs that we present below.

Summary of our comments

Our main positions are that:

- CERTS must be the prescribed reporting system for CE credits since it:
  - o offers many more functionalities than CIRO Services
  - o automates CE credit management and
  - o reduces significant burden for dealers and Approved Persons (AP).
- the obligation to comply with CE credit requirements should remain with APs rather than the dealer

We also provide further comments and seek clarification on other aspects of the Consultation, such as proration, exemptions, CE credit cycle and accreditation.

Key concerns

We outline in this section our two overarching recommendations on the tools to use and the measures to take to achieve a successful harmonization.

1. Using CERTS as the prescribed reporting system

The large majority of our MFD and ID members recommend CERTS as the prescribed reporting system to comply with CE credit-reporting obligations.

CERTS provides many functionalities that CIRO Services does not. To discontinue the use of CERTS would put significant burden on dealers to develop their own systems to do what CERTS is already doing today. CERTS provides a reliable central system available to all registrants, which is ideal. For each dealer to develop their own system would exponentially multiply the costs for the industry. Some of these builds can take 18 to 24 months. It would also create disruption for dealers and APs to learn a new system, since each dealer may develop a different design. We outline here the compelling reasons why CERTS is superior to the CIRO Services system.

[1] https://www.sima-amvi.ca/wp-content/themes/ific-new/util/downloads_new.php?id=30389&lang=en_CA

a) Automatic tracking of CE credits

CERTS allows automatic tracking of the credits that have been uploaded into it. The system shows completed credits and those that are outstanding according to category of credit for each individual AP. This functionality promotes individual accountability and reduces administrative burden on dealers. CIRO Services does not allow such tracking and would put the burden on dealers to develop costly tracking systems. CERTS will reduce confusion, optimize the chances of APs completing the required number of credits, and minimize the risk of suspension for failing their obligation.

In addition, CERTS allows APs to submit certificates directly for review processing when urgent credit recognition is required. The capability is not currently available through CIRO Services.

CERTS also supports integration with registration status controls, allowing access to Mandatory CE Compliance activities only after registration approval has been granted. This functionality assists firms in maintaining regulatory compliance and is not currently available through CIRO Services or Fitch platform. This has recently caused concerns for some IDs with the regulator imposed Conduct Training courses.

CERTS also provides line of sight into CIRO mandatory compliance webcast completions at the individual level, enabling detailed tracking and oversight.

b) Bulk uploads

Dealers have large number of APs to oversee. An important feature of efficiency for them is to be able to upload large amounts of data into the prescribed reporting system to reduce manual work.

Both CERTS and CIRO Services support bulk uploads, however, there is a significant gap between what CERTS offers and the limited capacity of CIRO Services. CERTS presents material advantages in terms of the quality, granularity, and usability of the data being captured and reported.

Unlike CIRO Services, CERTS captures detailed course level information, including the specific course completed, the applicable CE category, and whether the activity was deemed eligible or ineligible for CE credit. This level of detail significantly improves oversight, auditability, and participant understanding of their CE status.

c) Automatic management of proration

Proration is an important component of the Consultation. When APs are certified in the middle of a cycle or have to leave their practice for some time, it may be confusing to determine the number and the category of credits to fulfill. CERTS allows for automatic management of these important elements, minimizing manual work and potential mistakes that may lead to the suspension of APs' licenses. CIRO Services does not provide proration adjustments so each AP would be on their own to figure out their obligations.

If CIRO adopts any other system than CERTS, then it must incorporate automatic proration.

d) Automatic tracking when APs change firms

CERTS automatically tracks the CE credits progress for APs, which eliminates the burden on dealers to exchange information when an AP changes firms. CERTS would effectively take away the need for the proposed section 9.2 in MFD rules and paragraph 2711 (2) in IDPC rules.

e) Regular upgrades

CERTS has been upgraded over the years to respond to industry needs and can continue to be upgraded to respond to future needs. It only makes sense to continue leveraging CERTS since it already responds more efficiently to industry needs and is accessible by registrants.

Adopting CIRO Services as the prescribed reporting system would reduce service to the industry, exponentially increase costs and lead to more mistakes, given the high level of manual work involved.

In addition, we recommend that CIRO provide an 18-month transition period for the industry to comply with the prescribed reporting system for purposes of integration and training.

Although the proposal centers on evaluating CERTS and CIRO Services specifically in relation to the CE programs, it's important to recognize that CIRO Services currently serves additional functionality, such as providing post-approval requirements for individual registrants, such as Dealer Member Training and Conduct Training. SIMA's previous comment letter on Phase 1 also highlighted this by noting that CIRO Services "facilitates reporting for post-registration activities."

In light of these points, we request clarification regarding the future role of CIRO Services should CERTS become the prescribed reporting system for CE requirements. Will CIRO Services continue to be utilized for its other existing functions?

It is also the view of some of our Quebec-based members that the CA's system offers additional functionalities, over and above what CERTS currently provides, so there may be additional opportunities to expand CERTS' current functionality to better serve the industry.

Should CIRO choose CERTS as the reporting system, we recommend upgrading the French side of the system to offer the same experience to the user as the English side. It is essential for a national system to offer the same level of service in both official languages.

2. CE credit-reporting obligations should be up to the AP, not the dealer

Section 9.1 of the proposed MFD rules and section 2711 of the amendments to IDPC rules put the obligation on the dealers to verify and ensure CE participants' compliance with the CE program during and at the end of every cycle. We believe that APs, whether at MFDs or IDs, are professionals who can and should fully take on this obligation. Currently, for MFDs, the obligation is already on the APs, and we recommend the same for IDs. This would be in line with other professions (law, accounting, medicine, engineering, etc.) where individuals have the responsibility to fulfill and report CE credits.

As mentioned above, CERTS provides APs the necessary information about their CE credit requirements, both by number of credits and by program component, allowing them to track their progress during the cycle to ensure timely compliance. It is unreasonable for dealers, who generally oversee large numbers of APs, to be held accountable for APs' CE credits. A decentralized approach will divide the burden and increase efficiency.

Dealers can implement reasonable supervisory systems, monitoring processes, reminders, escalation procedures, and disciplinary measures to promote compliance with CE requirements. However, a dealer cannot ultimately compel an approved person to complete CE obligations.

The use of the word "ensure" may unintentionally create a strict liability standard whereby firms could be held responsible for the actions or inactions of individuals despite having established and effectively administered robust compliance framework.

We recommend that CIRO consider language requiring firms to take "reasonable steps" or maintain "reasonable supervisory" procedures to monitor and promote compliance with CE requirements, as this would better align with existing regulatory principles and recognize the practical limitations of dealer oversight.

We also submit that CERTS would significantly respond to the obligations of recordkeeping in MFD rule 9.1 b) and IDPC rule 2711. 1) ii) since it keeps in file all activities completed and the related documents.

Comments on other proposed amendments

CE credits vs CE hours

The Consultation is proposing to change the word “credit” to “hours.” We recommend keeping the word “credit” given that all other regulators use that word. It is important to maintain consistency of terms among securities regulators to avoid confusion.

We would also appreciate knowing whether CIRO intends to allow the continuation of partial credits. We believe it would be a positive development as not all activities can be a full hour. Partial credits would give flexibility to those who provide activities the option to cover a specific subject in 20 or 30 minutes.

We understand that outside Quebec, it is common practice for CIRO to allow partial credits. However, this practice is not codified. We therefore recommend that CIRO explicitly permit partial hour CE recognition within the harmonized framework - including Quebec, once the full CE transition is made from the Chambre de l’assurance to CIRO - and provide supporting guidance. This would allow firms and course providers greater flexibility in developing focused educational content while maintaining consistency with existing accreditation practices.

Proration of CE credits

As mentioned, CERTS automatically makes proration adjustments, which takes away manual work for dealers and APs. Many of the elements in the rules relating to proration can be answered through CERTS.

As we understand it, CIRO’s objective is to harmonize the rules for MFDs and IDs. We do see, however, some discrepancies between the proposed MFD and ID rules for proration. Section 1.1 of Part A in the MFD rules allows the following proration: “Requirements under Rule 1.2.6(b) or (c) do not apply to a Participant where their initial date of participation falls within the 23rd or 24th month of the cycle.” We recommend using consistent terminology in IDPC Rule 2721(2). In addition, section 2731 (2) of IDPC rules says: “Mandated annual continuing education cannot be prorated.” This requirement does not appear in the MFD proration rules. Were these discrepancies intentional by CIRO? We ask for clarification and we recommend full harmonization of the rules.

Exemptions

We would appreciate if CIRO would clarify how proration and exemption are different, how they would apply, and in which cases. We also recommend that any such guidance be included in the rule.

We would also appreciate it if CIRO clarify why the exemption provided in IDPC Rule 2703 (5) for professional development credits has been erased. Given that the exemption has been in place for a long time, reversing it would cause significant confusion. We recommend that those already subject to this exemption be grandfathered until they de-register or change registration category. The grandfathered APs will continue to complete Compliance credits.

CE credit cycle

Paragraph 1.2 (d) of the MFD rules and paragraph 2703 (2) of IDPC rules propose changing the CE credit cycle to start on January 1 instead of the current December 1. A majority of our members recommend maintaining the beginning of the cycle as December 1 for the following reasons:

- Dealers prefer to finalize the cycle before the holiday season begins in December, especially if some APs still haven’t completed the required number of credits.
- APs and dealers do their best to complete the prescribed number of CE credits during the cycle. However, in the case of an AP being suspended for not having met the requirements, dealers and APs would have the month of December as a buffer to rectify the situation before the busy Registered Retirement Savings Plan (RRSP) period of January and February.

- Operational staff are heavily involved in finalizing CE credit matters. It is important to have them available full-time before they start going on vacation during December.
- December 1 is the current cycle start date for MFDs who represent a much larger number of registrants. Maintaining the start of cycle on December 1, would therefore allow for a smoother transition.

We agree that the cycle should be two years to provide more time and flexibility for APs to complete the required credits.

Accreditation

The proposed section 8.2 of MFD rules and IDPC Rule 2705(2) state the following about accreditation: "A Member or third party may submit a continuing education activity for accreditation through the Corporation's accreditation process." We appreciate that CIRO will continue to accredit activities.

We question, however, the use of the word "may." Does this mean that other parties, such as the dealer or third parties, can accredit an activity? The rules as currently proposed don't allow for such accreditation. If CIRO intends for dealers and third parties to have the option to accredit an activity, it should be explicitly mentioned in the rules. If this is the case, we also ask that CIRO provide guidance so that dealers fully know how to accredit. It has happened in the past that IDs have accredited CE credits, only to be told by CIRO during an inspection that the accreditation was not valid. This puts the dealers and the APs in a difficult position. The guidance should clearly lay out CIRO's expectations so that dealers can get it right the first time.

Dealers also recommend having the option to assess materials and determine the appropriate category and number of credits, or hours, the training materials would qualify for. This method is cost effective for dealers since they wouldn't have to pay fees to CIRO for accreditation. The process will also be faster given that the accreditation would be done internally.

Assessing knowledge and understanding

The proposed section 9.1 (d) in the MFD rules and IDPC Rule 2711 (1) (iv) require dealers to "assess the continuing education participant's knowledge and understanding of the activity, if delivering a continuing education activity." We would appreciate it if CIRO would provide more clarity about whether this applies only in the cases where the dealer is delivering the activity. APs may follow third-party activities (conferences, webinars etc.) for which the dealer is not able to make an assessment.

Furthermore, if the rule is intended for dealer activities, what is meant by "assessing knowledge and understanding"? Does this mean an exam on the content? Does the assessment depend on the method of delivery? For example, if it's an online activity, it may be possible to do a comprehension test at the end of the activity. If it's an in-person activity, assessments may be more difficult.

We also find section 2711 (3) confusing. A credit should be given for an activity regardless of which year it was completed in. We recommend removing this section.

Expansion of continuing education requirements to Chief Financial Officers (CFOs)

While we support CIRO's objective of creating a consistent and harmonized CE framework, we recommend a risk-based approach for CE requirements for CFOs.

Many CFOs are already subject to extensive continuing compliance and professional development requirements through recognized professional designations and acquire relevant regulatory knowledge through their governance and oversight responsibilities. We recognize however the need for CFOs to be up to date with relevant industry matters. We recommend therefore that CIRO limit CE requirements for CFOs to 10 credits of CE every 2-year cycle.

CE credit recognition with CA

We encourage CIRO and CA to have mutual recognition of CE credits where appropriate for APs who are registered in other financial categories, such as insurance and financial planning to avoid duplication of credits.

Conclusion

SIMA is pleased to have had this opportunity to provide feedback as part of this consultation. Please contact Kia Rassekh, Director, Policy, Regional Director, Quebec, by email at krassekh@sima-amvi.ca . We will be happy to answer your questions.

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Sincerely,

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