

December 22, 2022

Sherry Tabesh-Ndreka, Director, Registration
Investment Industry Regulatory Organization of Canada (IIROC)

Via email to: Stabesh@iiroc.ca

Re: IIROC Competency Profiles for Supervisors, Traders, Associate Portfolio Managers and Portfolio Managers (Consultation)

FAIR Canada is pleased to provide comments in response to the above-referenced Consultation.

FAIR Canada is a national, independent charitable organization dedicated to being a catalyst for the advancement of the rights of investors and financial consumers in Canada. We advance our mission through outreach and education, public policy submissions to governments and regulators, and proactive identification of emerging issues. FAIR Canada has a reputation for independence, thoughtful public policy commentary, and repeatedly advancing the interests of retail investors and financial consumers.¹

A. GENERAL COMMENTS

We are fully supportive of Investment Industry Regulatory Organization of Canada's (IIROC) project to develop competency profiles for each category of Approved Persons.

From a practical perspective, the profiles will serve as a necessary foundation for the selection of an education service provider, following the expiry of the Canadian Securities Institute (CSI) contract in 2025.

From an investor protection perspective, there is also a more fundamental benefit to this work. The publication of competency profiles, if used effectively, can serve as the basis for enhancing the related proficiency requirements. Over time, this will enhance the investor-advisor relationship and reinforce the quality of the advice that investors rely on each day.

We also appreciate that the project has been informed by an extensive amount of consultation with stakeholder and advisory groups, who have hands-on experience with the

¹ Visit www.faircanada.ca for more information.

current course requirements. This is the right approach and should help produce the desired result—an enhanced proficiency regime that better protects investors and better serves industry participants.

In addition to commenting on the proposed competency profiles, we look forward to providing our views, in connection with the planned review of the IROC proficiency rules (Rule 2600), for any amendments required as a result of the profiles.

Finally, once the competency profiles are completed, IROC should make it clear that the profiles will be updated periodically to ensure they remain reflective of evolving regulatory expectations and market developments.

B. COMMENTS ON SPECIFIC COMPETENCIES

From a retail investor perspective, the most relevant competencies under this project are those applicable to Retail Registered Representatives (RRs) in Phase I and, to a lesser extent, those applicable to Associate Portfolio Managers and Portfolio Managers (APMs/PMs) in Phase III.

Although the comment period for Phase I has closed, given its importance, we would like to provide some high-level feedback on the Retail RR competencies, based on the understanding that there may be some flexibility for IROC to consider them at this stage in the project.

The Retail RR Competency Profile

The proposed Retail RR Competency Profile and its accompanying Reference Document are detailed and comprehensively set out the required knowledge, skills and expected behaviours.

We commend IROC for the thorough approach to this important task and offer some additional enhancements:

1. Align With the CFRs

We recognize that, as indicated in the Consultation, staff will consider the impact of other initiatives, such as the Client-Focused Reforms (CFRs) and update the competency profiles accordingly.

We would, nonetheless, echo the comments made by other stakeholders concerning the need to add key elements to the profiles to better reflect the CFRs. This includes incorporating knowledge and skills aligned to the following aspects of the CFRs:

- **Conflicts of Interest:** While there is mention of the need to be able to identify conflicts of interest, the competency profile does not mandate the key skill of addressing and resolving these conflicts in the best interests of the client.

- **Know Your Client (KYC):** Although the competency profile refers to identifying and collecting information regarding the client’s “risk tolerance”, it does not refer to the client’s “risk capacity”, a crucial component in assessing a client’s risk profile pursuant to the CFRs.

In this regard, a skill that should be added to the competency profile is the ability to use the collected KYC information to produce a thorough assessment of the client’s risk tolerance **and** risk capacity.

- **Know Your Product (KYP):** In terms of product knowledge, the competency profile states that RRs are expected to have “Awareness of new products available through the firm.”

This language should be amended to better align with the KYP expectation for registrants under the CFRs, which is:

- to have “a general understanding of the types of securities that are available through the registered firm for the registered individuals to purchase or sell for, or recommend to, clients” and
- “consider a reasonable range of alternatives as part of making a suitability determination for a client.”²

2. Crypto and ESG

Another area of the profile that should be enhanced is the section requiring knowledge of “all alternative, emerging and other types of investments”. The examples of investments listed should be expanded to specifically refer to crypto asset and environmental, social and governance-related products (ESG).

Moreover, the increasing interest and risks posed by investing in crypto assets and the risk of “greenwashing” associated with ESG-investing warrant adding specific knowledge requirements for these two topics.

3. Behavioural Finance

We recommend adding knowledge and skills requirements regarding the principles of behavioural finance. Familiarity with these principles would help RRs better understand and anticipate client behaviour, in response to RR advice and in reaction to market events and changes to their portfolio.

The required competencies would be roughly aligned to those included under the “Behavioural Finance” sub-competency for the proposed APM/PM competency profile.³

² See [NI 31-103CP](#) at page 205 – “KYP requirements for Registered Individuals”.

³ [Reference Document for APM/PM Competency Profile](#), at page 17.

The APM/PM Competency Profile

1. Align With the CFRs

We recognize that the proposed APM/PM competency profile does include elements of the CFRs that are missing from the RR profile. That being said, we note there is room for further detail in this regard, including with respect to KYC.

For example, while the profile refers to “establishing risk tolerance and risk capacity” as part of developing the Investment Policy Statement for a client, there is no reference to the specific skills needed in this regard. As we stated above in the context of the RR competency profile, this would include the ability to use the KYC information to produce an assessment of the client’s risk tolerance and risk capacity.

2. Crypto and ESG

Unlike the RR profile, the APM/PM profile includes specific reference to “cryptocurrency” as one of the trends listed under the Alternative Investments sub-competency. In this regard, we recommend adding a requirement to know about different crypto asset-related products and how they may be regulated under securities law, or otherwise.

We also note that the profile refers to ESG considerations and other personal values the client holds, in the context of developing the Investment Policy Statement.

Similar to our comments above regarding the RR profile, we recommend that this reference be enhanced by adding the need to understand the different components that make up ESG, along with an understanding of the concept of the “greenwashing” in connection with ESG investing.

Thank you for considering our comments on this important issue. We welcome any further opportunities to advance efforts that improve outcomes for investors in connection with this project. We intend to post our submission on the FAIR Canada website and have no concerns with IIROC publishing it. We would be pleased to discuss our submission with you. Please contact Jean-Paul Bureaud, Executive Director, at jp.buread@faircanada.ca.

Sincerely,



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FAIR Canada | Canadian Foundation for Advancement of Investor Rights