

June 9, 2000

**DELIVERED**

Mr. Purdy Crawford, Q.C.  
Chair, Securities Review Advisory Committee  
Osler, Hoskin & Harcourt LLP  
Barristers & Solicitors  
Box 50, 1 First Canadian Place  
Toronto, Ontario M5X 1B8

Dear Mr. Crawford:

**Re: Five Year Review of Securities Legislation in Ontario**

Thank you for your letter of April 28, 2000 inviting the Canadian Securities Institute (“CSI”) to comment on the Five-Year Review of Securities Legislation in Ontario (“the Review”), being conducted by the Securities Review Advisory Committee (“the Committee”). CSI is pleased to co-operate with the Committee in its review of the legislation, regulations and rules relating to matters dealt with by the Ontario Securities Commission (“OSC”).

*I. Executive Summary:*

We recognize that the Issues List is intended to be a catalyst for discussion, and on that basis, we appreciate being given the opportunity to comment broadly on some of the issues the Committee has raised concerning the regulation of registrants early in the review process. Although the Issues List does not specifically comment on educational proficiency issues, the Committee appears to doubt the advice-giving capabilities of registrants.

To be sure, while the nomenclature describing registrants within the *Securities Act* may be somewhat antiquated, the Committee can be confident that the underlying educational proficiency standards set by the self-regulatory organizations (“SROs”) surpass those of most other countries,<sup>1</sup> and as delivered by CSI, are in fact at the university if not graduate

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<sup>1</sup> CSI has recently completed the first phase of an international educational proficiency project, on behalf of the International Organization of Securities Commissions (“IOSCO”)’s SRO Consultative Committee. These findings were recently presented at IOSCO’s Annual Meeting in May, 2000.

school level.<sup>2</sup> We have not only kept up with the pace of change in the industry, but with the case study methodology of leading business schools, psychometric testing initiatives, and advances in technology-based distance learning.

We note that the Committee has also requested input on the issue of the current lack of proficiency requirements for equity analysts. Many interested parties, including CSI, have made submissions to the Crawford Committee on this specific issue. We believe that in all fairness, this Committee ought to defer to the final decision being rendered by that Committee.

CSI is pleased to offer you our specific comments below.

## *II. Background:*

As the only financial services educator within the umbrella of self-regulatory organizations (“SROs”) and the Canadian Investor Protection Fund (“CIPF”), CSI works intimately with the IDA and its industry committees and with the other regulators to play a pivotal role in interpreting and supporting educational proficiency standards.<sup>3</sup>

Over the last three decades, CSI has developed particular expertise in setting courses and examinations relating to the educational proficiency requirements within the Canadian securities industry.<sup>4</sup> We strive to protect the public through high educational standards, by teaching academic and industry knowledge to prospective registrants with their specific client audiences in mind. For example, CSI has taken a leadership role in articulating the “know your client” and suitability requirements within both our CSC and Conduct and Practices Handbook (“CPH”) course. Similarly, we have developed both the Investment Representative (“IR”) Training Program for IRs who do not give advice, and the 90-Day Training Program for Investment Advisors who do give advice. In fact, our Professional Financial Planning Course (“PFPC”) was specifically designed to teach students how to give financial planning advice, as noted below.

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<sup>2</sup> For your information, CSI has partnerships with 75 colleges and universities across Canada, and several of these institutions grant their students academic credit for successful completion of our courses, including at the MBA and M.Tax level.

<sup>3</sup> CSI and its Investor Learning Centre were awarded the 1999 Investor Education Award at the 5<sup>th</sup> Annual Canadian Mutual Funds Award Gala. CSI has also been recognized recently by the Ontario Government for its ongoing contribution to a financial literacy pilot for female high school students entitled, “Your Money, Your Life, Your Way.”

<sup>4</sup> The Canadian Securities Course was first launched in 1964. It has grown in terms of both breadth and depth over the years, and the 37<sup>th</sup> edition is underway. All CSI courses are regularly reviewed and updated.

### *III. CSI's Modern Approach to Learning:*

CSI courses and seminars are designed for and directed to adult learners who wish to increase their knowledge of the financial services sector. Adult learners are intrinsically motivated and have a desire to control their own learning experiences. Their motivation to succeed often stems from self-esteem, quality of life, and job satisfaction. CSI is guided by modern research on how students actually learn, rather than outdated views on how courses have traditionally been taught.

#### *A. Distributed Problem-Based Learning Program:*

Effective learning begins with a goal. Rather than teach a set of decontextualized facts, CSI's Distributed Problem-Based Learning ("DPBL") Program gives students a compelling reason to explore the underlying knowledge. Because students can simulate advice-giving to "clients" in an online environment, they are motivated to learn what they can to give better advice. Their "clients' goals" serve to organize the advice that CSI students offer. This is known as goal-directed learning.

The DPBL Program is currently being tested as a limited pilot within PFPC under the direction of our Vice-President of Learning Development, Corey Wentzell, MA, MBA, Ph.D. Dr. Wentzell is committed to setting new standards of course delivery and testing excellence, based on his expertise in adult education and finance. Going forward, Dr. Wentzell plans to introduce the DPBL Program in all of our courses.

#### *B. Centre for Interactive Learning:*

Coincident with our development of the DPBL Program, we have also identified the tremendous teaching potential associated with cutting edge technology. We are so committed to developing this new technology that we have dedicated key staff and significant capital to its establishment.

Our Centre for Interactive Learning ("CIL"), is being developed by Barry Novak, B.Ed., MPhil., FCSI, Director, CIL, under the guidance of Dr. Wentzell. We have identified a number of important benefits for students arising from the use of this technology, such as:

- The elimination of geographical boundaries which favour large urban centres
- Consistent educational delivery that does not vary depending on the instructor
- A high level of interactivity, including student chat rooms as well as illustrations and animations

- Industry-based case studies and experiences are included so that students can “work” and “provide advice” in a simulated world without risk to actual clients
- Students can control their study schedules
- Students have easy access to a full range of learning materials, reference information, associated rules, and application forms, simply by clicking on a link icon
- Learning objectives are reinforced through a variety of features built into the courseware, such as Frequently Asked Questions, sample answers, tutorials, seminars and specialized learning supports

Our work in this regard is well established. The Derivatives Fundamentals Course, which is the first step in fulfilling regulatory requirements for futures professionals, is available via CD-ROM and the Internet. Our Trader Training Course, which is a mandatory program approved by the stock exchanges, is also available over the Internet. Our Continuing Education Compliance Course is available via CD-ROM. Both our IR Training Program and our CPH are also available over the Internet. Work is well underway for the electronic delivery of our Options Licensing Course, Futures Licensing Course, as well as the ongoing pilot for PFPC, described above.

*C. Assessments:*

CSI works with world class organizations in the design and development of our assessments. Such organizations include the Educational Testing Service in Princeton, New Jersey, The University of Toronto, The University of Alberta and Queen’s University, among others. We are rapidly moving to a technology-based system where all multiple choice examinations can be completed directly online, or in a classroom setting. In courses that include problem-based case assignments, some of the pre-eminent case writers from the Richard Ivey School of Business, Harvard University and other leading educational institutions work with CSI to produce cases that teach as well as assess student comprehension, application and synthesis of their learning. Our new Investment Management Techniques (“IMT”) is a good example of how CSI is using rolling case studies to achieve sophisticated learning objectives. The revised PFPC case study will also adopt this approach.

*IV. Conclusion:*

Thank you again for your invitation to comment on this important legislative Review. We hope that our comments regarding the high educational standards set by the SROs allay any concerns that the Committee has with respect to the advice-giving capabilities of registrants.

Please do not hesitate to contact me at (416) 681-2204 if you would like to set up a meeting to discuss any of these issues, or if we can provide you with any additional information.

Yours truly,

Mary Ross Hendriks  
Director of Policy & Regulatory Affairs

cc. Roberta Wilton, Ph.D. President, CSI  
Joe Oliver, President, Investment Dealers Association of Canada  
Larry Waite, Chief Operating Officer, Mutual Fund Dealers Association