

IIROC NOTICE

Rules Notice
Request for Comments
Dealer Member Rules

Comments Due By: August 26, 2019

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19-0117

July 11, 2019

Continuing Education Rules – proposed amendments

Executive Summary

IIROC is proposing amendments to [Rule 2650](#) – *Continuing Education Requirements for Approved Persons* (the **CE Rules**) to address feedback we received following the implementation of our revised continuing education (CE) program.

On January 1, 2018, we repealed existing Dealer Member Rule 2900 – *Proficiency and Education: Part III – The Continuing Education Program* and the *Guidelines for the Continuing Education Program* and implemented the CE Rules¹. As part of this change, we updated our CE requirements and moved our CE program from a three-year cycle to a two-year cycle.

We have been conducting an in-depth regulatory review of our CE program and consulting extensively with Dealer Members (**Dealers**) and other stakeholders. This review started prior to the implementation of the CE Rules and continued during our first two-year CE program cycle, which commenced on January 1, 2018. As a result of this consultation, we decided to make certain substantive changes to the CE Rules, which we are now publishing for comment (the **Proposed Amendments**).

¹ See [Notice 17-0223](#)



The Proposed Amendments address inconsistencies in the CE Rules, support our goal of modernizing and simplifying the CE program and respond to comments received during our consultation.

Impacts

Generally, IIROC, Dealers, CE participants and other stakeholders will benefit from the Proposed Amendments' enhanced clarity.

However, we anticipate there will be a material impact on Dealers and CE participants who do not meet the requirements set out in the CE Rules and who are subject to penalties. We do not believe this impact is unreasonable when balanced with our objective of enforcing the requirements of its CE Rules and maintaining high proficiency standards.

We also anticipate there will be material impact on Dealer Members and former Approved Persons who will no longer be able to use the Canadian Securities Course (**CSC**) and the Conduct and Practices Handbook Course (**CPH**) to satisfy their CE requirements and consequently will need to take other courses that satisfy the CE requirements. We do not believe this is an unreasonable requirement as it results in consistent treatment of new and former Approved Persons.



How to Submit Comments

Comments should be made in writing and delivered by August 26, 2019 to:

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Commentators should be aware that a copy of their comment letter will be made publicly available on the IIROC website at www.iroc.ca.



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1. Background

We are publishing the Proposed Amendments based on the following review of our CE program, during which we engaged with Dealers and other stakeholders to obtain feedback:

- in March 2017, we published proposed amendments as part of the proposed PLR Rule Book²
- in April 2017, we issued a separate CE consultation paper³ where we discussed comprehensive changes to our CE program
- in January 2018, we suggested a few targeted amendments to the CE Rules⁴
- we consulted with the Proficiency Committee, the National Advisory Committee, CE Subcommittee, and the Conduct, Compliance and Legal Advisory Section's Retail Subcommittee.

We also had ongoing discussions with and received comments from Dealers and other stakeholders which informed the Proposed Amendments.

To avoid any disruptions to a CE program cycle, we are targeting January 1, 2020, which is the start of the next CE program cycle, to implement the Proposed Amendments.

2. Proposed Amendments

The Proposed Amendments are set out in Appendices 1 and 2. These amendments are intended to:

- support our goal of modernizing and simplifying the CE program
- eliminate transitional provisions that are no longer necessary
- clarify our expectations with respect to certain rules
- respond to comments received during the course of our ongoing review of our CE program.

2.1 Previously published proposed amendments

We are republishing for comment the two proposed amendments we previously published in [IIROC Notice 18-0019 \(Notice 18-0019\)](#). In Appendix 3, we attach a summary of the [public comments received](#) on these proposed amendments and our responses. For your reference, we have reproduced a summary of these Proposed Amendments in sections 2.1.1 and 2.1.2 below.

2.1.1 Former Approver Persons

We removed the provision permitting former Approved Persons to use rewrites of the CSC and CPH to satisfy their CE requirements. The CSC and CPH are baseline licensing proficiencies and generally do not qualify for CE credits.

² See [Notice 17-0054](#)

³ See [Notice 17-0095](#)

⁴ See [Notice 18-0019](#)



Under current subsection 2657(3), only former Approved Persons are able to receive up to 10 professional development course hours and 5 compliance course hours for rewriting the CSC and CPH. We removed this subsection to eliminate inconsistent treatment between new Approved Persons and former Approved Persons.

In both the CE Rules and in accompanying guidance, we have clarified that the goal of continuing education is to enhance and further develop an individual's baseline licensing proficiencies.

2.1.2 Voluntary Participation Program

In Notice 17-0223, we amended the voluntary participation program (the **VPP**) to only extend the validity period of the CSC. IIROC continues to reinforce the role of the CPH as a cornerstone of IIROC's proficiency platform.

The feedback we received from our ongoing consultations was to either eliminate the VPP entirely or to limit its use to former Approved Persons and only for one cycle. At this stage, we propose limiting participation in the VPP to former Approved Persons for one CE cycle.

As we continue to review the VPP, we may limit the courses on the VPP course list or we may not include any further courses. An individual may also have to complete one or multiple courses on the VPP course list to demonstrate equivalency to the CSC.

2.2 Additional proposed amendments

In addition to the republication of the previously proposed amendments discussed above, we are also proposing the following amendments to our CE Rules.

2.2.1 Penalties for Late Filing and Non-Completion of CE Requirements

We require Dealers to notify us within 10 business days of the end of a CE program cycle of all CE participants that have met their CE requirements in that CE program cycle. A growing number of Dealers do not update the CE reporting system with this information within the required timelines. This limits our ability to enforce the requirements of our CE program.

We updated subsection 2262(2) to allow us to impose fees on Dealers, in an amount prescribed by our Board of Directors (**Board**), for not meeting the reporting time requirements of clause 2657(1)(vi). Provided the Proposed Amendments are approved by our Recognizing Regulators, IIROC Staff plans to recommend the Board prescribe a fee of \$100 per CE participant for each business day the Dealer is late in reporting to us, following the 10th business day of January and lasting until the last business day of January⁵.

⁵ Which would be the last business day of the first month of the CE program cycle.



Under the revised sub-section 2662(1), if on the last business day of January⁶, a Dealer has not reported the CE completions of their CE participants on time, we will suspend the CE participants' IIROC approval. While the CE participant may have completed their CE requirements on time, if the Dealer Member fails to report this to us, we will not know whether the CE participant has met their obligations under the CE Rules.

Therefore, where the Dealer fails to notify us as required under 2657(1)(vi), on the last business day of January, the fine ceases and the CE participant's suspension begins.

We will also suspend any CE participant who has not completed their CE requirements in the CE program cycle on the last business day of January.

2.2.2 Compliance Courses completed in a foreign jurisdiction

We propose broadening the types of compliance courses that qualify for CE when offered by a foreign securities dealer or foreign course provider. Currently, clause 2655(1)(iii) restricts qualifying courses to only those recognized by a foreign securities regulator. As such, the current rule may limit a CE participant's ability to use valuable compliance training that otherwise satisfies the requirement in subsection 2653(1).

However, under subsection 2653(1), Dealers will still be required to ensure that its CE participants' chosen CE courses, including those offered by a foreign securities dealer or foreign course provider, are compliant with the compliance course and professional development course requirements prescribed in section 2653.

2.2.3 Dealer-Delivered Continuing Education Programs

For consistency in treatment across all types of CE courses, we are removing clause 2657(1)(v), which requires Dealer-delivered programs include a method of evaluation, such as an examination, course work, or case study. However, consistent with [Notice 18-0023](#), we expect Dealers to follow our best practice guidelines for Dealer-delivered programs and maintain records of program content and CE participant attendance.

2.2.4 Repeated Courses

We clarified that Approved Persons cannot repeat the same CE course unless the course has been substantially updated.

2.2.5 Other Changes

We have also made some non-substantive changes, including eliminating transitional provisions that are no longer applicable to the upcoming CE program cycle.

⁶ Which would be the last business day of the first month of the CE program cycle.



3. Alternatives considered

3.1 We considered the following:

- the comments received from the public and the Canadian Securities Administrators on Notice 18-0019
- the issues raised in the CE consultation paper and the accompanying comments received from the public
- the independent policy matters that arose during the current CE program cycle.

4. Policy development process

4.1 Regulatory purpose

In addition to what we have discussed in this Notice, the Proposed Amendments will also:

- establish and maintain rules necessary or appropriate to govern and regulate all aspects of IIROC's functions and responsibilities as a self-regulatory entity
- promote the protection of investors
- ensure compliance with securities laws
- foster fair, equitable and ethical business standards and practices.

We classified the Proposed Amendments as a public comment rule proposal due to the substantive nature of these proposals and their importance in achieving the goal of our CE regime to enhance and further develop an individual's baseline licensing proficiencies.

4.2 Regulatory process

The Board determined the Proposed Amendments to be in the public interest and on June 25, 2019 approved the Proposed Amendments for publication for public comment.

We consulted extensively with the industry throughout the development of the Proposed Amendments including the Proficiency Committee, National Advisory Committee, CE Subcommittee, and the Conduct, Compliance and Legal Advisory Section's Retail Subcommittee.

After considering the comments on the Proposed Amendments received in response to this Notice together with any comments of the Recognizing Regulators, we may recommend changes to the Proposed Amendments. If the changes and comments received are not of a material nature, the Board has authorized the President to approve the changes on behalf of IIROC and to seek approval of the Proposed Amendments from the Recognizing Regulators.



5. Attachments

1. [Appendix 1](#) – Proposed amendments (blacklined)
2. [Appendix 2](#) – Proposed amendments (clean)
3. [Appendix 3](#) – Response to public comments on Notice [18-0019](#)