

13.1.9 Request for Comments – Amendments to IDA Policy 6, Parts I and II Regarding Wealth Management Essentials Course

**INVESTMENT DEALERS ASSOCIATION OF CANADA –
WEALTH MANAGEMENT ESSENTIALS COURSE**

I OVERVIEW

A Current Rules

Policy 6, Part I, Section A.3(c) requires that within 30 months of initial Approval, a Registered Representative other than a Registered Representative (non-retail) or Registered Representative (mutual funds), must complete either the Professional Financial Planning Course (PFPC) or the Investment Management Techniques Course (IMT), both provided by the Canadian Securities Institute (CSI). (This is generally known as the “30 month requirement.”)

Policy 6, Part II, Sections 10 and 11 provide an exemption for those who have completed the Chartered Financial Analyst (CFA) Designation administered by the CFA Institute or a predecessor course to IMT, the Canadian Investment Management Program, Part I.

A proposed amendment to Policy 6, Part II passed by the Board of Directors on June 13, 2004 and currently awaiting the approval of the Canadian Securities Administrators changes the exemption from attainment of the CFA Designation to completion of the three levels of the CFA Programme, and adds an exemption for those completing the Certified Financial Planner Examination. It also adds exemptions for those that have completed the higher level courses offered by the CSI for which the PFPC or IMT are pre-requisites.

B The Issue

Neither of the optional courses to fulfill the 30-month requirement covers all the educational needs of a Registered Representative providing advice to retail clients. A review of requirements including a survey of Members indicates that the course to fulfill the 30-month requirement should cover both financial planning and investment management.

C Objective

The objective of the rule change is to replace the options in the current 30 month requirement with a new course, the Wealth Management Essentials Course (WME), which includes study of both financial planning and investment management.

D Effect Of Proposed Rules

The proposed amendments will provide new Registered Representatives with a wider range of proficiency necessary in providing advice to retail clients.

The proposed amendments will eliminate existing exemptions for those with higher level attainments in one or the other of the two topics. Those who have completed the Certified Financial Planner Examination (CFP) offered by the Financial Planning Standards Council or the three levels of the Chartered Financial Analyst program offered by the CFA Institute will be required to complete only that portion of the course dealing with the other specialty – the investment management module and the integration module for those with the CFP or the financial planning module and the integration module for those with the CFA.

Individuals wishing to take downstream courses or obtain designations offered by the CSI in either financial planning or investment management will be able to take top-up courses containing the material from the PFPC or IMT to complete those courses, and then carry on to further courses as interested.

II DETAILED ANALYSIS

A Present Rules, Relevant History And Proposed Policy

The 30 month requirement was introduced in January 1994. At that time the required course of Canadian Investment Management (CIM), Part I, a course offered by the CSI that dealt with investment management and securities analysis in more depth than the Canadian Securities Course.

In August, 1996 the By-law was changed to require the PFPC in place of the CIM Part 1 because of the much wider offering of financial planning or at least broader financial advice to retail clients.

In May, 2000 all proficiency requirements in the By-laws were moved to Policy 6. At the same time, the 30 month requirement was changed to give a choice between the PFPC for those whose practice was directed more towards financial planning or the IMT for those pursuing a career more directed to investment management.

At the same time, an exemption from completing the IMT or PFPC was extended to those who had attained the CFA designation. The CFA Program, offered by the CFA Institute (then known as the Association for Investment Management and Research) in the United States is an internationally recognized course of study in investment management.

In June, 2004 the Board of Directors passed an amendment to Policy 6, Part I giving an exemption from the PFPC for those who have completed the CFP Examination. The CFP is a widely accepted course and designation for those in the business of financial planning. Those completing certain recognized financial planning courses, including the PFPC, are permitted to challenge the CFP Examination.

In 2004 the CSI conducted a study of proficiency requirements in the retail industry including interviews with supervisors and those involved in training of Registered Representatives at Members. The study concluded that neither discipline alone is sufficient to provide the background needed by most Registered Representatives providing advice to retail clients, but rather that some elements of both are required.

After reviewing the CSI study, the Education and Proficiency Committee directed the CSI to prepare a detailed outline of a course that would combine elements of the PFPC and IMT and an outline of the costs for top-up modules for those with the CFA or CFE or those wishing to complete the existing PFPC or IMT courses.

The proposed amendment will replace the option for fulfilling the 30-month requirement with one course, the WME, which combines topic elements from the PFPC and IMT, in some cases in less depth than those courses.

The WME will include three modules: one on financial planning, one on investment management and one integration module. Those with the CFP will be exempted from taking the financial planning module; those with the CFA will be exempted from taking the investment management module. This will be accomplished by the CSI providing advanced standing for the relevant portion of the course, and need not be written into Policy 6.

Those wishing to complete the full PFPC or IMT will be able to take top-up courses containing the material currently in those courses and not included in the WME.

The WME is currently in development. The proposed amendment will be declared effective when it is ready to be offered. Those enrolled in either the PFPC or IMT on the effective date will be able to complete that course to complete their 30-month requirement, provided that they do so within the 2 years after enrolment required to complete any CSI course. Those who completed either course prior to the effective date but were not registered will be able to use it to fulfill the 30 month requirement if they become approved as Registered Representatives within two years of completion.

The proposed amendments also permit those who are not approved as Registered Representatives or surrender that approval for more than three years, and who have completed the IMT or PMT before the effective date or were enrolled in either and completed it within three years, to use them to fulfill the 30 month requirement if they have completed the higher level courses – Portfolio Management Techniques or Wealth Management Techniques – within the two years prior to the application. This provision is consistent with other regulations which permit persons who are not approved or surrender approval for more than three years to extend the validity of required courses by taking higher level courses.

B Issues And Alternatives Considered

No alternatives have been considered.

C Comparison With Similar Provisions

Rule 31-502 of the Ontario Securities Commission also contains a proficiency requirement to complete the Professional Financial Planning Course or the first course of the Canadian Investment Management Program within 30 months of registration as a Salesperson of an Investment Dealer. Under Rule 31-502, the due date is the end of the 30th month.

D Systems Impact Of Rule

A minor adjustment will be required to the National Registration Database (“NRD”) to add the new course. As this requires only an update to an NRD table, this amendment can be scheduled for the next scheduled NRD version release after the effective date with no cost to the IDA.

E Best Interests Of The Capital Markets

The Board has determined that the public interest Rule is not detrimental to the best interests of the capital markets.

F Public Interest Objective

The proposal is designed to ensure that Registered Representatives are proficient in all aspects of the subjects on which they provide advice to retail clients.

The proposal does not permit unfair discrimination among customers, issuers, brokers, dealers, members or others. It does not impose any burden on competition that is not necessary or appropriate in furtherance of the above purposes.

III COMMENTARY

A Filing In Other Jurisdictions

These proposed amendments will be filed for approval in Alberta, British Columbia, Ontario and Quebec and will be filed for information in Nova Scotia and Saskatchewan.

B Effectiveness

This proposed change will broaden the range of understanding of financial planning and investment management of new Registered Representatives providing advice to retail clients.

C Process

The proposal was initially made to the Education and Proficiency Committee by the Canadian Securities Institute after a study of the training and education needs of retail Registered Representatives.

The proposal has been reviewed by the Retail Sales Committee, the Compliance and Legal Section and the Regional Dealers Committee.

IV SOURCES

References:

- IDA Policy 6, Parts I and II;
- IDA Bulletin 2040, December 14, 1993;
- IDA Bulletin 2288, August 23, 1996;
- IDA Bulletin 2717, May 11, 2000.

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying amendment.

The Association has determined that the entry into force of the proposed amendment would be in the public interest. Comments are sought on the proposed amendment. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Larry Boyce, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

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INVESTMENT DEALERS ASSOCIATION OF CANADA

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada (IDA) hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. Policy 6, Part I, Section A.3(c) as amended by the Board of Directors on June 13, 2004 is amended by inserting "of the Wealth Management Essentials Course" between "successful completion" and "within 30 months", by deleting "of:" after "approval as a registered representative" and by deleting sub-paragraphs (i) and (ii).
2. Policy 6, Part II, Section A.10 as amended by the Board of Directors on June 13, 2004 is amended by changing the section heading from "The Professional Financial Planning Course" to "The Wealth Management Essentials Course"; changing "Professional Financial Planning Course" to "Wealth Management Essentials Course" in the first line; inserting "Investment Management Techniques Course, Portfolio Management Techniques Course, 3 levels of the Chartered Financial Analyst programme administered by the CFA Institute," between "successfully completing the" and "Professional Financial Planning Course" in subsection (c); and inserting "Investment Management Techniques Course, Portfolio Management Techniques Course, 3 levels of the Certified Financial Analyst programme administered by the CFA Institute, Professional Financial Planning Course" between "successfully completing the" and "Wealth Management Techniques Course" in subsection (d).
3. Policy 6, Part II, Section A.11 is deleted in its entirety.
4. Policy 6, Part II, Section B.10 as amended by the Board of Directors on June 13, 2004 is amended by changing the section heading from "The Professional Financial Planning Course" to "The Wealth Management Essentials Course"; changing "Professional Financial Planning Course" to "Wealth Management Essentials Course" in the first line; adding in subsection (b)(iv) "or the Portfolio Management Techniques Course" after "Wealth Management Techniques Course" and deleting "or the Certified Financial Planner Examination administered by the Financial Planning Standards Council"; and adding in subsection (b)(v) "or the Portfolio Management Techniques Course" after "Wealth Management Techniques Course" and deleting "or the Certified Financial Planner Examination"; and by deleting subsection (c) and replacing it with the following:
 - "(c) Has successfully completed the Investment Management Techniques Course or the Professional Financial Planning Course prior to [a date three years after the effective date], having been enrolled prior to [the effective date], and
 - (i) Is currently approved as an investment representative or a registered representative,
 - (ii) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing,
 - (iii) Is an approved person, currently seeking re-approval within the same category of approval within three years of the approval of that category lapsing,
 - (iv) Is currently seeking approval within two years of successfully completing the Wealth Management Techniques Course or the Portfolio Management Techniques Course; or
 - (v) Is seeking re-registration within three years of successful completion of the Wealth Management Techniques Course or the Portfolio Management Techniques Course."
5. Policy 6, Part II, Section B.11 is deleted in its entirety.

PASSED AND ENACTED BY THE BOARD OF DIRECTORS this 26th day of June 2005, to be effective on a date to be determined by Association staff.

INVESTMENT DEALERS ASSOCIATION OF CANADA

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Policy 6, Part I, Section A.3:

3. Registered Representatives and Investment Representatives

The proficiency requirements for a registered representative or investment representative under By-law 18.3 are:

- (a) Successful completion of
 - (i) The Canadian Securities Course prior to commencing the training programme described in subsection (iii),
 - (ii) The Conduct and Practices Handbook Course, and
 - (iii) Either
 - A. For a registered representative, except for a registered representative (non-retail), a 90-day training programme during which time he or she has been employed with a Member firm on a full-time basis, or
 - B. For an investment representative, a 30-day training programme during which time he or she has been employed with a Member firm on a full-time basis; or
- (b) Successful completion of the New Entrants Course, where the person was registered or licensed with a recognized foreign self-regulatory organization within three years prior to application with the Association; and
- (c) For a registered representative other than a registered representative (mutual funds) or registered representative (non-retail), successful completion of the Wealth Management Essentials Course within 30 months of his or her approval as a registered representative of:
 - (i) ~~The Professional Financial Planning Course, or~~
 - (ii) ~~The Investment Management Techniques Course.~~

Policy 6, Part II, Sections A.10 and A.11:

10. ~~The Professional Financial Planning Course~~ The Wealth Management Essentials Course

An applicant shall be exempt from rewriting the ~~Professional Financial Planning Course~~ Wealth Management Essentials Course if the applicant

- (a) Was registered or approved in any trading capacity, including registration or approval restricted to mutual funds but excluding approval as a registered representative – restricted (CATS), and is currently seeking to re-enter the industry within three years of the registration or approval lapsing;
- (b) Is currently registered or approved in any trading capacity, including registration or approval restricted to mutual funds but excluding approval as a registered representative – restricted (CATS), and is seeking registration in another category;
- (c) Is currently seeking approval within two years of successfully completing the Investment Management Techniques Course, Portfolio Management Techniques Course, 3 levels of the Certified Financial Analyst programme administered by the CFA Institute, Professional Financial Planning Course, Wealth Management Techniques Course, or the Certified Financial Planner Examination administered by the Financial Planners Standards Council; or
- (d) Is seeking re-approval within three years of successfully completing the Investment Management Techniques Course, Portfolio Management Techniques Course, 3 levels of the Certified Financial Analyst programme administered by the CFA Institute, Professional Financial Planning Course Wealth Management Techniques Course, or the Certified Financial Planner Examination administered by the Financial Planners Standards Council.

11. ~~The Investment Management Techniques Course~~

An applicant shall be exempt from rewriting the Investment Management Techniques Course if the applicant

- ~~(a) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of the approval lapsing;~~
- ~~(b) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval;~~
- ~~(c) Is currently seeking approval within two years of successfully completing the Investment Management Techniques Course, Portfolio Management Techniques Course, or the three levels of the Chartered Financial Analyst programme administered by the CFA Institute; or~~
- ~~(d) Is seeking re-registration within three years of successfully completing the Portfolio Management Techniques Course or the three levels of the Chartered Financial Analyst programme administered by the CFA Institute.~~

Policy 6, Part II, Sections B.10 and B.11:

10. ~~The Professional Financial Planning Course~~ **The Wealth Management Essentials Course**

An applicant shall be exempt from writing the ~~Professional Financial Planning Course~~ Wealth Management Essentials Course if the applicant

- (a) Was registered for a minimum of two years with a Canadian securities regulatory authority or recognized foreign self-regulatory organization prior to the coming into force of this Policy 6, Part II, and has not been out of the industry for a period of greater than three years;
- (b) Has successfully completed Part 1 or 2 of the Canadian Investment Management program, and
 - (i) Is currently approved as an investment representative or a registered representative,
 - (ii) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing,
 - (iii) Is an approved person, currently seeking re-approval within the same category of approval within three years of the approval of that category lapsing,
 - (iv) Is currently seeking approval within two years of successfully completing the Wealth Management Techniques Course or the Portfolio Management Techniques Course or the Certified Financial Planner Examination administered by the Financial Planning Standards Council; or
 - (v) Is seeking re-approval within three years of successful completion of the Wealth Management Techniques Course or the Portfolio Management Techniques Course or the Certified Financial Planner Examination.
- ~~(c) Has successfully completed the Certified Financial Planner Examination and has obtained and maintained in good standing the Certified Financial Planner designation granted by the Financial Planning Standards Council.~~
- ~~(c) Has successfully completed the Investment Management Techniques Course or the Professional Financial Planning Course prior to [a date two years after the effective date], having been enrolled prior to [the effective date], and~~
 - ~~(i) Is currently approved as an investment representative or a registered representative,~~
 - ~~(ii) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing,~~
 - ~~(iii) Is an approved person, currently seeking re-approval within the same category of approval within three years of the approval of that category lapsing,~~

~~(iv) Is currently seeking approval within two years of successfully completing the Wealth Management Techniques Course or the Portfolio Management Techniques Course; or~~

~~(v) Is seeking re-approval within three years of successful completion of the Wealth Management Techniques Course or the Portfolio Management Techniques Course.~~

11. ~~**The Investment Management Techniques Course**~~

~~An applicant shall be exempt from writing the Investment Management Techniques Course if the applicant~~

~~(a) Was registered for a minimum of two years with a Canadian securities regulatory authority or recognized foreign self regulatory organization prior to the coming into force of this Policy 6, Part II and has not been out of the industry for a period of greater than three years;~~

~~(b) Has successfully completed Part 1 or 2 of the Canadian Investment Management Program, the Portfolio Management Techniques Course or the three levels of the Chartered Financial Analyst programme administered by the CFA Institute and~~

~~(i) Is currently approved as an investment representative or a registered representative,~~

~~(ii) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing,~~

~~(iii) Is an approved person, currently seeking re-approval within the same category of approval within three years of the approval of that category lapsing, or~~

~~(iv) Is currently seeking approval within two years of successfully completing the Portfolio Management Techniques Course or the three levels of the Chartered Financial Analyst programme administered by the CFA Institute.~~