



Advocis
390 Queens Quay West, Suite 209
Toronto, ON M5V 3A2
T 416.444.5251
1.800.563.5822
F 416.444.8031
www.advocis.ca

September 21, 2015

Ken Woodward
Director, Membership Services & Communications
Mutual Fund Dealers Association of Canada
121 King St. West, Suite 1000
Toronto, ON M5H 3T9

Sent via email to: kwoodward@mfd.ca

Dear Mr. Woodward,

Re: Request for Comments on the Development of Continuing Education Requirements

Advocis, The Financial Advisors Association of Canada, is pleased to provide comments on the Mutual Fund Dealers Association of Canada's (MFDA) request for comment on the development of continuing education requirements.

About Advocis

Advocis is the largest and oldest professional membership association of financial advisors and planners in Canada. Through its predecessor associations, Advocis proudly continues over a century of uninterrupted history serving Canadian financial advisors and their clients. Our 11,000 members, organized in 40 chapters across the country, are licensed to sell life and health insurance, mutual funds and other securities, and are primarily owners and operators of their own small businesses who create thousands of jobs across Canada. Advocis members provide comprehensive financial planning and investment advice, retirement and estate planning, risk management, employee benefit plans, disability coverage, long-term care and critical illness insurance to millions of Canadian households and businesses.

As a voluntary organization, Advocis is committed to professionalism among financial advisors. Advocis members adhere to a professional Code of Conduct, uphold standards of best practice, participate in ongoing continuing education programs, maintain professional liability insurance, and put their clients' interests first. Across Canada, no organization's members spend more time working one-

on-one on financial matters with individual Canadians than do ours. Advocis advisors are committed to educating clients about financial issues that are directly relevant to them, their families and their future.

Introduction

Advocis is pleased with the MFDA's initiative to develop continuing education (CE) requirements. We agree with the MFDA in that "training and education are important components of a robust regulatory regime." Individuals dealing with client accounts should stay up to date on their proficiency and knowledge, and individuals responsible for the supervision of branch activities and compliance should also remain knowledgeable and proficient. Implementing CE requirements is in the best interests of consumers and will benefit the industry as a whole.

With the exception of the Atlantic Provinces, CE requirements are established in law for insurance licensees across Canada. The Investment Industry Regulatory Organization of Canada (IIROC) also has strict CE requirements, as do professional financial associations and designation granting bodies.

Advocis has always emphasized the importance of maintaining CE. It is by continually updating financial advisors' and planners' skills and knowledge that they can meet the needs of their clients and maintain high standards of professionalism.

Advocis members are required to comply with 30 CE credits a year, 15 of which must be through a structured format or accredited by The Institute for Advanced Financial Education (The Institute). Institute-accredited CE credits not only can be used towards Advocis CE and Institute designation requirements, but also to satisfy other industry credentials and licensing requirements. In an audit situation, The Institute's decision reports offer near-universal acceptance towards meeting CE requirements of regulators and designation-granting bodies.¹

Registered Target Participants

Advocis believes that all individuals dealing directly with client accounts, and those responsible for supervising client accounts and branch activities, as well as compliance, should be subject to completing CE. Completing a training program is not enough to ensure ongoing industry and practice knowledge, nor does it ensure that registered participants keep up to date on compliance matters and best practices. It is in the best interests of the consumer that they remain proficient and knowledgeable.

Content Categories

Advocis strongly supports a competency-based learning framework for CE that will provide the practice-competency and practice-behaviour structures required to maintain knowledge, abilities and behaviours that will help registered participants perform their job duties competently and ethically. We consider the content categories proposed by the MFDA to be appropriate for the CE needs of its licensees. However, we strongly believe that the ethics credit should be accorded its own separate category, because it is important to reinforce an advisor's commitment to ethical behaviour. Satisfying an ethics credit requirement reaffirms the standard for financial advisors to put their clients' interests first.

¹ Continuing Education (CE) Provider Accreditation – The Process. <http://www.advocis.ca/ALC/CERequirements.aspx>

Therefore, we recommend that MFDA registered participants complete at least one ethics credit per cycle.

Number and Allocation of Credits

Industry requirements vary in cycle, length, and number of credits. The Insurance Councils of British Columbia, Alberta and Manitoba, for example, have one year cycles, whereas Ontario, Quebec and Saskatchewan follow a two-year cycle. IIROC has a three-year cycle, while professional associations in general follow one year cycles. The number of credits can vary from 12 credits a year to 40 credits in three years.

MFDA registered participants who deal directly with clients and their investment accounts and Branch Managers that supervise branch activities should comply with CE credits on an annual basis. This will ensure that individuals responsible for handling and supervising client accounts remain proficient on their practice-competencies and practice-behaviours required to maintain their knowledge, abilities and skills that will help them perform their job duties competently and ethically.

Each dealer member has tier one and tier two reviews done to satisfy MFDA account supervision requirements. While the Chief Compliance Officer (CCO) oversees policy development and compliance oversight, most dealers have registered Compliance Officers (COs) who complete the tier two supervision and often contact advisors with account queries. For this reason, we believe that COs, including CCOs, would benefit from an annual CE credit requirement. This will also ensure that CCOs remain close to advisor and core industry activities related to providing professional financial advice.

We believe that a 30 annual CE credit requirement, inclusive of an ethics minimum requirement, is not overly burdensome, as many registered participants are insurance/mutual fund dual-licensed and may already be members of professional financial associations and/or designation granting bodies that have similar CE obligations. Advocis members, including members in the Manager category, for example, have to complete 30 credits a year. Having to satisfy MFDA CE credits will ensure the knowledge and proficiency of licensees, will dovetail with their need to fulfill other industry CE requirements, and would align the MFDA with the rest of the industry.

Activities and Delivery Methods

We encourage the MFDA to develop CE requirements based on both structured and unstructured learning activities. Structured learning activities could include classroom style presentations and self-study programs. Activities such as teaching or presenting, research/writing articles, reading specialized financial materials (for example subscribing to financial magazines and newspapers), presentations that provide substantive knowledge on how a product works, and participation in industry task forces/committees could be considered as unstructured learning activities. Training on sales techniques, or presentations that are primarily motivational or inspirational in nature should not qualify as a CE credit-eligible activity.

Based on the above, we suggest that the MFDA require a minimum of 15 credits of structured learning (including the ethics credit requirement) and a maximum of 15 credits of unstructured learning.

Accreditation

With increased scrutiny facing financial advisors and planners, including increased auditing of CE credits, financial advisors and planners are seeking assurance that the CE programs they choose to take satisfy the various CE standards to which they are held accountable.

The MFDA is currently considering: (a) having its Members develop their own training materials – which could result in an inconsistent application of the accreditation standards, and (b) having its staff conduct the accreditation to avoid duplication and ensure a consistent application of the accreditation standards – which could require additional resources. In order to ensure uniform quality and consistent application of the accreditation standards, the MFDA would likely need to hire a third-party accreditation service.

Given the role of The Institute as an institution for advanced financial education and its experience reviewing and accrediting CE programs, The Institute is uniquely positioned to offer a solution to the growing concern regarding the quality of CE. Institute-accredited CE can be used toward satisfying industry credentials and licensing requirements. Moreover, programs submitted to The Institute's CE Accreditation Services are subject to an impartial review and approval process to meet these standards.²

We believe that by leveraging The Institute's experience in accrediting CE courses and programs, duplication could be avoided and additional MFDA resources would not be required. Currently, several MFDA Members are already clients of The Institute's accreditation services so a number of programs could already qualify.³

The MFDA can rest assured that courses and programs that have been accredited by The Institute meet a clear standard of quality education, have been reviewed against practice guidelines and are demonstrably relevant to today's financial advisors' and planners' CE needs without having to accredit them again.

Tracking

Advocis offers members, and non-members, an accessible tool for tracking their CE credits. The online tracking service provides a simple and easy way to record an individual's CE credits, whether or not the courses have been accredited by The Institute. The Advocis CE tracking database provides users with a central database where records can be recorded, saved and accessed to demonstrate compliance for licensing and designation requirements.⁴

If the MFDA does not offer a tracking system, we suggest that the MFDA direct its Members to take advantage of the Advocis CE tracking database. Individuals with access to this third party system will have unlimited access to the database – at no cost to them. The tracking database will reduce the administrative burden on Members and is portable, in case an Approved Person transfers to a new dealer.

² To view The Institute's Practice Guidelines for Financial Advisors and Planners Continuing Education Accreditation please visit: <http://www.iafe.ca/pdf/Practice-Guidelines-for-Financial-Advisors-and-Planners-Dec2014.pdf>

³ To view the full lists of accredited courses by education provider please visit <https://secure3.advocis.ca/secureform/ceassess/ceSearch.aspx>.

⁴ Tracking Your CE Credits. Online at <http://www.advocis.ca/ALC/TrackingYourCECredits.aspx>

Implementation and Administrative Considerations

Special Circumstances

The MFDA could consider granting annual exemptions to CE requirements for maternity leave or medical necessity. Any other personal circumstances requiring an exemption from CE requirements should be brought to the MFDA's attention for consideration. We recommend that an application be made with an explanation of the individual's personal circumstances.

Carry-forward of Credits

Carry-forward of credits should not be permitted. The purpose of having CE requirements is precisely to ensure advisors keep their knowledge and proficiency updated per cycle. Allowing licensees to carry credits forward defeats this purpose.

Non-compliance

Non-compliance guidelines vary amongst insurance licensing bodies to professional financial associations and designation granting bodies. In the insurance sector in Ontario, reporting CE compliance is required upon license renewal. If a licensee has not completed the CE requirement for the cycle, he or she will be allowed 90 days to complete the missing credits. In Alberta, a licensee will not be able to renew his or her license without proving completion of CE credits. IIROC, on the other hand, has very strict rules. If an individual has not completed the required courses by December 31st of the third year of the cycle, the licensee's firm will be assessed \$500 and the individual will be placed under supervision. For each subsequent month of non-completion, a \$500 fee will be levied. If non-completion continues after six months, the monthly fee will cease and the license will be suspended until the required courses have been completed.⁵

Since there are varying degrees of consequences across the financial services industry, and unless there is a good reason for not reporting, completing and submitting proof of CE, we believe that escalation of consequences, as presented in the consultation document are good steps to follow. However, extensions should not be permitted further than the CE cycle.

Other Considerations

In order to avoid duplication and overly burdening registered participants, we recommend that the MFDA recognize that many CE programs and courses from other financial sectors cover subject matter that are relevant to MFDA registered participants, so credits earned from those courses should also be applicable to satisfying the MFDA's requirements. For example, if a course is purely insurance-based, then the credits would only qualify to fulfill insurance licensing obligations. Whereas, if the program were to be related to a more general topic such as financial and investment management, due diligence, etc., the hours of learning could be utilized to satisfy both the insurance and MFDA CE needs of dual-licensed individuals, and the CE credits required of designation holders and other membership association requirements.

⁵ See <http://www.iiroc.ca/industry/continuingeducationmember/Pages/Course-Guidelines-CE-FAQ.aspx> Question 24

In addition, if the MFDA is to recognize course providers, we would like to emphasize the importance of offering affordable courses. Specifically, we request that the MFDA define what is meant by “affordable”, as some course providers offer courses at a prohibitive rate. Advocis is very conscious about providing high quality CE courses that are Institute-accredited at very reasonable rates to ensure that advisors’ commitment to enhanced continuing education does not needlessly add compliance costs.

Conclusion

Advocis believes that, regardless of product sector or province of practice, financial advisors and dealer staff should be required to complete CE to maintain their license in good standing. Therefore, CE should be considered part of the MFDA’s overall compliance requirements. This will ensure that individuals responsible for handling and supervising accounts, as well as those responsible for compliance, remain proficient and can continue to perform their job duties competently and ethically.

In moving forward with developing its CE requirements, we encourage the MFDA to recognize the significant contribution that The Institute can offer with its well-established accreditation service. By doing so, the MFDA will not require additional resources as many MFDA Members already have their courses and programs accredited through The Institute. This will ensure consistency in accreditation standards and will reduce duplication in assessments.

We also encourage the MFDA to take advantage of the Advocis CE tracking database offered to members and non-members. Individuals with access to this third party system will have unlimited access to the database – at no cost to them, make CE credit administration easier in case an individual transfers to a new dealer, and will reduce the administrative burden on Members.

We look forward to working with the MFDA on developing its new CE requirements. Should you have any questions, please do not hesitate to contact the undersigned, or Ed Skwarek, Vice President, Regulatory and Public Affairs at 416-342-9837 or eskwarek@advocis.ca.

Sincerely,



Greg Pollock, M.Ed., LL.M., C.Dir., CFP
President and CEO



Caron Czorny, FLMI, ACS, CFP, CLU, CH.F.C., EPC, CHS
Chair, National Board of Directors