



November 17, 2014

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Ms. Sonia Keshwar  
Senior Counsel, Registration  
Investment Industry Regulatory Organization  
of Canada  
121 King Street West, Suite 2000  
Toronto, Ontario M5H 3T9

Dear Ms. Keshwar:

**RE: IIROC Notice 14-0181  
Proficiency Assurance: The Next Phase - Consultation Relating to Expiry of CSI  
Contract**

We are writing to provide you with comments on behalf of the Members of The Investment Funds Institute of Canada ("IFIC") in response to *IIROC Notice 14-0181, Proficiency Assurance: The Next Phase, Consultation Relating to Expiry of the CSI Contract* (the "Notice").

IFIC is the national association of the Canadian mutual funds industry. Our Members and Affiliates include about 150 fund managers, distributors and industry service organizations (including accounting, legal and other service providers).

We have had the opportunity to review the letter being submitted by IFSE Institute ("IFSE") and fully support and endorse IFSE's letter. IFSE is a not-for-profit corporation, the sole member of which is IFIC. IFIC is itself a not-for-profit corporation, operated for the benefit of its manager and dealer members.

IIROC recognizes the fundamental importance of advisor proficiency. A high standard of proficiency enhances investor protection and promotes investor confidence. IFIC has always advocated for strong proficiency requirements and has been providing mutual fund dealers and their advisors with licensing education and examinations directly, and through IFSE, for many years. IFIC and IFSE are recognized by the Canadian Securities Administrators in National Instrument 31-103 as being the providers of the Canadian Investment Funds Course and exam and the Exempt Market Products Course and exam. IFSE's Exempt Market Products course and exam was the first required course and exam in Canada specifically created for the new exempt market dealer category of registrant. IFIC and IFSE are currently working with the MFDA to create a mandatory CE program for MFDA registrants, similar to that required under the IIROC regime. As described in its letter, IFSE applies a very robust course and exam design, delivery and administration process. This ensures the ongoing quality of its programs and continuously high levels of student satisfaction.

We acknowledge that maintaining the existing proficiency model described in the Notice offers some benefits. IIROC and its members have a close, long-standing relationship with CSI; there is a very good understanding of CSI's course/exam development, administration and quality control process; and IIROC is able to manage the relationship without an excessive amount of resources. However the existing IIROC-CSI relationship is devoid of competition, which creates the most common complaint among IIROC members - the cost of CSI's course and exam

offerings is considered high by market participants who have observed the costs increase over time. The lack of competition in the provision of IIROC-mandated courses and exams is seen as the impediment to a more reasonable and flexible pricing model.

Mutual fund dealers and advisors, by contrast, have two course and exam providers from which to choose, CSI and IFSE, which delivers the courses and exams on behalf of IFIC. The prices of the core mutual fund course and exam, as with other required proficiencies, have remained relatively stable, notwithstanding the regular upgrades that are made to the course content. We believe that creating some competition among providers of IIROC courses and exams, by recognizing IFSE as a provider in addition to CSI, would be warmly welcomed by IIROC's members. This would also align with the current two-provider model for the mutual fund licensing course, which has been proven to provide a high standard of educational proficiency at reasonable cost and minimal need for regulatory management.

Some stakeholders are supportive of the FINRA model where the self-regulatory organization sets the exams and establishes the curriculum. We believe this model is not an appropriate model to adopt in Canada, given the significantly smaller domestic market than that in the U.S., as the FINRA model requires substantial regulatory oversight. The Notice discusses the increased costs for staffing and oversight that such a model would demand of IIROC. IIROC would need to pass along these increased costs to industry members, but the model would not offer any tangible increase in public confidence or investor protection. There are also insufficient economies of scale in Canada to support the start-up costs of this model.

We believe the desired objectives of increased public confidence and investor protection can be achieved at only nominal extra cost by opening up the course/exam delivery to limited competition. While our recommendation may appear to be self-serving, we do believe that recognizing IFSE to be a second provider of IIROC licensing courses and exams would best maintain the highest standards of proficiency while maintaining course costs at a competitive level, thereby addressing IIROC members' major concern with the current model.

Thank you for providing us with an opportunity to respond to the Notice. Should you have any questions or wish to discuss these comments, please contact me by phone at 416-309-2314 or by email at [rhensel@ific.ca](mailto:rhensel@ific.ca).

Yours truly,

THE INVESTMENT FUNDS INSTITUTE OF CANADA



By: Ralf Hensel  
General Counsel, Corporate Secretary and Director of Policy