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Dear Mesdames:

Re: Re-publication of Proposed IIROC Dealer Member Plain Language Rule Book – Rule 2602 (3)(xxvi) – Proficiency Requirements for Supervisor designated to be responsible for the supervision of Research Reports

The Investment Industry Association of Canada (the “IIAC” or “Association”) appreciates that IIROC has provided the industry with additional time to comment on the above noted section of the proposed PLRs. Our comments are in addition those provided in the IIAC submission dated March 5, 2018.

Proposed Rule 2602 (3)(xxvi) – *Proficiency Requirements for Supervisor designated to be responsible for the supervision of Research Reports* includes a requirement of either three levels of the CFA, CFA Charter administered by the CFA Institute or other appropriate qualifications acceptable to the District Council.

The ambiguity as to what would be acceptable to the District Council introduces uncertainty and inefficiency into the hiring and operational process. It is not clear why the requirement for the CFA or CFA Charter has been codified as the primary proficiency requirement, effectively significantly increasing the standard.

It should be noted, at a practical level, the responsibilities of the supervisor are not closely aligned with the CFA exam/designation proficiencies. Supervisors do not actually undertake the technical tasks of preparing the research reports and performing financial modelling functions. These tasks are undertaken by analysts and associates. The supervisor also does not undertake a technical evaluation or review of the analyst’s calculations, financial modelling or financial analysis.

Supervisors review the reports to ensure they contain appropriate language, demonstrate a fair and balanced analysis, and contain the required regulatory content such as disclosures and sources. They work with the firm’s Compliance department to ensure that the firm is compliant with securities regulation. As such, their position does not demand that they have the extensive technical knowledge evidenced through CFA

designations. We also note that none of the other supervisory roles outlined in Rule 2602(3) require all three levels of the CFA.

Consistent with our submission of July 8, 2016, we suggest that IIROC reconsider alternative requirements that more closely align with the responsibilities of the supervisor, such as the FINRA Series 16 and 87. Although IIROC has indicated it is not acceptable due to its US content, we note that FINRA Series 3 and 7 are listed as acceptable for several other supervisory roles such as supervisors of option accounts or supervisors of futures contracts.

Series 16 is specific to Supervisory Analysts. Although Part 1 of Series 16 focuses on US rules, we note that Canadian supervisors work closely with their Canadian compliance teams to ensure the Canadian regulatory requirements are met. We note that the Part 2 of the Series 16 allows for an exemption for CFA charterholders, indicating an equivalence in material.

Part 2 of the Series 16 exam is consistent with the proficiencies required of Supervisory Analysts, as it covers the following two areas: (1) Review the content of a research report to assess the accuracy, consistency and sources of data and calculations included in the report; and (2) Review the content of research reports to ensure a reasonable basis exists for the analyst's conclusions (e.g., price targets, recommendations, ratings, estimates and valuation parameters).

We also note that FINRA permits the content of research reports to be approved by individuals that have passed the Series 24 and the Series 87. Series 24 is an exam that relates to general supervision of the conduct of registered persons. Series 87 is the part of the research analyst exams that applies to Regulatory Administration and Best Practices, including how Research Reports are prepared, and information disseminated. We understand that Series 86, the securities analysis section of the exam, which covers material covered in the CFA exams, is not required for supervisory analysts.

IIROC may also want to consider permitting the Partners, Directors and Senior Officers (PDO) course, which is a precursor to becoming a Compliance Officer or the Conduct and Practices Handbook (CPH) course as appropriate requirements.

Given the significant time requirement to complete the CFA exam and Charter process, if IIROC intends to require this as the standard, we ask that it provide more specific examples as to alternative experience that would be acceptable in fulfilling this proficiency requirement, and recommend our solution proposed above.

Thank you for considering our comments. If you have any questions, please do not hesitate to contact me.

Yours sincerely,



Susan Copland