

September 20, 2019

Ken Woodard
Director, Membership Services & Communications
Mutual Fund Dealers Association of Canada
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SENT VIA EMAIL

Dear Mr. Woodard:

Re: Bulletin #0788-P - Continuing Education (CE) Accreditation Process

On behalf of Advocis, The Financial Advisors Association of Canada, we are pleased to provide our comments in regards to the MFDA's request for comments on Bulletin #0788-P and the Continuing Education (CE) Accreditation Process.

1. ABOUT ADVOCIS

Advocis is the association of choice for financial advisors and planners. With more than 13,000 members across the country, Advocis is the definitive voice of the profession, advocating for professionalism and consumer protection. Our members are provincially licensed to sell life, health and accident and sickness insurance, as well as by provincial securities commissions as registrants for the sale of mutual funds or other securities. Members of Advocis are primarily owners and operators of their own small businesses, creating thousands of jobs across Canada. Advocis members provide advice in several key areas, including estate and retirement planning, wealth management, risk management, tax planning, employee benefits, critical illness and disability insurance.

Professional financial advisors and planners are critical to the ongoing success of the economy, helping consumers to make sound financial decisions that ultimately lead to greater financial stability and independence both for the consumer and the country. No one spends more time with consumers than advisors and planners, educating them about financial matters and helping them to reach their financial goals. Advocis works with decision-makers and the public, stressing the value of financial advice and striving for an environment in which all Canadians have access to the advice they need.



2. OUR COMMENTS

Advocis commends the MFDA for the steps that it is taking to implement CE accreditation processes for Members and their Approved Persons.

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 complete 30 CE credits a year, 15 of which must be through a structured format or accredited by the Institute for Advanced Financial Education (IAFE). The IAFE is an accrediting body that provides an impartial review and approval process for a variety of industry education materials. In 2017, the IAFE received accreditation requests from 168 companies in the mutual fund space, including companies such as AGF Investments, Assante Wealth Management, CI Investments, Fidelity Investments, Franklin Templeton, among many others.¹

ACCREDITATION PROCESS:

1. Should the MFDA directly accredit CE activity or delegate the task in the manner suggested? Why or why not?

In principle, Advocis supports either the direct accreditation of CE activity by the MFDA or the delegation of this task to the MFDA Delegate, as defined in the consultation paper. We believe that the MFDA is in the best position to assess whether sufficient resources and expertise are available to support direct accreditation or whether delegation would be more appropriate.

However, if the MFDA elects to delegate the accreditation of CE activity, we strongly believe that the selected delegate should be prohibited from being a Third Party Accreditor, as defined in Appendix A of the consultation paper, or from being associated with an education provider. In accreditation or any other process where an organization purports to assess competency, credibility or authority, the value of that assessment relies in part on the accrediting organization's own independence and impartiality. Failure to establish these impugns the accreditor's legitimacy.

Further, any entity acting on delegated authority from the MFDA should be held to the same standards of ethics, professionalism and transparency as could be expected from the MFDA itself. Prohibiting the MFDA Delegate from acting as a Third Party Accreditor or from being

¹ To view a full list of IAFE-accredited CE programs by education provider please visit
<https://secure3.advocis.ca/secureform/ceassess/ceSearch.aspx>

associated with an education provider is an appropriate measure to avoid actual or perceived conflicts of interest, as well as to ensure that the validity of the accreditation process remains beyond reproach.

2. Please provide details of alternatives we should consider.

We do not have any alternatives to suggest at this time.

3. Are there any specific entities, or type of third parties that should or should not be considered for recognition? Please provide details.

Advocis recommends that third parties considered for recognition should be required to operate on a not-for-profit basis, with oversight by a board of trustees or directors committed to maintaining high accreditation standards. It is our position that accreditation processes require a level of impartiality that cannot be achieved outside of a not-for-profit model.

The value of accreditation services rests in the accreditor's ability to provide formal, objective verification that rigorous quality and competency standards have been met. For this assessment to be meaningful, accreditation services must have, as *the primary mission*, a commitment to quality and a mandate to pursue those aims. Where directors and officers are primarily accountable for maximizing profits for shareholders, moral hazards and conflicts of interest arise that make it impossible to maintain a steadfast focus on quality standards, especially where reducing those standards may generate greater profits.

4. Do you agree with the standards proposed for Third Party Accreditors?

As noted in our response to question 3, we support the requirement that all Third Party Accreditors operate as not-for-profit organizations. We are also in favour of requiring them to demonstrate at least five years' experience of offering high-quality accreditation services of educational content created by arms-length entities and an equal period of administering proficiency requirements related to a recognized financial services designation.

They should be required to make their accreditation criteria clear through a publicly-available framework that explains the knowledge, abilities and behaviours against which the proposed educational content will be assessed. Further, they should be able to demonstrate their ability to dedicate the resources necessary to address the wave of accreditation applications that will arise upon implementation of the MFDA's CE requirements.

In regards to the administration of the designation(s), we agree that the Third Party Accreditor should have a code of conduct that is enforced through a formal and transparent disciplinary process, including through a public-facing registry of members in good standing.

These standards should apply to all Third Party Accreditors, whether or not they have been recognized as an accreditor by an SRO recognized under securities legislation.

5. Do you agree with the fees explained above? Why or why not?

The fees proposed in the consultation paper appear reasonable.

CE PROCESS CONSIDERATIONS:

1. Do these workflows appear reasonable? If not, please provide alternatives.

The proposed workflows appear reasonable.

2. Should standards be set for Members and Providers to update the MFDA CERTS on a regular basis? Why or why not?

While we understand the stated objectives for requiring Members and Providers to update the MFDA CERTS on a regular basis, we are not in support of setting standards that require frequent reporting at this time. With the MFDA CERTS program still under active development, we believe that it is premature to introduce a requirement for Members and Providers to provide updates on a more frequent basis than the current CE cycle.

The introduction of CE requirements for Approved Persons will, by necessity, add an additional administrative and financial burden for Members, their Approved Persons, and Providers. In particular, existing tracking systems will need to be reviewed for compliance with MFDA requirements and adapted appropriately. This is a process that will require additional time and costs, especially where the MFDA's regulatory and technical requirements diverge from those of other regulators, SROs and professional membership associations. We recommend that the MFDA engage in further consultations about the frequency of required CE reporting periods at a later point in time.

3. If yes, please advise if you prefer a fixed, regular calendar date or a date relating to the date the activity was taken.

As noted in our previous response, we are not in favour of regular reporting requirements at this time beyond the active CE cycle.

4. Do you have any suggestions regarding user reporting?

While we recognize that the MFDA is pursuing development of the MFDA CERTS system, Advocis recommends that the MFDA investigate CE tracking systems and reporting processes that are currently in use within other jurisdictions and other areas of the financial services. In

particular, Advocis has received positive feedback from its members regarding the CE tracking system and the process used by the Alberta Insurance Council (AIC).

In the AIC system, each accredited educational activity is assigned a course number and is entered into a central database with the provider name and the approved number of CE hours. Once an individual has completed a course, they track their completion in the system and receive a clear indicator of their progress towards meeting their annual CE requirements. Their supervisors are able to see, at a glance, whether they have met their CE requirements for that cycle.

We note that in the AIC CE system and in CE tracking processes for other regulators, the responsibility for tracking, reporting and proving compliance rests with the individual advisors, rather than their firm or dealer. While we recognize that Members must be responsible for ensuring the compliance of their Approved Persons, we recommend that the MFDA consider implementing a system that puts the onus of reporting on the individual advisor.

This would increase regulatory consistency with other areas of the financial services and promote accountability from the Approved Person, while reducing administrative and financial burden for Members. The implementation of CE requirements will increase costs and administrative burden for Members, and we believe that wherever possible, the MFDA should explore options that would mitigate these outcomes.

Advocis also suggests that licensing or adapting an existing CE tracking and accreditation system could result in cost savings and increased administrative efficiency for the MFDA. A centralized CE tracking system would also further the aims of promoting compliance and enhance the ability of Members and the MFDA to effectively track the CE progress of Approved Persons.

5. Do you think that Members should be able to control the access of their Participants (Approved Persons) to the MFDA CERTS to be read-only access?

Advocis sees no issues with Members permitting Approved Persons to have read-only access to the MFDA CERTS.

6. Do you have an internal CE tracking system? If yes, do you plan on using this system to upload information to the MFDA CERTS?

As indicated in our response to the MFDA's Request for Comment on the Development of Continuing Education Requirements of September 21, 2015² and the MFDA's Request for

² <https://www.advocis.ca/regulatory-affairs/RA-submissions/2015/150921-MFDA-CE-Requirements-submission.pdf>



Comment on the Proposed Continuing Education Rules and Requirements of June 20, 2018³,
Advocis already offers both members and non-members an accessible tool for tracking their CE credits at no cost to them.

If the MFDA does not pursue a centralized CE tracking solution, we are interested in adapting this system to permit the uploading of information to the MFDA CERTS and would welcome assistance from the MFDA to achieve this outcome. We believe that this step would help achieve the policy objectives of this consultation by promoting compliance and reducing regulatory burden.

3. CONCLUSIONS AND NEXT STEPS

Advocis supports the MFDA's focus on implementing appropriate CE accreditation processes for Members and Approved Persons. While we support either direct accreditation of CE credits by the MFDA or the delegation of this authority, we strongly recommend that the MFDA prohibit any delegate from also acting as a Third Party Accreditor or an education provider. We also recommend that the MFDA require all Third Party Accreditors to be established as not-for-profit organizations in order to ensure the impartiality and independence of the accreditation process, as well as hold a demonstrated track record in accrediting educational programs to evidence their proficiency in the subject matter.

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We look forward to working with the MFDA as it works to develop the CE accreditation process. Should you have any questions, please do not hesitate to contact the undersigned, or Ed Skwarek, Vice President, Legal and Regulatory Affairs at 416-342-9837 or eskwarek@advocis.ca.

Sincerely,

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

Abe Toews, CFP, CLU, CH.F.C., CHS
Chair, National Board of Directors

³ <https://www.advocis.ca/regulatory-affairs/RA-submissions/2018/180620-Advocis-response-to-MFDA-CE-Rule-and-Requirements.pdf>