



Client Focused Reform amendments to MFDA Staff Notice MSN-0077 come into effect on December 31, 2021.

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MFDA STAFF NOTICE

APPROVED PERSON PROFICIENCY REQUIREMENTS

MFDA Staff Notices are intended to assist Members and their Approved Persons in the interpretation, application of and compliance with requirements under MFDA By-laws and Rules. Notices make reference to these requirements and set out MFDA staff's interpretation of how to comply with these requirements. Notices may also include best practices or guidance.

Under MFDA Rule 1.2.3, an Approved Person must not perform an activity that requires registration unless the Approved Person has the education, training, and experience that a reasonable person would consider necessary to perform the activity competently. In the case of Chief Compliance Officers, this includes the knowledge and ability to design and implement an effective compliance system.

Approved Persons should update their knowledge and training to keep pace with new securities services and developments in the industry that are relevant to their business. Rule 1.2.4 requires Members to provide their Approved Persons with training on compliance with requirements under securities legislation.

The purpose of this Notice is to set out details of proficiency requirements that apply under MFDA Rules and National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("NI 31-103").

Salespersons

- (a) **Proficiency Requirements.** Each Approved Person who is a salesperson and who trades or deals in securities in respect of a Member must have:
 - (i) passed the Canadian Investment Funds Course Exam, the Canadian Securities Course Exam or the Investment Funds in Canada Course Exam; or
 - (ii) earned a CFA Charter and have 12 months of relevant investment management experience in the 36-month period before applying for registration; or

- (iii) received the Canadian Investment Manager designation and have 48 months of relevant investment management experience, 12 months of which was in the 36-month period before applying for registration.

(b) **Additional Proficiency for Particular Securities**

- (i) **Commodity Pools.** Each Approved Person who is a salesperson and who trades or deals in commodity pools in respect of a Member must have:
 - (A) satisfied the requirements of paragraph (a)(ii) or (iii); or
 - (B) passed the Canadian Securities Course Exam or the Derivatives Fundamentals Course Exam.
- (ii) **Exempt Market Securities.** Each Approved Person who is a salesperson of a Member registered as an Exempt Market Dealer and who trades or deals in exempt market securities must have:
 - (A) satisfied the requirements of paragraph (a)(ii) or (iii); or
 - (B) passed the Canadian Securities Course Exam or the Exempt Market Products Exam.

Chief Compliance Officers

- (a) **Proficiency Requirements.** An individual may not be designated by the Member as the chief compliance officer pursuant to Rule 2.5.3(a) (Chief Compliance Officer – Designation), or an alternate chief compliance officer pursuant to Rule 2.5.3(c) (Chief Compliance Officer – Alternates), unless the individual:
 - (i) has passed the Canadian Investment Funds Course Exam, the Canadian Securities Course Exam or the Investment Funds in Canada Course Exam and has passed the Officers’, Partners’ and Directors’ Exam, the Partners, Directors and Senior Officers Course Exam or the Mutual Fund Dealers Compliance Exam; or
 - (ii) has met the relevant requirements for the chief compliance officer of a portfolio manager as prescribed under securities legislation.
- (b) **Additional Proficiency for Particular Securities**
 - (i) **Commodity Pools.** An individual designated as a chief compliance officer pursuant to Rule 2.5.3(a), or an alternate chief compliance officer pursuant to Rule 2.5.3(c), by the Member whose Approved Persons trade or deal in commodity pools in respect of a Member must have passed the Derivatives Fundamentals Course Exam or successfully completed the Chartered Financial Analyst Program.
 - (ii) **Exempt Market Securities.** Where a Member is registered as an Exempt Market Dealer, the individual designated as its chief compliance officer pursuant to Rule 2.5.3(a), or an alternate chief compliance officer pursuant to Rule 2.5.3(c), must have:
 - (A) satisfied the requirements of paragraph (a); and

- (B) passed the Canadian Securities Course Exam or the Exempt Market Products Exam.

Branch Managers

NI 31-103 does not retain the branch manager category of registration and, as a result, all requirements in respect of branch managers are contained in MFDA Rules.

Branch managers must meet the requirements set out under MFDA Rule 2.5.5 (Branch Manager). In addition, branch managers supervising Approved Persons trading or dealing in commodity pools or exempt market securities must also meet the requirements for salespersons as noted in subsection 1(b) above.

Currency of Examinations

MFDA Rule 2.5.6 (Currency of Examination) provides that, for the purposes of the Rules, an individual is deemed to have not passed an examination or successfully completed a program unless the individual has done so within 36 months before the date the individual applied for registration, or such longer period as may be specified by and subject to relevant requirements, as the Corporation may determine if it is satisfied based on the individual's experience that his or her knowledge and proficiency remains relevant and current.

MFDA Rule 2.5.6 adopts the same 36-month currency requirement as NI 31-103 and allows MFDA staff discretion, on a case-by-case basis, to consider a longer currency period provided that staff is satisfied that, based on the individual's experience, their knowledge and proficiency remains relevant and current. In determining whether an individual's knowledge and proficiency is relevant and current, staff will consider the factors set out in NI 31-103, for example, previous registration and relevant securities industry experience. In circumstances where relief from the currency requirement of NI 31-103 is sought from the relevant securities commission, Members may submit a written request to the MFDA Membership Services Department concurrently and provide the same information to the MFDA that is being submitted to the securities commission for its consideration.

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