Summary of Public Comments Respecting MFDA Policy No. 9 *Continuing Education ("CE") Requirements*

On March 26, 2020, the MFDA published proposed amendments to MFDA Policy No. 9 *Continuing Education ("CE") Requirements* for a 135-day public comment period that expired on August 10, 2020.

Eight submissions were received during the comment period.

1. Federation of Mutual Fund Dealers
2. FP Canada
3. IG Wealth Management
4. Learnedly Canada Inc.
5. Portfolio Strategies
6. Primerica Financial Services Canada
7. Smarten Up Institute
8. Sun Life Financial Investment Services (Canada) Inc.

Copies of comment submissions may be viewed on the MFDA's website at: www.mfda.ca.

The following is a summary of the comments received, together with the MFDA's responses.

Please note that MFDA staff intend to create further guidance regarding the CE process that will take into account comments received during this comment process.

1. General Comments

Commenters generally expressed support for the proposed amendments. Commenters referred to the MFDA's CE initiative as a positive step forward in the delivery of CE and that this initiative is reasonable, would modernize the CE process and reduce the regulatory burden for Members. As noted below, some of these commenters expressed recommendations regarding specific aspects of the proposed amendments.

Only one commenter, a current education and system provider, expressed overall concerns with the entire CE proposal. A large portion of the concerns raised by the education provider was not related to the proposed amendments subject to consultation.

2. Comments re: Accreditation

Removing the MFDA as Accreditor

A commenter supported the MFDA's decision to remove itself as an accreditor.

MFDA Comment
MFDA Staff acknowledge the comment.

Member Self-Accreditation

One education provider did not support Member self-accreditation. The remainder of comments supported Member self-accreditation and advised that permitting Members to self-accredit would provide a streamlined accreditation process that would enable them to focus on the quality and delivery of CE content and training in a cost effective manner. One Member agreed that Members should not be charged a fee to self-accredit.

MFDA Comment
Member self-accreditation allows Members to have greater control over costs for providing CE activities to their Approved Persons and this Member self-accreditation will be subject with MFDA oversight.

Third Party Accreditors

Comments with respect to third party accreditors included that the MFDA should: only consider an entity as a third party accreditor if that entity is independent and accepts a neutral position for the industry; promote the availability of multiple third party accreditors and not provide any single accreditor with a monopoly or predominant role in the accreditation process; and clarify that third party accreditors must combine proven expertise in CE and a demonstrated level of financial knowledge. One education provider suggested that education providers be allowed to accredit.

One commenter expressed the view that while IIROC may be deserving of automatic recognition, a third party hired to accredit IIROC's content may not be. This commenter suggested that third parties outsourced by IIROC should be required to complete an application process like any other entity. One commenter raised concerns regarding the CECAP process having potential conflicts of interest as it is part of a corporate group that has both an education provider and an accreditor.

MFDA Comment
As an overall principal, MFDA staff approached the development of the MFDA CE Program with the intention of recognizing robust CE regimes already in place, along with accreditation undertaken under those CE programs, in order to reduce unnecessary duplication and costs.

With regards to the criteria for third party accreditors, we worked to strike a balance between allowing competition among accreditors and having accreditors that are sufficiently professional and knowledgeable, while also considering the costs of administering the MFDA CE program and the need to achieve regulatory standards. Any applicant to become a Third Party Accreditor will have to demonstrate that they sufficiently address the criteria outlined in the "Detailed Analysis" section of the proposed amendments submission.

With regards to IIROC, in the same manner as the CSF, they have been recognized as an accreditor due to their role as securities regulator with a CE program.

Accreditation Evaluation Criteria

General

One commenter expressed support for the proposed accreditation evaluation procedures detailed in section 9.3 of Policy No. 9. However, this commenter also questioned why the MFDA has proposed to delete sections 9.3, 9.4, 9.7, and 9.8 that provided information on accreditation applications.

MFDA Comment

Sections 9.3, 9.4, 9.7 and 9.8 were deleted as they related to MFDA accreditation and/or Member self-accreditation reports which have been removed from the proposal. It should be noted that the new section 9.4 requires Members to retain records to support accreditation.

Minimum and maximum number of credits

One commenter questioned why there is any minimum or maximum number of credits and suggested that the real issue is whether the training provides good content in an effective way. Another commenter recommended that the MFDA raise the daily limit of six and a half credits/hours a day to seven credits/hours a day.

MFDA Comment

MFDA staff agree with the commenter that the quality of the content and presentation is key, hence the need for accreditation. As previously mentioned, MFDA staff made an effort to harmonize with existing CE programs we examined, with the each of these programs having minimums of between 30 minutes and 1 hour. We note that some education providers provide online activities that may be shorter than 30 minutes when taken individually. However, we also note that these are generally bundled together as a series or module. MFDA staff note that these can be bundled as a CE activity package that must be taken together by a Participant (i.e. Approved Person) to meet the minimum.

Regarding daily maximums MFDA staff re-examined the daily maximums set out in other relevant CE programs and found there is no daily maximum in place for most CE programs and therefore have removed it from the policy.

Additional evaluation criteria suggestions

One commenter suggested that the evaluation criteria should include requirements that education providers provide timely updates following regulatory changes and review the CE material at least annually to ensure that it remains accurate, and further that CE activities should exclude training that does not pertain to compliance or investor needs. The commenter also suggested that the MFDA should clarify how frequently it will assess that the qualifications of the trainer and education provider are adequate.

MFDA Comment
We will assess the quality of course content through an oversight process. With respect to content and delivery of CE activities, there are a number of topics that can qualify as CE as outlined in MFDA Policy No. 9; it is the role of accreditation to determine the quality of a CE activity in accordance with MFDA Policy No. 9.

Timing of accreditation approval

Another commenter suggested adding "at the time of approval" at the end of the first sentence in section 9.3(b) to recognize that third party accreditors do not have the ability to control all the material distributed to participants at live events and that they can only assess what they are provided with beforehand.

MFDA Comment
This has always been our understanding and we have made this addition for greater clarity.

3. Comments Re: Reporting CE and CERTS

Reporting

Three commenters expressed agreement with the proposal to delete the requirement for Members to submit self-accreditation reports to the MFDA. One commenter, however, expressed the view that the deletion of this requirement will make it easier for Members to have informal lunch and learns and could render an Approved Person's training to be based on "lightweight" material.

One commenter recommended that the MFDA should consider enabling third party accreditors to file accredited activities on behalf of education providers directly on CERTS. This commenter suggested that allowing accreditors to do so would minimize errors and potential instances of fraud.

MFDA Comment
As mentioned previously, MFDA staff will be reviewing CE activities submitted, including accreditation, on an ongoing basis. MFDA Members are subject to the MFDA CE requirements (including MFDA Policy No. 9) and, like any other MFDA requirements, any concerns identified by the MFDA would need to be addressed by the Member.

We are looking to, in future system enhancements, allow accreditors to file accredited CE activities directly on CERTS on behalf of education providers.

Recognition of CE Activities

One commenter supported the proposal to establish that the CE eligibility period starts at the date of accreditation. Another commenter expressed concern that since the MFDA has stated that this date of completion decision was made to simplify the process and align with CERTS functionality, this implies that CERTS does not have the functionality to include a field for both the date the accreditation was completed and the date the CE activity was first delivered.

This commenter also advised that there are available CERTS alternatives that could track multiple fields, including how long it took the individual to complete the CE activity, how many times the individual logged in and out of the system and how many times the individual may have had to repeat the course or exam.

MFDA Comment
CERTS will track both the accreditation date as well as the date the Approved Person completed the CE activity. With the possible exception of the MFDA Compliance Credits, CERTS was not designed to deliver CE activities. It is the responsibility of the education provider to track details such as login times as applicable and then submit attendance records through CERTS

CERTS

Two commenters advised that they do not support the MFDA building its own CE tracking system. One stated the MFDA should not be involved in builds that the commenter felt were costly, redundant and did not consider systems already in place. This commenter, an education provider, suggested its own system would have been more appropriate. The other commenter asked about what other systems were considered.

MFDA Comment
MFDA staff approach to the development of the MFDA CE Program has been to consider existing CE regimes in the industry in order to reduce unnecessary duplication and costs.

At the start of the process of developing the CE system, we were approached by several education providers wanting to sell us their CE systems. The MFDA looked at a few of these systems and determined they did not have all of the capabilities we required as they were built for the education provider's specific courses. Redeveloping such systems to accommodate the MFDA's regulatory needs, the programs offered by various education providers, the different Member practices in delivering education and CE programs and systems already in place, would have been impractical and a more costly alternative.

We also looked at the CE processes and systems of other securities regulators, namely those of the CSF and IIROC. The CSF's system represented the highest standard of CE practices amongst securities regulators and was the most relevant to MFDA Members. Further, there is significant number of MFDA Approved Persons who are also registered in Quebec and participants in the CSF CE program. Harmonization with the CSF model allows us to avoid duplication and results in a consistent standard across Canada for mutual fund dealing representatives. Therefore, the CSF's system was used as a model in determining CERTS functionality

We then issued a request for proposal to software vendors whose existing CE systems appeared the most aligned with our needs. We then selected a vendor with an existing system in use in other CE programs that required the least amount of customization.

4. Additional Comments

In addition to the comments outlined above, comments also included the following:

Consideration of Activities from other CE Programs

The MFDA should consider the issues with overlapping CE requirements for dual registrants. A commenter suggested that where CE qualifies as approved CE for life insurance licensees and is also approved under the MFDA CE Program, the MFDA should allow these credits to meet MFDA CE requirements (i.e. they should count under both the life insurance and MFDA CE programs).

MFDA Comment
As long as an educational activity is accredited as outlined in MFDA Policy No.9, including the proposed amendments, it may be counted towards the CE requirement of the MFDA CE Program whether it is taken to satisfy other CE program requirements or not. We are also working with existing accreditors under other CE programs to create methods of utilizing their current accreditation decisions to align them with MFDA requirements.

Impact on Members

Concern was expressed regarding the systems and resource impacts that the CE proposal would have on Members.

MFDA Comment
We note from numerous discussions with Members of different sizes and business models that there were different ideas about how they would administer the MFDA CE program depending on if and how they currently offer education to their Approved Persons. Some Members want complete control of their Approved Person's education, and thus will deliver in-house created CE activities and track completion, and report attendance themselves. Others, especially smaller Members, may not offer CE to their Approved Persons and will expect their Approved Persons to obtain their CE credits elsewhere. Still others might only offer limited CE, such as an annual conference, and expect their Approved Persons to obtain the remainder of their CE elsewhere. The CE program and CERTS was designed to be flexible enough to accommodate these various scenarios. Where a Member does not offer CE activities and requires Approved Persons to obtain their credits through other parties, CERTS allows education providers to enter records of attendance on behalf of Participants (i.e. Approved Persons). Members would then be responsible for monitoring progress of obtaining the required CE credits.

Accreditation Fees

One commenter stated that, while they acknowledge that accreditation fees are not part of this consultation, they would welcome providing comments at a later date on fees.

MFDA Comment
MFDA Staff acknowledge the comments.

Other Comments

One commenter had a number of detailed implementation questions with respect to: the pro-ration of credits; changes in participation; business conduct and the required ethics related content; and imposing fines on a Participant's sponsoring Member.

MFDA Comment
Some of these more detailed implementation questions have been addressed in previous consultation and will also be responded to through additional training and guidance going forward.

5. Next Steps

Final amendments to MFDA Policy No. 9 will be provided to the CSA for approval or non-objection.

MFDA staff will continue system development including external user testing. Such user testing will provide us with a further information on the implementation timelines required.

We will also continue to develop guidance regarding the Rule and Policy as well as system user guides and other training materials.

MFDA staff will provide further updates on the progress of the Policy and CERTS development as such updates are appropriate.

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