

December 21, 2024

Canadian Investment Regulatory Organization
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Subject: Comments on Proposed Amendments to Harmonize CIRO Continuing Education (CE) Programs

Dear Sir or Madame,

Thank you for the opportunity to provide feedback on the proposed harmonization of CIRO's Continuing Education (CE) programs for investment and mutual fund dealers. As an advocate for investors, I applaud the initiative to establish a unified framework that promotes higher professional standards across the financial services sector. However, to achieve the desired outcomes, the program must, in my view, address several key topics that impact both registrants and the clients they serve.

A broad concern that this proposal needs to address is the quality and relevance of CE credits. Too often, credits are granted for attending superficial seminars or insubstantial lectures that fail to contribute meaningfully to professional development. While attendance is recorded, the content frequently lacks the depth necessary to foster value-add learning or skill enhancement. Instead, CE should emphasize programs that are directly relevant to the practical work of registrants, equipping them with the tools and knowledge that will help them navigate the complexities of their profession with the appropriate rigor and professionalism.

Turning to specifics, one area of renewed CE focus needs to be risk profiling. The importance of understanding a client's risk tolerance cannot be overstated, yet many advisors continue to rely on rudimentary tools or check-the-box approaches that cannot adequately capture the nuances of an individual's financial situation and goals. Training programs should equip registrants with more advanced tools and techniques to allow them to assess client preferences more accurately. For example, advisors should be taught how to differentiate between a client's stated willingness to take risks and their actual capacity to endure losses, particularly during market downturns.

Another pressing need is a strong focus on ethics. Ethics training, to be meaningful, must go beyond the obvious and the theoretical. It needs to incorporate real-world scenarios that reflect the complex decisions advisors regularly face. For instance, advisors often encounter situations where their firm's sales targets might conflict with their obligation to

act in their clients' best interests. By showcasing examples of leadership and ethical decision-making in these conflicted circumstances, training would help registrants navigate such challenges with more confidence and integrity.

As Canada's population ages, the financial needs of retirees are becoming more specialized. Registrants must be well-versed in de-accumulation strategies, including the effective use of Registered Retirement Income Funds (RRIFs). Many advisors excel in helping clients accumulate wealth but are less well-prepared to transition them into the spending phase of retirement. Additionally, there is a growing need for advisors to understand how social benefit programs, such as the Canada Pension Plan (CPP) or Old Age Security (OAS), interact with personal investments. Proper training in these areas would allow advisors to provide clients with customized advice that more closely aligns with their investment profile and the broader financial support systems available to them.

Tax considerations also play a crucial role in financial planning, yet this area is often not adequately emphasized in training programs. Registrants must remain up to date on tax laws, deductions, and credits, as well as strategies for tax-efficient investing. For example, understanding the implications of holding certain assets in taxable versus tax-advantaged accounts can significantly impact long-term returns for clients. Equally important are analytical and mathematical skills, which are too often overlooked. Advisors should be adept at performing scenario analyses to help clients evaluate trade-offs between risk and reward, whether they are considering early retirement or reallocating their portfolios in response to changing market conditions.

The CE program should also address soft skills, which are essential for building trust with clients. Advisors must be instructed how to communicate complex concepts in simple terms, provide reassurance during periods of market volatility, and demonstrate empathy in situations where clients face tough decisions. For instance, an advisor working with a senior client experiencing cognitive decline needs to recognize the warning signs of potential exploitation and know how to address these concerns delicately and effectively.

New asset classes, such as cryptocurrencies, need to be part of the CE curriculum. Advisors require ongoing training to understand these assets, their role—if any—in a diversified portfolio, and the regulatory and security risks they pose. At the same time, there needs to be a renewed emphasis on foundational skills like portfolio construction. Too often, advisors focus on one-off transactions rather than the broader strategic goals of the client's financial plan. A robust understanding of modern portfolio theory and its practical application is fundamental, in my opinion, for delivering sound advice.

Practical client-facing topics should also be incorporated in the CE syllabus. For example, advisors need a solid grounding in Power of Attorney (POA) issues, basic estate planning concepts, and strategies for resolving client dissatisfaction. Furthermore, with the increasing use of Artificial Intelligence (AI) in financial services, training must address the range of considerations associated with using AI tools in client interactions, ensuring that these technologies build trust rather than undermine it.

In conclusion, I believe that CIRO's efforts to harmonize Continuing Education programs have significant potential to elevate the financial services industry, but their success will depend on the depth, breadth, and practical application of the training offered. By addressing the areas outlined above, including ensuring that CE credits align with impactful and relevant professional development, CIRO can better equip advisors to meet the diverse needs of investors, strengthen trust in the industry, and promote better outcomes for all clients.

Thank you for considering these recommendations. I am happy to discuss these ideas further or provide additional input if needed.

Sincerely,

Harvey S. Naglie

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