CFA Institute

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November 1, 2014

Re: IIROC Consultation Paper on Proficiency Assurance and Expiry of Canadian Securities Institute ("CSI") Contract.

Dear President Kriegler,

CFA Institute appreciates the opportunity to comment to the Investment Industry Regulatory Organization of Canada ("IIROC") with regard to consultation paper 14-081 ("the Notice") pertaining to the next phase of the evolution of the IIROC proficiency assurance model. CFA Institute represents the views of investment professionals before standard setters, regulatory authorities, and legislative bodies worldwide on issues that affect the practice of financial analysis and investment management, education and licensing requirements for investment professionals, and on issues that affect the integrity and accountability of global financial markets.

On July 16, 2014, IIROC published a consultation paper which requested comment on the Organization's intent to reevaluate its proficiency assurance model with respect to the licensing of IIROC Approved

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Persons. In this paper, IIROC is seeking input from the investment industry and various other stakeholders to help determine whether the existing licensing framework model is appropriate and serves the interest of the public and the financial industry in Canada. CFA Institute believes this consultation is timely, relevant, and in the best interests of investors, IIROC member firms and finance professionals. At CFA Institute, we share IIROC's view of the positive influence that high proficiency standards can have on ensuring investor protection and the integrity and efficiency of capital markets. Consequently, we applaud IIROC's efforts in trying to optimize the proficiency of licensed professionals and ensure the highest levels of professionalism in the industry.

Although CFA Institute is of the same opinion that IIROC maintains high proficiency standards and a robust proficiency regime, we believe it would be beneficial for IIROC to consider possible other alternative arrangements in line with those that have been adopted by other regulators around the world. Whilst the model of only having the Canadian Securities Institute (CSI) provide the courses and licensing examinations may have its advantages, we are of the opinion that, by opening up the licensing framework, IIROC may be able to capitalize on the reputation, experience and global footprint of other providers, that could lead to long term benefits with respect to lower costs and higher quality of content.

Background on CFA Institute and the CFA Charter

CFA Institute is the leading global association of investment professionals with more than 110,000 members in more than 135 countries. Our mission is to lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society. We aspire to serve all finance professionals seeking education, knowledge, and professional development. CFA Institute also seeks to lead the investment profession's thinking in the areas of ethics, capital market integrity, and excellence of practice.

As part of its portfolio of educational programs, CFA Institute offers the Chartered Financial Analyst® (CFA®) charter, which is the global investment industry's most challenging and most widely respected graduate-level investment credential. Earning the CFA charter requires passing its three challenging levels. Successfully doing so demonstrates a commitment to professional ethics as well as a mastery of a comprehensive range of advanced investment principles needed to successfully practice in the investment industry.

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The CFA program curriculum is grounded in the practice of the investment profession. CFA Institute, through the oversight of the Educational Advisory Committee (EAC), regularly conducts a practice analysis survey of investment professionals around the world to determine the knowledge, skills, and abilities (competencies) that are relevant to the profession. The results of the practice analysis define the Global Body of Investment Knowledge (GBIK) and the CFA Program Candidate Body of Knowledge (CBOK). The topic areas covered by the CFA Program range from ethical and professional standards, investment tools, all asset classes, and portfolio management.

In addition to the CFA charter, CFA Institute also offers the Claritas Investment Certificate and the Certificate in Investment Performance Measurement (CIPM).

CFA Program Membership and Candidate Pool

Overall, CFA Institute has more than 127,000 members, and approximately 210,000 candidates sit for the CFA exams each year. In Canada, CFA Institute has more than 15,000 members and about 17,500 candidates in the most recently completed exam cycle.

There are twelve CFA Societies in Canada: CFA Montreal, CFA Quebec, CFA Society Atlantic Canada, CFA Society Calgary, CFA Society Edmonton, CFA Society Okanagan, CFA Society Ottawa, CFA Society Saskatchewan, CFA Society Toronto, CFA Society Vancouver, CFA Society Victoria and CFA Society Winnipeg. These societies in Canada, as any other CFA society around the world, serve an important function in helping connect our members and CFA charterholders. Most societies also offer ongoing professional education, volunteer opportunities, and networking events.

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Question 1: Please comment on the benefits and drawbacks of the existing IIROC proficiency education and testing model.

CFA Institute appreciates the opportunity to comment on the existing IIROC proficiency education and testing model. As stated earlier, CFA Institute believes that IIROC proficiency standards are of high quality, straightforward, and the regime has withstood the test of time. In our view we see a few benefits and several drawbacks to the existing proficiency education and testing model that is currently in place.

Benefits:

First Benefit: The existing proficiency model is straightforward, less resource intensive, and manageable

The straightforward nature of the exclusive arrangement with CSI is an advantage to the current existing proficiency model. IIROC has only had to deal with one service provider, which has allowed it to save on resources needed to oversee the service and quality standards. Additionally, IIROC has been able to move more swiftly when needed to implement new standards in the financial industry as it only needed to work with one provider.

Second Benefit: The existing proficiency model has withstood the test of time.

Under the existing proficiency model, IIROC has maintained high proficiency standards and the regime has withstood the test of time. Clearly, IIROC's standards and the existing proficiency regime have helped ensure investor protection and the integrity of the capital markets in Canada throughout the years. Consequently, the model has served regulators', members', and investors' interests alike to this point quite well.

Drawbacks:

First Drawback: The Existing Proficiency Model only has one accredited educator-examiner (CSI) and does not allow for competition.

Firstly, from our perspective, having only one approved provider in the Canadian proficiency model has inherent risks for IIROC. Relying solely on CSI to develop, create and administer examinations for licensed professionals represents significant "concentration risks" for the Canadian proficiency model. IIROC would be better served by spreading the risks of providing, creating and administering licensing

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exams amongst a few well-known qualified providers to ensure that the Canadian licensing framework is not adversely affected by problems which may affect a single provider.

Secondly, since IIROC retains CSI as the exclusive provider for IIROC licensing courses and examinations, IIROC loses out on the benefits that effective competition amongst providers in offering qualifications that meet IIROC standards would permit.

In particular, in licensing frameworks where multiple providers co-exist, effective competition should lead to lower prices and better quality of content. Competition creates strong incentives for providers to invest in providing quality content, thereby helping raise the standards in the market. Competition also encourages providers to compete in many other ways, such as design, delivery, and quality of content. Additionally, in a competitive environment, providers are also forced to invest in the research and development of adequate and innovative solutions to ensure learning. Finally, competition drives providers to be more efficient, thereby keeping prices as low as possible.

Consequently, we believe it is best that financial regulators aim to protect and promote the competition of providers in the licensing and training of professionals so that the benefits listed here are captured and the interests of the public and the financial industry are served.

Second Drawback: The Existing Proficiency Model does not provide choices to finance professionals

Another drawback of the existing IIROC proficiency model is that it does not provide choices to finance professionals in regards to attaining competency. The existing model does not allow finance professionals to select the course that best prepares them for their role in the industry. Licensing frameworks that allow for competition among multiple service providers also encourages a greater level of choice.

The ability to make choices in regards to training is most critical in our view, as it gives individuals not only a sense of ownership, but also of empowerment as a result of this added level of flexibility. For these reasons, we understand why most regulators have tended to avoid “monopolistic structures” when it comes to licensing frameworks as there is evidence that investment professionals and the financial industry itself can benefit from having additional choices and alternatives.

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Third Drawback: The Existing Proficiency Model does not allow for sufficient "passporting" of qualifications.

The term "passporting" refers to the ability of professionals to take their investment credentials across borders without having to sit for additional exams, thereby reducing barriers to entry in order to practice. In our view passporting works both ways, thus we break this drawback into two parts.

Drawback 3a: Although CSI's courses have a certain level of recognition in some jurisdictions outside Canada; they are not recognized in all countries and for all job functions.

CSI licensing exams enjoy some form of recognition outside of Canada. For example, in the case of the Canadian Securities Course (CSC), the FCA in the United Kingdom recognizes it under the Retail Distribution Review (RDR) requirements for two regulated activities: Advising on Securities (activity number two) and Advising and Dealing on Securities (activity number twelve)[1]. In Hong Kong, the SFC includes CSI's licensing examinations in the list of recognized industry qualifications for several regulated activities.

Even though this recognition is important, CSI's courses are not recognized in many other countries and cannot be used to cover requirements for all job functions. Hence, licensed practitioners in Canada who wish to take their expertise to other markets have to sit and complete additional exams, which represent a significant testing burden.

One example is the United States, where FINRA requires those licensed as General Securities Representatives in Canada to complete the Series 37 Exam. As explained in FINRA's website: "The Series 37 examination is designed to address the duplication of certain qualification requirements in the United States and Canada. Properly registered individuals in Canada may be eligible to act as a General Securities Representative in the United States by obtaining the Canada Securities Representative (CD) registration. The CD registration is obtained by passing the Series 37 examination and by meeting certain Canadian eligibility requirements that are recognized by FINRA as an appropriate prerequisite to take the Series 37 examination." As a result of this, firms and individuals incur costs due to their inability to passport automatically.

[1] According to our knowledge other CSI courses are also recognized by the FCA under RDR, such as the CSI's Derivatives Fundamentals Course or the Futures and Options Licensing Course.

There are, however, other qualifications such as the CFA charter that have significant recognition around the world by regulatory authorities and that allow for the passporting process to be more seamless. To further illustrate this, consider the steps that a hypothetical Canadian investment advisory firm focused on retail clients would have to take to have its employees licensed in both Canada and the United States. To be licensed as a Registered Representative – Retail (Investment Advisor) in Canada, individuals must complete the following CSI courses:

- Canadian Securities Course (CSC)
- Conduct and Practices Handbook Course (CPH)
- Wealth Management Essentials (WME)

In the United States, to become a Registered Investment Advisor, FINRA requires successful completion of the Series 65 exam. Because none of the above listed courses in Canada are recognized by FINRA as meeting the competency guidelines to practice as an Investment Advisor (or providing an exemption for the Series 65 exam), Canadian licensed professionals cannot passport automatically and end up having to take additional exams, which is a cost and testing burden.

In conclusion, this aspect of not being able to passport CSI qualifications in other countries for certain job functions is a barrier to entry and puts Canadian professionals at a disadvantage. Clearly if IIROC adopted an alternative proficiency model where qualifications such as the CFA program would be listed as comparable to the existing licensing courses in Canada, this would provide alternatives to Canadian professionals and firms. In this alternative model where the CFA program is recognized by IIROC, individuals could become licensed by studying the CFA program in Canada and at the same time would be exempt from FINRA's Series Exams for certain job roles. Thus they could practice in both markets automatically without encountering any further barriers to entry in the form of licensing exams.

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Drawback 3b: Individuals with globally recognized industry qualifications are not approved by IIROC.

The other important factor under the current framework is that finance professionals who hold a globally recognized industry qualification do not have any recognition in Canada. Consequently, if they wish to come and practice in Canada, they face significant barriers to entry and an additional testing burden. As mentioned earlier, we believe this is unnecessary and not cost effective.

Consequently, reducing the exclusivity of CSI in the licensing of individuals by accepting other qualifications, such as the CFA program, we believe would be beneficial to the Canadian capital markets in that it would increase the attractiveness of practicing in this market for the most qualified investment practitioners in the world.

If IIROC were to accept globally recognized industry qualifications as meeting minimum competency requirements, there would be the obvious benefit to the holders of those qualifications (i.e. CFA candidates and charterholders) who would be able to leverage their participation in these programs and reduce the additional testing burden they would otherwise face to become licensed professionals in Canada.

Therefore, the lack of recognition for global qualifications is an issue that we believe should be addressed in the next phase of the evolution of IIROC's proficiency model. Currently, of all the licensing examinations that CSI offers for regulated positions, only one accommodates new entrants from other foreign jurisdictions. This is the case of Registered Representatives in Retail (Investment Advisors) and the course is called the New Entrants Course (NEC). This course may be taken by individuals registered in a recognized foreign jurisdiction in lieu of the CSC and CPH (in conjunction with completion of a recognized foreign registration examination). The individuals need to have been registered in one of the following countries within the past three years: United States, United Kingdom, Hong Kong, France.

All the other examinations for regulated functions do not offer the new entrants course as a possible route. Such is the case of licensing examinations for Investment Representatives,

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Registered Representative –Institutional, Registered Representative – Portfolio Management, Registered Representatives to sell additional products, etc…

At CFA Institute, we believe that the offering of new entrant courses should be expanded to other regulated roles so that, when combined with globally recognized industry qualifications, individuals can become licensed to practice. Ideally, in the next phase of evolution for its proficiency model, IIROC would not only accept licenses from other countries but also globally recognized industry qualifications. The combination of a globally recognized industry qualification with a new entrants course (to fill the gap in local rules and regulations) could increase the attractiveness of the Canadian capital markets for many industry practitioners. Only qualifications with significant recognition in different markets and globally relevant should be allowed to participate in the framework.

Question 2: Please provide IIROC with information regarding your experiences under the existing proficiency education and testing system.

CFA Institute appreciates the opportunity to share with IIROC the experiences of its Canadian members and candidates under the existing IIROC proficiency model. Canada represents a very important market for CFA Institute because we have more than 15,000 members and 17,500 candidates sitting for the CFA exams each year, in addition to twelve CFA societies.

Prior to sharing the feedback received from our members and candidates regarding the existing proficiency model, we would like to stress that CFA Institute does not represent any particular business interest and can only speak for the views of its investment professional members, including portfolio managers, investment analysts, and advisors in Canada.

1. *Our membership in Canada is disappointed that CFA Institute programs' have no recognition under IIROC's proficiency model.*

Our members and candidates in Canada have expressed their disappointment with the fact that CFA Institute's programs are not recognized by IIROC. Our members' preference for recognition has been expressed to us in a variety of ways, and in considerable numbers, at global CFA society events,

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roundtables, forums, and in annual member surveys. Their inability to use CFA Institute credentials (i.e. the CFA program or the Claritas Investment Certificate) to meet minimum competency requirements has created some frustration on their part, since the programs have been accepted by other regulators around the world. We must note, however, that not having recognition has not deterred Canadian professionals from continuing to pursue our credentials as they see great value in having them.

Since our membership in Canada is large and growing, we believe it is appropriate to encourage IIROC to consider revising its proficiency model to accommodate the growing number of Canadian professionals pursuing CFA Institute credentials. Our candidates and members represent a large percentage of the total number of investment professionals in Canada. According to our latest market intelligence data, there are just over 101 thousand investment professionals[2] in Canada. As a result, CFA Institute members and candidates represent approximately 32% of all Canadian investment professionals.

2. *Our membership in Canada believes that CFA Institute programs' have more breadth and depth of content than the licensing exams offered by CSI.*

Our members feel that our programs possess the breadth and depth of content investment professionals require. Additionally, our programs represent a body of knowledge that exemplifies what an investment professional should be. Thus, they regard CFA Institute programs' Candidate Body of Knowledge (CBOK) as equipping them better to practice in the industry.

From our members' standpoint, the success that our programs have had over the years has been a function of active practitioner involvement and the use of Global Practice Analysis to develop the CBOK. These two aspects have acted as quality control mechanisms to ensure our programs meet the investment industry standards in regards to knowledge and excellence of practice.

In the development of CFA Institute's programs, practitioners are involved at every stage of the process for the development of the programs' curricula and exams. Additionally, CFA Institute conducts global practice analysis by organizing a series of panels and committees consisting of prominent investment practitioners from around the world. These panels are selected to represent the diversity in the profession

[2] CFA Institute defines investment professionals as those working as portfolio managers, research analysts, relationship managers, financial adviser, risk managers, corporate analyst, traders, etc…

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with respect to geography, work setting, and professional role. The objective of these panels is to create an inventory of critical responsibility and knowledge areas to guide the curriculum development process of our programs. The results of these panels are incorporated into the CBOK, which is the scope of knowledge needed for basic competence in investment management.

Apart from practitioner involvement and global practice analysis, members have also cited that CFA Institute has introduced significant curriculum innovations over the years which have increased the quality of the content. Historically, the curriculum was drawn from existing professional and academic publications. After reviews were conducted, several disadvantages were identified with this format, as off-the-shelf products typically contained a significant amount of material outside the CBOK. As a result of these disadvantages, the decision was made to begin developing curriculum readings specifically for our programs. These readings are authored by investment practitioners and leading academics and balance the conceptual rigor with the application perspective of financial analysts and portfolio managers.

In summary, our members are emphasizing the value of the principles established for the development of the curriculum of our Programs. These principles are:

- Faithful to the practice analysis and CBOK
- Valuable to members, employers and investors
- Globally relevant
- Generalist (as opposed to specialist) in nature
- Appropriate for professionals
- Replete with examples and practice problems both within and at the end of the readings
- Pedagogically sound in a self-study framework; and
- Testable

When it comes to CSI's programs, although our members realize that CSI abides by the quality and service standards under its agreement with IIROC, they still perceive that enhancements could be made to the quality, breadth and depth of the materials by improving on certain aspects of practice analysis and the curriculum development process.

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In regards to the breadth/depth of coverage issue, we must refer to the mapping results explained on the prior bullet point where we presented the results of the mapping of CSC against the CFA Level 1 exam and the Claritas Investment Certificate. The mapping results confirmed that CSC covers less than 25% of the CFA Level 1 exam while the CFA Level 1 exam covers 84% of the CSC learning outcome statements. In the case of Claritas, the programs are more comparable, with Claritas covering 84% of CSC while on the other hand CSC approximately covers 80% of the Claritas program.

3. Our membership in Canada considers that the costs of licensing exams are too high.

Our members view the costs paid to enroll in CSI licensing exams as too high. In their view, the fees paid per unit of content for CSI exams are expensive in comparison to other industry qualifications such as the CFA program or the Claritas Investment Certificate.

Let's compare for example the CSC course, the CFA Level 1 Exam and the Claritas Investment Certificate. The enrollment fee for the CSC exam is CAD$985 (CAD$775 for IIROC members). The CSC exam has 124 learning outcome statements. In contrast, first time candidates for the CFA Level 1 exam pay a one-time enrolment fee of CAD$489[3] plus an additional fee depending on the registration date: CAD$685 early registration, CAD$897 standard registration or CAD$1,315 for the late registration. Returning CFA Level 1 exam candidates and candidates for the CFA Level 2 and Level 3 only pay fees according to the registration window. The CFA Level 1 exam has 539 learning outcome statements (LOS). In the case of the Claritas Investment Certificate the fees are CAD$745 and the number of learning outcome statements are 149.

These three courses are roughly comparable in terms of exam fees. But a more in depth look reveals that CSC exam fees are far more expensive in relation to the depth and number of units of content. One way of illustrating this fact is to calculate the ratio of total cost to number of learning outcome statements. Please refer to the table on the next page.

[3] Foreign Exchange Rate used for conversion of prices: 1CAD$ = US$0.92

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Table 1 – Comparison Table

	Cost in CAD$	# of LOS	CAD$ Cost/LOS
CSC (Non-IIROC member US$ Price)	985	124	7.94
CSC (IIROC member US$ Price)	775	124	6.25
New[4] CFA Level 1 Exam (Early Registr.)	1,174	539	2.18
New[5] CFA Level 1 Exam (Standard Registr.)	1,386	539	2.57
New[6] CFA Level 1 Exam (Late Registr.)	1,804	539	3.34
CFA returning Level 1 Exam (Early Registr.)	685	539	1.27
CFA returning Level 1 Exam (Standard Registr.)	897	539	1.66
CFA returning Level 1 Exam (Late Registr.)	1,315	539	2.43
Claritas Investment Certificate	745	149	5.00

For the CSC course, we calculated a ratio of CAD$7.94 per unit of content using the CAD$985 retail price. In the case of the IIROC member price of CAD$775, the ratio equals CAD$6.25 per unit of content. This clearly contrasts with the ratio we calculated for the fees paid by new or returning CFA Level 1 exam candidates depending on the registration window. Even in the worst case scenario, a new CFA Level 1 candidate registering late, the price paid per unit of content is CAD$3.34, which is significantly less than the CSC cost per unit of content. We must also note that the comparison is even less favorable when considering the fees paid by returning CFA Level 1 candidates. These types of candidates do not have to pay a one-time enrollment of CAD$489 like new CFA Level 1 candidates. As to the Claritas Investment Certificate, the ratio equals US$5.00 which also compares very favorably to the CSC cost paid per learning outcome statement.

In order to confirm our thesis in regards to costs, we decided to conduct a mapping analysis[7]. First, to compare the CFA Level 1 program and the CSC program on the basis of depth of content, the Regulator and Program Recognition (RPR) division at CFA Institute conducted two mapping exercises: i) a direct mapping and ii) a reverse mapping exercise. In the direct mapping exercise, RPR matched the learning outcome statements of the CFA Level 1 program to those of the CSC. Doing so demonstrates that the CFA Level 1 program covers more than 84% of the content of the CSC course. In the second "reverse"

[4] First time CFA Level I Exam candidates pay a one-time enrollment fee of CAD$489.
[5] First time CFA Level I Exam candidates pay a one-time enrollment fee of CAD$489.
[6] First time CFA Level I Exam candidates pay a one-time enrollment fee of CAD$489.
[7] The results of the mapping exercises are explained and presented in a separate document.

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mapping exercise, RPR matched the learning outcome statements of the CSC course to those of the CFA Level 1. This approach shows that the CSC course covers less than 25% of CFA Level 1.

The results of these two mappings demonstrate that the CFA Level 1 program covers more topics and in greater depth than the CSC course. The results also reinforce our members' notion that the price paid for the CSC course is too high in relation to the knowledge acquired and the depth of coverage in the CFA program. Accordingly, our members perceive that the CFA program is a better value both in terms of price and depth of knowledge relative to the CSC licensing course.

As to how the Claritas Investment Certificate fares against the CSC course, a direct mapping showed that the overlap is close to 84%, while a preliminary reverse mapping exercise indicated that the CSC covers almost 80% of the Claritas Investment Certificate. Therefore, the mappings reveal the programs are quite comparable in nature, but the fees are quite a bit more expensive in the case of the CSC.

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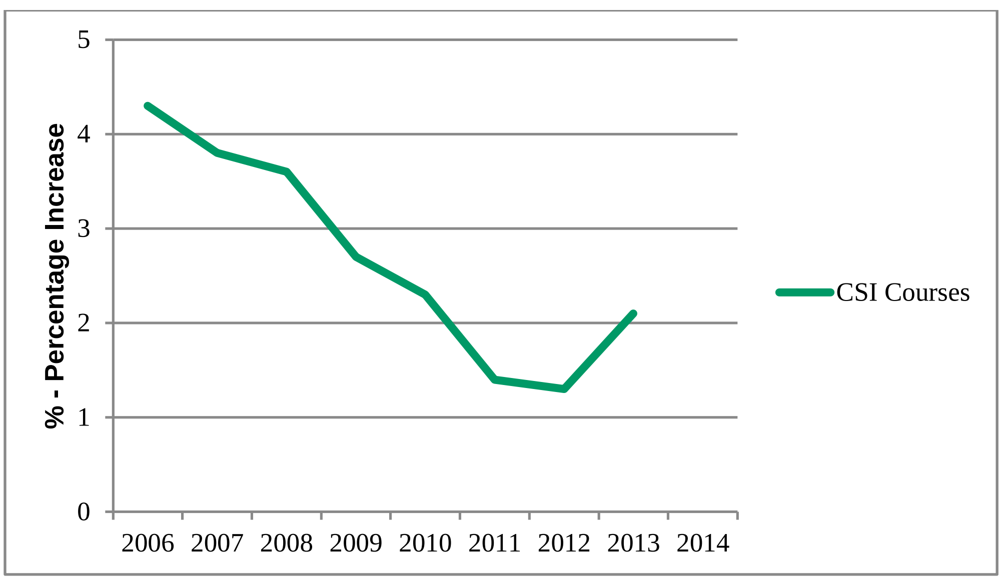
Question 3: Please discuss if and how your view of the existing IIROC proficiency education and testing model is influenced by the cost of CSI courses.

CFA Institute's views on IIROC's existing proficiency model are influenced by the cost of the CSI's licensing examinations. We feel cost is an important factor that must be examined carefully when evaluating the adequacy of a licensing framework, but by no means does it constitute the only factor on which we based our opinions. As we demonstrated in the last section, while the costs of the CSC, CFA Level I exam and Claritas Investment Certificate are comparable in an absolute sense, in relative terms of cost vs. breadth and depth of content, CSC is far more expensive.

According to the exclusivity agreement signed between IIROC and CSI, course pricing was subject to several provisions that looked to effectively cap prices. Over the 2006-2013 period, the prices of CSI courses subject to the agreement increased by an average 2.5% per year for IIROC members. Price increases have always been under the 4% limit with the exception of 2006 (where the increase was 4.6%) and under 2.3% limit during the renewal term (2011-2013). Please refer to chart 1 on the next page.

Chart 1 - Average Price Increases weighted by enrollments for CSI Basket



From the chart, it can be seen that even though prices increases have been capped to a certain extent and have been declining over the years under the exclusivity agreement, there have been price increases every single year and the trend seems about to reverse after the 2013 period. In view of this, our membership believes that this pricing mechanism has not been as effective as intended, as prices have continued to steadily rise each year and the fees paid for the exams are quite expensive when compared to other programs in relative terms. Specifically, our membership considers that CSI courses priced are significantly above our programs when taking into account the knowledge that can be attained and the depth of the content covered.

Fee Comparison in relative terms

As we explained in question two, when calculating the ratio of total cost to number of learning outcome statements in each course, we find that for the CSC using the IIROC member price of CAD$775 the ratio equals CAD$6.25 per unit of content. This contrasts with the ratios calculated for the CFA Level 1 exam and the Claritas Investment Certificate (please refer to Table 1 on page 12). Our calculations suggest that those enrolling in the CSC course are paying significantly higher fees per unit of content than those enrolling in our programs. Nonetheless, we said that the ratio result is just indicative and in order to corroborate our assessment regarding depth we needed to conduct a mapping analysis.

Consequently, to confirm our assessment regarding the differences in the depth of coverage we conducted mapping exercises which reinforced our notion that the price paid for the CSC courses is too high in relation to the knowledge that is acquired and the depth of coverage provided (direct mapping of CFA Level 1 exam versus CSC showed 84% coverage while a reverse mapping of CSC versus CFA Level 1 Exam indicated 24% coverage; a direct mapping of CSC versus Claritas indicates 84% coverage, while a reverse mapping indicated 80% coverage). It is because of the results seen in this analysis that our membership perceives CSI licensing courses as being too expensive. It is their view, that they are able to get a lot more value and knowledge from our programs in relation to CSI licensing courses both in terms of price and depth of knowledge.

CFA Program pricing mechanism and Historical Price Increases

In this subsection we present the CFA Institute pricing policy for the CFA Program. CFA Program fees can include a one-time enrollment fee (only for first time CFA Level 1 candidates) and a registration fee.

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The study materials and tools are included in the exam registration fee. The one-time enrollment fee is payable when the candidate first registers for the CFA Program. This enrollment fee is CAD$489. As to the exam registration, candidates may choose to register early for a reduced fee, or if they miss the standard registration deadline, there is a late registration fee.

Exam Registration Deadlines and fees

Example for June 2015 Exam (Levels I, II, and III)

Type	Price	Deadline
Early registration	CAD$685	(ends 24 September 2014)
Standard registration	CAD$897	(ends 18 February 2015)
Late registration	CAD$1,315	(ends 18 March 2015)

As we mentioned in the prior section, there are three windows for registration with prices being significantly higher for those waiting until the last minute to register. Under our pricing structure candidates are encouraged to register early.

Historical Pricing Data

At CFA Institute over the years there have been price increases mostly to adjust for inflation and to reflect curriculum innovations. Prior to 2008, the curriculum was drawn from existing professional and academic publications and candidates were responsible for purchasing this off the shelf curriculum materials. This however changed in 2008 in response to candidate demand and after the CFA Institute advisory committee realized the disadvantages of requiring off-the-shelf sources.

Consequently, CFA Institute began providing that year the curriculum materials to candidates. The Institute sequenced the learning outcome statements, assigned readings in conformity to the study sessions and assembled those components into self-contained volumes distributing the materials to candidates. To reflect this change CFA Institute increased its registrations fees (not the one-time fee) by almost CAD$260 for all types of registration windows. Aside from this one time increase, CFA program fees have typically increased to reflect inflation and other content development costs but these increases have mainly impacted the late registration window. As cited in prior sections, CFA Institute offers lower fees for those that register early and looks to discourage late registration by requiring much higher late

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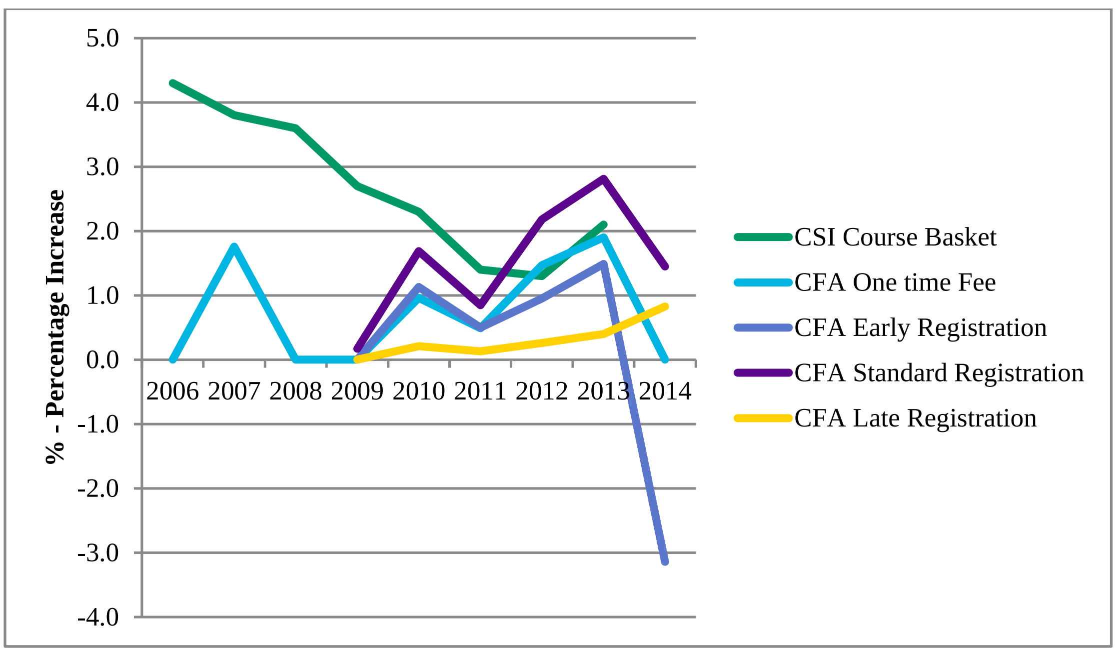
fees. In spite of these efforts CFA Institute still sees that a significant pool of candidates chooses to register late.

To compare our historical pricing data to that of CSI, we calculated the price increases for the one-time fee and all the registration windows and weighted them by the number of enrollments seen in each calendar year. We consider that our historical pricing data can help shed some light as to the benefits that IIROC and its membership could enjoy by relying on other service providers for providing courses and administering exams. Please note that our historical pricing data starts in 2009 since that was the period in which we started providing candidates with study materials. Using the data after 2009 allows for a fair comparison with CSI's data, as CSI charges candidates for providing them with study materials. As cited earlier, prior to 2008 the CFA Institute required candidates to purchase the study materials off-the shelf. Please refer to Chart 2 on the next page.

Chart 2 – Average Price Increases weighted by enrollments for the CFA Program



From chart 2, it can be seen that the CFA Program historical fee increases compare rather favorably with CSI's. The increases have remained in check and after the year 2012 have begun an exhaustion/downward phase resulting in negative increases for the early registration and standard windows, as well as the one-time fee. The late registration line (yellow color) on the contrary has seen steady increases, which confirms what we said earlier about discouraging late registrants by increasing fees.

Claritas pricing mechanism and Historical Price Increases

Claritas pricing does not vary by registration window as the course is offered all year round. The fees are CAD$745. Unfortunately, we cannot provide IIROC with sufficient historical pricing data as the program was launched in May 2013. Since the launch date, there have not been any cost increases.

Overall Conclusion

Therefore, our conclusion is that although CSI may be able to defend that an exclusive arrangement has somewhat helped keep the rate of price increases in check, our analysis shows that prices set by free markets tend to not increase in price at a greater rate than in a “monopolistic” arrangement.
Even though the provisions put in place in the exclusive arrangement looked to cap prices, price increases were seen in all years for the basket of CSI’s products. A model that could be used, instead of setting price controls, is to allow for supply and demand forces to determine a fair price. Such model would consist of multiple providers where providers can determine a fair price for their products based on demand. At CFA Institute, we believe regulators can defer and trust to providers the role of setting fair and competitive prices so long as a competitive environment is promoted. Generally, in our experience providers when put in competition can help ensure prices remain in check without seeing unreasonable increases and maximizing value for individuals.

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Question 4: Please comment on the benefits and drawbacks of the alternative models, or elements of alternative models, discussed in this paper as well as their relevance and viability given the existing IIROC approval scheme and enrolment statistics.

CFA Institute appreciates the opportunity to comment on alternative models. In this section we discuss the benefits and drawbacks we identified for each of the benchmarked alternative models and examine their relevance and viability given the existing IIROC approval scheme and enrollment statistics.

1. Financial Industry Regulatory Authority (FINRA).

<u>*Model Benefits:*</u>

- *Significant economies of scale*: in the United States, there is a large pool of existing and prospective licensees. As a result of this, per capita costs to members for the funding of the regulatory oversight structure are much smaller on a comparative basis relative to other jurisdictions.
- *Open to providers for training purposes:* under FINRA's model, there is a market for training providers to create study materials and develop courses for candidates seeking instruction and exam preparation.
- *Practitioner involvement:* FINRA engages and oversees industry committees that assist in the development and updating of competency profiles, exam questions, and content outlines.
- *Open to other industry qualifications for certain job roles*: FINRA accepts other industry qualifications (such as the CFA program) as meeting the minimum competency requirements to practice for certain job roles (i.e. Series 65, Series 86 and Series 16).

<u>*Model Drawbacks*</u>

- *Model places significant regulatory oversight responsibility on FINRA*: the Authority is in charge of overseeing the development and administration of exams.
- *Operational infrastructure needs:* FINRA has large staff needs in order to oversee the creation, updating of competency profiles, content outlines, and examinations.
- *Limited Continuing Education offering:* FINRA continuing education requirements can only be met through FINRA's continuing education courses.

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Relevance and Viability:

FINRA's model is definitely relevant but in our view is not viable considering IIROC's approval scheme and enrollment statistics. Clearly, if IIROC were to implement this model it would require a much bigger operational infrastructure and access to additional funding to support the hiring of new staff. Additionally, IIROC members would have to be significantly more involved to support the industry committees. All this could prove a substantial burden to IIROC's members in terms of cost and level of engagement.

Since current enrollment statistics indicate that IIROC would not benefit from FINRA's economies of scale, we do not think it would be wise to try to replicate FINRA's exact model without adjusting for the potential increases in costs and the smaller pools of existing and prospective licensees. Moreover, FINRA's model also differs conceptually from IIROC's current approval scheme in the sense that it only focuses on examination requirements for licensed professionals while IIROC has a more integrated approach focusing on both providing education and testing.

2. Financial Conduct Authority (FCA)

Benefits

- *Multiple provider system*: the FCA accepts multiple providers within its licensing framework for retail investment advisers. The providers offer qualifications that compare well to the examination standards set by the FCA. The model is flexible and allows choices for investment professionals.
- *Focus on examination standards*: the Authority does not have any involvement in the provision of education. The FCA only focuses on examination standards.
- *Firm responsibility*: in this model, the burden to ensure employees meet ongoing competency requirements is placed on firms subject to FCA regulation. FCA reviews policies implemented by firms. This is similar to IIROC's model for ensuring compliance with ongoing continuing education requirements.

Drawbacks

- *Only certain retail activities are subject to FCA requirements*: Competency requirements are only applicable to retail activities.
- *FCA in charge of reviewing provider applications and determining acceptance*: This requires staff/infrastructure to review all the providers' applications.

Relevance and Viability

We see the FCA's model as being relevant and viable for IIROC's implementation. In our view, the FCA model has worked very well in the United Kingdom and requires a significantly smaller regulatory oversight structure. By adopting this model IIROC would only have to focus on providing a unified minimum standard in terms of examination standards, and accredit only those providers that meet those standards.

The FCA model is relevant to IIROC since both regulators have a similar number of licensed professionals subject to their jurisdiction. Economies of scale will be similar since the FCA currently has 32,690 licensed advisers while IIROC has 27,976 approved persons.

In terms of viability, it is clear that a multiple provider system drives competition for costs and quality of content. This benefits investment professionals the most as they have more flexibility and control over their own education, thus allowing them to make choices that suit their career needs. The model also benefits industry firms (the members) because they do not have to support a large regulatory oversight infrastructure since the regulator is not in charge of providing both education and testing. Although it seems IIROC is concerned that if it were to adopt a multiple provider system similar to that of the FCA, it would be required to review applications of providers and qualifications covering all approved persons' proficiencies, we do not believe this should be a deterrent. IIROC's worry comes from the fact that the FCA only requires competency requirements for certain retail activities, while IIROC oversees the activities of all approved persons. The concern is justified in the sense that because IIROC oversees many more activities the burden to accredit providers would be significant. However, one way to limit this burden would be to set limits to the number of providers/qualifications allowed for each activity. The providers/qualifications would be approved for a certain period and subject to review every two years. Implementing the FCA model with a number of limited providers, we believe should not require significant additional resources on the part of IIROC and would provide some flexibility especially in the initial stages of implementation.

Another important factor to consider is that the FCA model would allow for further harmonization within the Canadian regulatory model as it has a similar construct to that of the Canadian Securities Administrators (CSA). The Canadian capital markets are quite fragmented in nature and so further harmonization can help establish uniformity at the national and provincial level in the financial industry. The CSA model accepts industry qualifications as meeting competency requirements in the industry.

In regards to concerns that foreign qualifications may not have sufficient content on Canadian local rules and regulations, we believe this hurdle can also be overcome. In such a situation, gap-fill courses can be designed to provide the missing local knowledge component. The gap-fill courses, when combined with the chosen foreign qualification, will be designed to meet the minimum competency requirements. For example, a new entrants course, such as the one CSI already offers to individuals who want to be licensed Retail Investment Advisors in Canada, could be created for all types of approved persons so that licensing requirements could be met.

Finally, the FCA model has been adopted by other regulators in very important financial centers, such as the Monetary Authority of Singapore (MAS). The MAS, in partnership with the Institute of Banking and Finance Singapore (IBF), implemented a multiple provider system to promote continuous learning and the highest standards of workforce competency in Singapore. IBF is currently the national accreditation and certification agency for financial industry competency in Singapore. The IBF Standards represent a set of competency standards developed by the industry, for the industry. It provides a practice-oriented development roadmap for financial sector practitioners to attain the necessary training to excel in their respective job roles.

Covering thirteen industry segments spanning more than 50 specializations, the IBF Standards offer a comprehensive suite of accredited training and assessment programmes to guide a financial sector practitioner from licensing examinations on through to certification across three levels: IBF Qualified (for new entrants); IBF Advanced (for senior practitioners and specialists); IBF Fellows (for industry veterans). An IBF certified practitioner is one who epitomizes the values of professional excellence, integrity, and a strong commitment to industry development.

The IBF Standards accreditation process comprises independent reviews of a training provider's ability to conduct programmes that meet industry standards. IBF accreditation serves as an industry endorsed mark of quality for training and assessment for the financial industry.

3. Canadian Insurance Sales:

Benefits

- *Multiple accredited course providers*: The Canadian Insurance Sales framework has the benefit of multiple accredited course providers.
- *Not fully harmonized:* The CIS licensing model is in the process of being harmonized across all provinces, which will result in a common exam for all jurisdictions.

Drawbacks

- *Only one exam is accepted:* To become licensed to sell insurance in Canada individuals must successfully complete the Life License Qualification Program (LLQP).

Relevance and Viability

The model is relevant, although the size of the market is much smaller than the size of IIROC's number of approved persons. In terms of viability, we think this model would be more difficult to implement as course providers must prepare candidates for the same standardized test, but they are not accredited to administer the test. In addition we feel that this model would be less compatible with some of the practices that have been adopted by provincial regulators. The FCA or CSA models would have a better chance of succeeding and fit right in with some of the models at the provincial level which may result in further harmonization.

4. Canadian Securities Administrators:

Benefits

- *Recognition of certain examinations and designations*: The CSA recognizes individuals upon completion of specific industry exams or programs such as the Canadian Securities Course, the Canadian Investment Funds Course and/or certain designations such as the CFA charter.

Drawbacks

- *Not all provinces subscribe to the proficiency model.*

Relevance and Viability

In terms of viability, we believe this model is viable and has the added advantage that it has already been implemented in Canada, so provincial securities regulators are already familiar with it. However, we do not think this model grants the same level of flexibility as the FCA's and thus our recommendation to IIROC to consider the better FCA model option. In addition the volume of registrants is above the 120,000 mark, which is significantly above IIROC's.

Still, we cannot deny that the CSA model has some advantages. If IIROC were to implement such a model, we believe it would be beneficial for the Canadian capital markets since it would be perceived as a forward step towards further harmonization between provincial and national regulators. The Canadian capital markets are quite fragmented with many different regulatory agencies across the country. Harmonizing standards at both the provincial and national levels would simplify the regulatory framework for firms and individuals. We also think this model has cost advantages since it does not require a large oversight structure since it relies heavily on the provincial regulators.

Summary - CFA Institute Recommendation

Out of the four benchmarked models discussed in this consultation paper, we believe that the Financial Conduct Authority (FCA) model is the most relevant and viable for IIROC. Our reasoning is that this model would allow for further harmonization in Canada while providing a unified minimum standard with a significantly smaller regulatory oversight structure. In addition, the model allows for a multiple provider system which can drive competition for costs, quality of content and provide financial professionals with choices in regards to their education.

It is worth noting, that the FCA model has been adopted by other regulators such as the Monetary Authority of Singapore (MAS). The MAS, in partnership with the Institute of Banking and Finance

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Singapore (IBF), implemented a multiple provider system to promote continuous learning and the highest standards of workforce competency in Singapore.

Considering all of the above, we encourage IIROC to consider implementing the FCA model should it decide to transform its proficiency model. We believe the FCA model serves the public interest, would meet IIROC's regulatory needs as well as the needs of its members and the industry, taking into account cost, enrollment volumes, and other factors.

If IIROC were to adopt this model, CFA Institute would seek accreditation with IIROC for both the Claritas Investment Certificate and the CFA program (CFA charter and CFA Level 1 program). CFA Institute could combine its programs with a gap fill course that covers local Canadian rules and regulations. CFA Institute has experienced in doing this as evidenced by the recognition it has obtained in the United Kingdom with the FCA under the Retail Distribution Requirements. In this case the CFA program in combination with the Investment Management Certificate (gap fill course) helps meet competency requirements for those wishing to advise and deal in securities and derivatives. The IMC course covers local rules and regulations in the United Kingdom.

Question 5: Please share your experiences with alternative models.

Our experiences as a service provider have been positive with alternative models, especially in the case of FINRA, the FCA (or MAS in Singapore) and the Canadian Securities Administrators (CSA). All of their proficiency models are flexible and permit more than one service provider/qualification to be part of the licensing framework for certain job roles within the investment industry. As a result of this flexibility, the CFA program enjoys significant recognition, and is considered an important industry qualification that can help meet minimum competency requirements.

What are some of the common experiences within these proficiency models?

FINRA, the FCA and CSA maintain high proficiency standards and robust proficiency regimes. Under these proficiency models, CFA Institute's programs have gained broad acceptance and benefitted the local capital markets.

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The first common experience we can share is that our programs have achieved a great deal of acceptance in these markets. When we contacted regulators to be part of their proficiency regimes, FINRA, FCA and CSA already understood the value employers and individuals place on our programs, and the credibility they have. Given the rigor and nature of our programs, regulators have seen fit to recognize our programs as a means to assess competency.

Another shared experience has been seeing how granting recognition to CFA Institute programs has benefitted the local capital markets. From our standpoint, capital markets in the United States, United Kingdom and Canada (and many other countries) have benefitted by being able to attract the most qualified investment practitioners in the world. We must note that a Chartered Financial Analyst has successfully completed all three levels of the CFA program, completed a minimum of four years of relevant professional experience and, most importantly, agreed to abide by the strict Code of Ethics and Standards of Professional Conduct of CFA Institute.

In essence a charterholder has:

Breadth and depth of knowledge:

- CFA charterholders have acquired solid theoretical and practical knowledge in risk management, financial reporting and analysis, corporate finance, fixed income, equity investments, derivatives, alternative investments, quantitative methods, economics, corporate governance, portfolio management, wealth planning, and performance measurement.

A global perspective

- Maintains a global perspective while understanding the unique characteristics of the local marketplace.
- Belongs to a large global organization with members in more than 134 countries. CFA Institute is a leading global voice in policy debates on market integrity.
- As a member of CFA Institute, benefits from a tight network of finance professionals

A well rounded professional

- Going through a program as rigorous and demanding as the CFA Program should help charterholders make more thoughtful and careful decisions for the benefit of his or her clients
- As an experienced professional, has gained investment related and ethical skills
- May fill a wide range of positions, from junior analyst to chief executive, in boutiques and large financial institutions.

Another experience worth mentioning has been how CFA Institute has devised ways to fill the local regulatory gaps within our programs following the request from regulators. Understandably, regulators want individuals who practice within their jurisdiction to demonstrate both competence within the investment field as well as appropriate knowledge about local laws, rules, and regulations. But because our programs are global in nature, they do not address local laws, rules, and regulations. In order to achieve recognition under various regulatory regimes, we have had to find ways to fill this gap. We have addressed these gaps by creating "bridges", or local regulatory papers. For example, in the United Kingdom, the Investment Management Certificate (IMC) (awarded by the CFA Society of the United Kingdom), when combined with the CFA Level 1 exam, meets the FCA's Retail Distribution Review requirements for advising and dealing in securities and derivatives.

Recognition under FINRA's proficiency model

In the United States, for certain industry functions, FINRA considers the CFA program as being equivalent to some of its series examinations:

- FINRA exempts those who have passed CFA Level 1 and Part I of the NYSE Supervisory Analysts Qualification Exam (Series 16) from Part II of this two part exam.
- FINRA grants a waiver from the Series 86 exam for successful CFA Level 2 candidates who function as research analysts; and
- FINRA also grants a waiver from the Uniform Investment Adviser Examination (Series 65) for CFA charterholders.

Recognition under the FCA's proficiency model

In the United Kingdom, the FCA has approved Level 1 of the CFA program plus the full Investment Management Certificate qualification as being RDR compliant for those advising and dealing in securities and derivatives.

The combination of these two qualifications is listed by the FCA (on the Appropriate Qualifications table) as fully meeting requirements of the Retail Distribution Review (RDR). Please note that this works in combination. That is, IMC (level 4) or CFA Level I alone are not RDR compliant.

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For those who hold the CFA charter, the FCA approved the CFA plus IMC Unit 1: *The investment environment*, as RDR compliant for those advising and dealing in securities and derivatives.

The combination of these two qualifications is listed by the FCA (on the Appropriate Qualifications table) as fully meeting requirements of the Retail Distribution Review (RDR). Once again, this works in combination since neither IMC Unit 1 nor the CFA charter alone are RDR compliant.

The Investment Management Certificate (IMC) qualification consists of two units. Unit 1, entitled “The Investment Environment”, covers ethics, regulation, legal concepts, taxation, and how these topics relate to managing the advisor/client relationship. Unit 2, called “Investment Practice”, covers investment management theory, economics, accounting, asset classes, and quantitative methods. The IMC is one of the most widely recognised and established qualifications of its kind in the UK. The IMC has been used by investment professionals for over 15 years, and is taken by staff in leading investment firms in the UK and elsewhere. The IMC is the industry's benchmark entry level qualification.

Recognition under the Canadian Securities Administrators (CSA) proficiency model

Under the National Instrument 31-103 (Registration Requirements, Exemptions and Ongoing Registrant Obligations), the CSA prescribes the minimum level of proficiency necessary for registration as a representative or a chief compliance officer. The CSA recognizes successful completion of specific exams and/or certain designations, such as the CFA charter.

Per NI 31-103, for the following industry roles, the CFA charter is recognized as meeting competency requirements (please note all excerpts are taken from the NI 31-103):

i. **Mutual Fund Dealer – Dealing Representative:** “A dealing representative of a mutual fund dealer must not act as a dealer in respect of the securities listed in section 7.1(2)(b) unless any of the following apply”: (a) the individual has passed the Canadian Investment Funds Course Exam, the Canadian Securities Course Exam or the Investment Funds in Canada Course Exam; (b) the

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individual has met the requirements of section 3.11 [portfolio manager – advising representative]; (c) the individual has earned a CFA Charter and has gained 12 months of relevant securities industry experience in the 36-month period before applying for registration" [….]

ii. **Exempt Market Dealer – Dealing Representative:** "A dealing representative of an exempt market dealer must not perform an activity listed in section 7.1(2)(d) unless any of the following apply: (a) the individual has passed the Canadian Securities Course Exam; (b) the individual has passed the Exempt Market Products Exam; (c) the individual has earned a CFA Charter and has gained 12 months of relevant securities industry experience in the 36-month period before applying for registration" […]

iii. **Portfolio Manager – Advising Representative:** "An advising representative of a portfolio manager must not act as an adviser on behalf of the portfolio manager unless any of the following apply: (a) the individual has earned a CFA Charter and has gained 12 months of relevant investment management experience in the 36-month period before applying for registration; (b) the individual has received the Canadian Investment Manager designation and has gained 48 months of relevant investment management experience, 12 months of which was gained in the 36-month period before applying for registration."[…]

iv. **Portfolio Manager – Associate Advising Representative:** "An associate advising representative of a portfolio manager must not act as an adviser on behalf of the portfolio manager unless any of the following apply: (a) the individual has completed Level 1 of the Chartered Financial Analyst program and has gained 24 months of relevant investment management experience; (b) the individual has received the Canadian Investment Manager designation and has gained 24 months of relevant investment management experience."[…]

v. **Portfolio Manager – Chief Compliance Officer:** "A portfolio manager must not designate an individual as its chief compliance officer under subsection 11.3(1) [designating a chief compliance officer] unless any of the following apply: (a) the individual has: (i) earned a CFA Charter or a professional designation as a lawyer, Chartered Accountant, Certified General Accountant or Certified Management Accountant in a jurisdiction of Canada, a notary in Québec, or the equivalent in a foreign jurisdiction, (ii) passed the PDO Exam or the Chief Compliance Officers Qualifying Exam and, unless the individual has earned the CFA Charter, the Canadian Securities Course Exam, and (iii) either A) gained 36 months of relevant securities experience while working at an investment dealer, a registered adviser or an investment fund manager, or B)

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Provided professional services in the securities industry for 36 months and also worked at a registered dealer, a registered adviser or an investment fund manager for 12 months";[…]

vi. **Investment Fund Manager – Chief Compliance Officer:** An investment fund manager must not designate an individual as its chief compliance officer under subsection 11.3(1) [designating a chief compliance officer] unless any of the following apply: (a) the individual has(i) earned a CFA Charter or a professional designation as a lawyer, Chartered Accountant, Certified General Accountant or Certified Management Accountant in a jurisdiction of Canada, a notary in Québec or the equivalent in a foreign jurisdiction (ii) passed the PDO Exam or the Chief Compliance Officers Qualifying Exam and, unless the individual has earned the CFA Charter, the Canadian Securities Course Exam, and iii) either A) gained 36 months of relevant securities experience while working at a registered dealer, a registered adviser or an investment fund manager, or B) provided professional services in the securities industry for 36 months and also worked in a relevant capacity at an investment fund manager for 12 months." […]

From the excerpts above it can be seen that the CFA program is well recognized under the CSA proficiency model.

Question 6: Please discuss the criteria that you believe should be employed for education and examination providers.

In its position paper under Section IV, IIROC outlines a set of evaluation criteria it expects service providers to possess. CFA Institute agrees with the five criteria chosen by IIROC. Specifically, we believe it is appropriate that providers should have:

- *Regulatory sensitivity:* a high degree of regulatory sensitivity as well as an understanding of regulatory trends and requirements.
- *Expertise:* have educational and pedagogical expertise as well as robust processes to ensure fair testing. Subject matter experts should be involved in preparing, and maintaining the course and examination materials.
- *Accessibility:* ability to offer and administer courses and examinations across Canada as well as capacity to offer flexible examination scheduling.
- *Cost-value proposition:* ability to offer courses and examination services at competitive prices.

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- *Examination administration:* have procedures to safeguard security of the bank of test questions and implementation of ethical walls to avoid possible conflicts of interest as well as appropriate infrastructure.

In addition to these five criteria, CFA Institute recommends that IIROC also considers incorporating six additional criterions:

1. *Act in the public interest:* service providers should also be required to i) act in the best interests of the public, ii) actively contribute to raising professional standards in the investment industry and iii) support the development of the investment profession.
2. *Practitioner focus:* service providers' courses should focus on the investment profession from the standpoint of a practitioner. Allowing practitioners to be involved at every stage of the process (i.e. curriculum, exam development, etc…) is a decisive factor in ensuring that the qualifications offered are in line with industry standards and relevant to industry participants.
3. *Employability:* IIROC should make certain that qualifications offered by service providers have broad industry support and lead to employability. It is preferable that qualifications that are recognized by employers in the financial industry be allowed to participate in the licensing framework.
4. *Global Recognition:* this criterion would ensure that only service providers that offer courses recognized by regulators around the world enter the licensing framework. Recognition is important because it adds credibility and allows for professionals to practice in different jurisdictions. The ability to passport your qualifications is definitely "valuable currency".
5. *Code of Ethics:* service providers should be required to have their own code of ethics and standards and ensure that its code does not contain any provisions that would conflict with IIROC's standards.
6. *Professional Conduct Program:* to protect the integrity of the membership, designations, and examination programs, providers must have in place a professional conduct program. The program would administer the disciplinary process by monitoring compliance, investigating allegations, conducting disciplinary proceedings and imposing sanctions if necessary.
7. *Ongoing cooperation with IIROC:* service providers must provide IIROC with documents and information as IIROC reasonably requires in an open and transparent manner.

We would be pleased to discuss our comments in greater detail, or to provide any other assistance that would be helpful. If you have any questions, please do not hesitate to contact us.

Yours sincerely,

On behalf of CFA Institute:

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Appendix A

Historical Price Increases Weighted by Enrollments for all

CFA Program Registration Windows

I. Number of registrations by window and weights

	Number of Registrations by Window					Percentage of Total			
Year	Early	Standard	Late	Total	NLI*	%NL1	%Early	% Standard	%Late
2006	48,624	59,343	8,168	116,135	65,000	55.97%	41.87%	51.10%	7.03%
2007	49,822	77,898	9,784	137,504	70,000	50.91%	36.23%	56.65%	7.12%
2008	56,928	101,686	18,127	176,741	77,892	44.07%	32.21%	57.53%	10.26%
2009	65,861	115,973	20,741	202,575	84,772	41.85%	32.51%	57.25%	10.24%
2010	68,446	117,684	16,125	202,255	75,120	37.14%	33.84%	58.19%	7.97%
2011	66,006	127,170	17,719	210,895	82,565	39.15%	31.30%	60.30%	8.40%
2012	66,026	138,621	16,060	220,707	87,002	39.42%	29.92%	62.81%	7.28%
2013	69,198	128,754	17,090	215,042	82,501	38.37%	32.18%	59.87%	7.95%
2014	75,706	120,847	16,207	212,760	80,716	37.94%	35.58%	56.80%	7.62%

** NLI: New CFA Level I Reg.*

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II. Historical Price Increases weighted by enrollments

	Historical Prices in CAD$				Historical Price Increases Weighted by Enrollments			
Year	One-time	Early	Standard	Late	%One-time	%Early	%Standard	%Late
2006	407				0.00%			
2007	424				1.76%			
2008	424	652	748	1,010	0.00%			
2009	424	652	750	1,010	0.00%	0.00%	0.17%	0.00%
2010	435	674	772	1,038	0.96%	1.13%	1.69%	0.21%
2011	440	685	783	970	0.49%	0.50%	0.85%	0.13%
2012	457	707	810	1,054	1.47%	0.95%	2.18%	0.26%
2013	478	739	848	1,147	1.90%	1.49%	2.81%	0.40%
2014	478	674	870	1,271	0.00%	-3.14%	1.46%	0.83%