



**CIRCULAR**  
April 7, 2003

## **REQUEST FOR COMMENTS**

### **PROFICIENCY REQUIREMENTS**

#### **AMENDMENTS TO POLICY F-2**

#### **Summary**

The Special Committee – Regulatory Division of Bourse de Montréal Inc. (the "Bourse") has approved amendments to Policy F-2 of the Bourse "Proficiency Requirements". Policy F-2 establishes the proficiency requirements applicable to individuals wishing to be approved or to remain approved in a category of employment. The Bourse believes that the establishment of proficiency requirements is a fundamental element of regulation in the securities industry. For this reason, in the public's best interest, the Bourse wishes to clarify the proficiency requirements applicable to all categories of approval granted by the Bourse, as well as the sanctions that will be imposed to individuals who fail to fulfil the proficiency requirements provided for in Policy F-2.

#### **Process for Changes to the Rules**

Bourse de Montréal Inc. is recognized as a self-regulatory organization (SRO) by the Commission des valeurs mobilières du Québec ("the Commission"). In accordance with this recognition, the Bourse carries on activities as an exchange and as a SRO in Québec. In its SRO capacity, the Bourse assumes market regulation and broker-dealer regulation responsibilities. The broker-dealers regulated by the Bourse are its approved participants. The responsibility for regulating the market and the approved participants of the Bourse comes under the Regulatory Division of the Bourse ("the Division"). The Division carries on its activities as a distinct business unit separate from the other activities of the Bourse.

Circular no.: 038-2003

**Tour de la Bourse**  
C. P. 61, 800, square Victoria, Montréal (Québec) H4Z 1A9  
Téléphone : (514) 871-2424  
Sans frais au Canada et aux États-Unis : 1 800 361-5353  
Site Internet : [www.m-x.ca](http://www.m-x.ca)

**Tour de la Bourse**  
P.O. Box 61, 800 Victoria Square, Montréal, Québec H4Z 1A9  
Telephone: (514) 871-2424  
Toll-free within Canada and the U.S.A.: 1 800 361-5353  
Website: [www.m-x.ca](http://www.m-x.ca)

The Board of Directors of the Bourse has delegated to the Special Committee – Regulatory Division its powers to approve or amend some aspects of the Rules and Policies of the Bourse governing approved participants, among which, the Rules and Policies relating to admission as approved participant, approval of persons, disciplinary matters and the management of client accounts. These changes are submitted to the Commission for approval.

Comments on the proposed amendments to Policy F-2 of the Bourse must be submitted within 30 days following the date of publication of the present notice in the bulletin of the Commission. Please submit your comments to:

*Mr. Jacques Tanguay*  
*Vice-President, Regulatory Division*  
*Bourse de Montréal Inc.*  
*Tour de la Bourse*  
*P.O. Box 61, 800 Victoria Square*  
*Montréal, Quebec H4Z 1A9*  
*E-mail: [reg@m-x.ca](mailto:reg@m-x.ca)*

A copy of these comments shall also be forwarded to the Commission to:

*Ms. Denise Brosseau*  
*Secretary*  
*Commission des valeurs mobilières du Québec*  
*800 Victoria Square, 22<sup>nd</sup> Floor*  
*P.O. Box 246, Tour de la Bourse*  
*Montréal (Quebec) H4Z 1G3*  
*E-mail: [consultation-en-cours@cvmq.com](mailto:consultation-en-cours@cvmq.com)*

## **Appendices**

For your information, you will find in appendices an analysis document of the proposed rule amendments as well as the proposed regulatory text. The implementation date of the proposed amendments will be determined with the other Canadian self-regulatory organizations, if applicable, following approval by the Commission des valeurs mobilières du Québec.



### – PROFICIENCY REQUIREMENTS

### – AMENDMENTS TO POLICY F-2

## I OVERVIEW

Bourse de Montreal Inc. (“Bourse”) proposes to amend its Policy F-2, “Proficiency Requirements”.

Policy F-2 sets the proficiency requirements applicable to individuals wishing to be approved or to remain approved in a category of employment. The Bourse believes that the establishment of proficiency requirements is a fundamental regulatory element in the securities industry.

## II DETAILED ANALYSIS

### A) Current Rules and Proposed Amendments

Section 3 of Policy F-2 sets the proficiency requirements that individuals seeking approval as registered representative or investment representative must satisfy. Thus, to be approved in these categories, candidates must have successfully completed the Canadian Securities Course, the Conduct and Practices Handbook Course and, depending on the category of approval, a 30-day or 90-day training program. In addition, within 30 months following the approval as a registered representative, the person must successfully complete either the Professional Financial Planning Course or the Investment Management Techniques Course.

Contrary to Section 1 of Policy F-2, which states that failure to successfully complete the Effective Management Seminar within 18 months following the approval results in the automatic suspension of approval, the requirement imposes on individuals wishing to be approved as registered representative, to successfully complete, within 30 months following the approval, either the Professional Financial Planning Course or the Investment Management Techniques Course.

In practice, when this requirement is not fulfilled within the prescribed time, the approval is suspended until said requirement is satisfied. In order to clarify the enforcement of Policy F-2, it is proposed to make an amendment to specify that in the event of a failure to successfully complete, within 30 months following the approval, one of the two required courses, the approval will be suspended until successful completion of one of the required courses.

In addition, Section 6 of Policy F-2 is amended to clarify the requirements that must satisfy individuals wishing to be approved as Portfolio Manager with options or Associate Portfolio Manager with options. The proficiency requirements for these categories of approval have been added to Policy F-2 since the registration department of the Bourse gives approvals for such categories and consequently, it was important for these individuals to know the criteria that must be satisfied to obtain an approval.

Finally, Section 8 of Policy F-2 on options is amended to specify that the requirements set in this section are also applicable to sponsored options.

### B) The Issue and Alternatives Considered

Considering the importance to ensure compliance with the proficiency requirements set in Policy F-2, the Bourse is in the view that it is necessary to amend Policy F-2 to clearly set

the proficiency requirements applicable to any type of approval granted by the Bourse as well as the sanctions that will be imposed on individuals failing to fulfill the proficiency requirements set in Policy F-2.

**C) Comparison with Similar Provisions**

The sanctions imposed on registered representatives who will not complete the Professional Financial Planning Course or the Investment Management Techniques Course within the allowed time will be identical to the sanction set in Section 1 of Policy F-2 for those approved as sales manager, branch manager, assistant and co-branch manager who fail to complete the Effective Management Seminar.

**D) Public Interest Objectives**

The Bourse believes that the proposed amendments are in the public's best interest since they set the requirements and sanctions applicable pursuant to Policy F-2.

They do not permit unfair discrimination among candidates, customers, issuers, brokers, dealers, approved participants or others. It does not impose any burden on competition that is not necessary or appropriate.

**E) Effectiveness**

The proposed amendments are simple and efficient. They clearly set the sanctions applicable to an approved person who has not, within 30 months following the approval as registered representative, completed either the Professional Financial Planning Course or the Investment Management Techniques Course, and they set the proficiency requirements applicable to individuals wishing to be employed in a category of employment in the securities industry. The amendments proposed are necessary to reflect the day-to-day practices in the industry and to regroup into a single policy all applicable proficiency requirements.

**III) SOURCES**

Policy F-2 of the Bourse de Montréal Inc.

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### 3) Registered Representatives and Investment Representatives

The proficiency requirements for a registered representative and an investment representative are the following:

- a) have successfully completed:
  - i) the Canadian Securities Course prior to commencing the professional training programme implemented by the approved participant;
  - ii) the Conduct and Practices Handbook Course;
  - iii) either:
    - A. for a registered representative, except for registered representatives dealing exclusively with institutional clients, a 90-day training programme during which he must be employed by an approved participant on a full time basis;
    - B. for an investment representative, a 30-day training programme during which he must be employed by an approved participant on a full time basis;
- ~~b) successful completion of the New Entrants Course, where the person was approved or licensed with a recognized foreign self-regulatory organization prior to application with the Bourse;~~
- ~~e~~b) be licensed or registered under the securities laws applicable;
- ~~e~~c) successful completion, where the person is a registered representative, other than a group savings plan representative or a registered representative for institutional clients, within 30 months ~~of following the~~ approval as a registered representative of:
  - i) either the Professional Financial Planning Course;
  - ii) or the Investment Management Techniques ~~e~~Course.
- ~~d) failure to satisfy the requirements of paragraph c) above will result in the automatic suspension of approval. Such approval will be reinstated only at such time as the person has completed this requirement.~~

Where a person was approved or licensed with a recognized foreign self-regulatory organization prior to application with the Bourse, the requirement to successfully complete the courses set out in paragraph a) of this section does not have to be fulfilled when the candidate has successfully completed the New Entrants Course.

### 6) Portfolio Managers

## 1) Portfolio Manager

The proficiency requirements for a portfolio manager are the following:

- a) have successfully completed:
  - i) either the Portfolio Management Techniques eCourse as well as one of the following courses:
    - A. the Professional Financial Planning Course;
    - B. the Investment Management Techniques Course;
  - ii) or the Chartered Financial Analyst designation administered by the Association for Investment Management and Research;
- b) have one of the following experiences:
  - i) three years as an associate portfolio manager;
  - ii) three years as a registered representative and two years as an associate portfolio manager;
  - iii) three years as an analyst for an approved participant and two years as an associate portfolio manager;
  - iv) five years, managing a portfolio of \$5,000,000 or more, on a discretionary basis, while employed by a regulated institution;
- c) at the time of application, and for a period of not less than one year prior to the application, has had assets having an aggregate value of not less than \$5,000,000 under his direct administration on a discretionary basis;
- d) be a partner, officer, director or employee of an approved participant;
- e) be licensed, registered or otherwise designated or approved to trade or advise in securities under the securities legislation of a province of Canada.

## 2) Futures contracts portfolio manager

The proficiency requirements for a futures contracts portfolio manager are the following:

- a) have an experience:
  - i) either of at least three years as an associate portfolio manager for futures contracts;
  - ii) or of at least two years as an associate portfolio manager and at least three years as a representative for futures contracts;
- b) be a partner, officer, director or employee of an approved participant;

- c) at the time of application, and for a period of not less than one year prior to the application, has had assets having an aggregate value of not less than \$5,000,000 under his direct administration on a discretionary basis ~~and including futures contracts~~;
- d) be licensed, registered or otherwise designated or approved to trade futures contracts.

### 3) Portfolio Manager with options

The proficiency requirements for a portfolio manager with options are the following:

- a) have an experience,
  - i) either of at least three years as an associate portfolio manager for accounts where options are traded,
  - ii) or of at least two years as an associate portfolio manager and at least three years as a representative for options;
- b) be a partner, officer, director or employee of an approved participant;
- c) at the time of application, and for a period of not less than one year prior to the application, has had assets having an aggregate value of not less than \$5,000,000 under his direct administration on a discretionary basis;
- d) be licensed, registered or otherwise designated or approved to trade options.

### 34) Associate Portfolio Manager

The proficiency requirements for an associate portfolio manager are the following:

- a) have successfully completed:
  - i) either the Portfolio Management Techniques ~~C~~ course as well as one of the following courses:
    - A. the Professional Financial Planning Course;
    - B. the Investment Management Techniques Course;
  - ii) or the Chartered Financial Analyst designation administered by the Association for Investment Management and Research;
- b) have an experience:
  - i) either of at least two years as an approved and practising registered representative;
  - ii) or of at least two years as an analyst for an approved participant;

- c) be a partner, officer, director or employee of an approved participant;
- d) be licensed, registered or otherwise designated or approved to trade or advise in securities under the securities legislation of a province of Canada.

#### 45) Associate Portfolio Manager for futures contracts

The proficiency requirements for an associate portfolio manager for futures contracts are the following:

- a) have an experience:
  - i) either of at least two years as an approved and practising representative for futures contracts;
  - ii) or of at least two years as an analyst specializing in futures contracts for an approved participant;
- b) be a partner, officer, director or employee of an approved participant;
- c) be licensed, registered or otherwise designated or approved to trade futures contracts.

#### 6) Associate Portfolio Manager with options

The proficiency requirements for an associate portfolio manager with options are the following:

- a) have an experience,
  - i) either of at least two years as an approved and practising representative for options,
  - ii) or of at least two years as an analyst specializing in options for an approved participant;
- b) be a partner, officer, director or employee of an approved participant;
- c) be licensed, registered or otherwise designated or approved to trade options.

#### 8) Options

The proficiency requirements for an options principal or alternate or for an options approved representative are the following:

- a) have successfully completed:
  - i) the Derivatives Fundamentals Course and the Options Licensing Course;
  - ii) the Options Supervisors Course, in the case of an options principal or alternate;
- b) have satisfied the requirements outlined in section 3 of this policy in the case of an applicant wishing to trade options;



- c) be a partner, officer, or director of an approved participant in the case of an applicant as options principal or alternate.

In the case of sponsored options, the applicant must be approved by the Bourse as an options registered representative.