

**13.1.4 Request for Comments - Amendments to IDA By-law 7.5 and Policy No. 6, Part I (2A) Regarding CFO Qualifying Examination - Late Completion Fee**

**INVESTMENT DEALERS ASSOCIATION OF CANADA  
CFO QUALIFYING EXAMINATION – LATE COMPLETION FEE**

**I OVERVIEW**

**A Current Rules**

As described in IDA Bulletin 3193 dated September 15, 2003, IDA by-law 7.5 and IDA Policy No 6, Part I (2A), all Member firms are required to appoint and register a qualified individual under the NRD registration category - Chief Financial Officer ("CFO").

**B The Issue**

The new registration requirement came into effect January 5, 2004 and all existing CFOs that held that position at the time of implementation were granted an 18-month transition period to complete the CFO qualification exam. Furthermore, when the employment of a CFO terminates, a Member may appoint a temporary CFO. The temporary CFO can complete the CFO Examination within 90 days and obtain permanent approval, or the firm can within the same 90 day deadline appoint a qualified CFO.

The remedies currently available regarding any current CFOs that have not completed the examination by the deadline would be, in many cases, ineffectual or unduly harsh. IDA staff is proposing to impose a late filing fee as a more moderate and appropriate remedial measure.

**C Objective**

The objective is to provide an incentive for all registered CFO's write and pass the CFO Qualifying examination on a timely basis.

**D Effect of Proposed Rules**

The proposed rule will have no impact on:

- market structure
- non-members
- competition
- other rules

The imposition of a late completion fee will not add to the cost of compliance as compliant firms will not be charged any fees.

**II DETAILED ANALYSIS**

**A Present Rules, Relevant History and Proposed Policy**

The current rule requiring a Member firm to have in place a qualified CFO is IDA By-law 7.5, which reads as follows:

**"7.5. Chief Financial Officer**

- (a) Each Member shall appoint one officer as chief financial officer who, in addition to the requirements under 7.4(a), shall have the qualification required pursuant to Policy 6, Part I.A(2A). The chief financial officer need not be engaged full time in the business of the Member.
- (b) Notwithstanding subsection (a), if the chief financial officer of a Member terminates his/her employment with the Member and the Member is unable to immediately appoint another qualified person as chief financial officer, the Member may, with the Association's approval, appoint an officer as acting chief financial officer, provided that within 90 days of the termination:
  - (1) the acting chief financial officer meets the requirements of subsection (a) and is approved by the Association as chief financial officer; or

- (2) another qualified person is appointed chief financial officer by the Member and approved by the Association.”

The qualifications in Policy 6, Part I are:

- “(a) A financial accounting designation, university degree or diploma, or equivalent work experience; and
- (b) The Partners, Directors and Senior Officers Qualifying Examination, and within eighteen months of the coming into force of by-law 7.1 (4) (b) and (c), and this section 2A of Policy 6 Part IA, successful completion of the Chief Financial Officers Examination.”

The possible remedies for failure to complete the course on time are the revocation of Approval as a CFO or imposition of another disciplinary penalty under By-law 20.33, or imposition of discretionary early warning by the Vice-President, Financial Compliance, which would make available the early warning business restrictions set out in By-law 30.

The proposed rule would add a late completion fee as another method of prompting CFOs to complete the examination on a timely basis. Such a fee would be more appropriate than the harsher measures available under By-law 30, avoid the procedural complexities of By-law 20 and would not result in a formal disciplinary action being placed on the firm’s or individual’s record.

The Vice-President, Financial Compliance, would retain the right to impose discretionary early warning and appropriate restrictions where in his opinion the failure to complete the examination resulted in a significant risk to the firm’s operations or capital.

#### **B Issues and Alternatives Considered**

No alternatives were considered.

#### **C Comparison with Similar Provisions**

The Association already imposes fees for various late filings or late completion of educational requirements, including fees for late filing of uniform termination notices under By-law 40.7(2) or strict supervision reports under By-law 18.18 and a late completion fee under Policy 6, Part III (K) for those failing to complete their continuing education requirements on time.

#### **D Systems Impact Rule**

There are no systems implications.

#### **E Best Interests of the Capital Markets**

The Board has determined that the public interest Rule is not detrimental to the best interests of the capital markets.

#### **F Public Interest Objective**

According to subparagraph 14(c) of the IDA’s Order of Recognition as a self regulatory organization, the IDA shall, where requested, provide in respect of a proposed rule change “a concise statement of its nature, purposes (having regard to paragraph 13 above) and effects, including possible effects on market structure and competition. Statements have been made elsewhere as to the nature and effects of the late completion fee proposal. The purpose of the proposal is to:

- standardize industry practices where necessary or desirable for investor protection.

The proposal does not permit unfair discrimination among customers, issuers, brokers, dealers, members or others. It does not impose any burden on competition that is not necessary or appropriate in furtherance of the above proposals.

### **III COMMENTARY**

#### **A Filing in Other Jurisdictions**

These proposed amendments will be filed for approval in Alberta, British Columbia, Quebec and Ontario and will be filed for information in Manitoba, Nova Scotia and Saskatchewan.

**B Effectiveness**

The proposal will provide a monetary incentive for Members to ensure that their CFO completes the required examination on a timely basis.

**C Process**

It was not deemed necessary to consult with other IDA committees as it was determined that the late completion fee being proposed is similar to other IDA late completion fees such as Policy 6, Part III (K), continuing education, and By-law 40.7(2), terminations and supervisory reports.

**IV SOURCES**

References:

- IDA By-laws 7.5, 18.18, 20.33, 30.2 through 30.5 and 40.7(2) and IDA Policy No 6, Part I (A)-2A and Part III (K)
- IDA Bulletin 3193 dated September 15, 2003

**V OSC REQUIREMENT TO PUBLISH FOR COMMENT**

The IDA is required to publish for comment the accompanying policy.

The Association has determined that the entry into force of the proposed policy would be in the public interest. Comments are sought on the proposed policy. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Larry Boyce, VP Sales Compliance and Registrations Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19<sup>th</sup> Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Larry Boyce  
VP Sales Compliance and Registrations  
Investment Dealers Association of Canada  
(416) 943 - 6903  
[lboyce@ida.ca](mailto:lboyce@ida.ca)

**INVESTMENT DEALERS ASSOCIATION OF CANADA  
CFO QUALIFYING EXAMINATION – LATE COMPLETION FEE  
BOARD RESOLUTION**

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. Policy 6, Part I, Section A - 2A is amended by numbering as paragraph (d) the addendum after paragraph (c), by replacing "December 31, 2003", with "January 5, 2004", and "July 1, 2005" with "July 5, 2005", and by adding the following sentence at the end: "A person approved as acting Chief Financial Officer pursuant to by-law 7.5(b) shall have 90 days from the date of termination of the Chief Financial Officer to successfully complete of the Chief Financial Officer Examination."
2. Policy 6, Part I, Section A - 2A is amended by adding new paragraph (e) as follows:
  - "(e) Any Member that fails to provide to the Association proof of successful completion of the Chief Financial Officers Examination within 10 days of the dates specified for successful completion in paragraph (d) above, or such other dates as the Association may specify, shall be liable for and pay to the Association such fees as the Board of Directors may from time to time prescribe."

PASSED AND ENACTED BY THE Board of Directors this 13th day of April 2005, to be effective on a date to be determined by Association staff.

**INVESTMENT DEALERS ASSOCIATION OF CANADA  
CFO QUALIFYING EXAMINATION – LATE COMPLETION FEE  
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**POLICY NO. 6  
PROFICIENCY AND EDUCATION:  
PART I – PROFICIENCY REQUIREMENTS**

**A. PROFICIENCY REQUIREMENTS FOR REGISTERED PERSONS**

**2A. Chief Financial Officers**

The proficiency requirements for a chief financial officer pursuant to by-law 7.6 are:

- (a) A financial accounting designation, university degree or diploma, or equivalent work experience; and
- (b) Successful completion of the Partners, Directors and Senior Officers Qualifying Examination, and
- (c) Successful completion of the Chief Financial Officers Examination.
- (d) Notwithstanding subsection (c) above, any person approved as Chief Financial Officer with a Member as of January 5, 2004, shall have until July 5, 2005 to successfully complete the Chief Financial Officer Examination in order to maintain approval as Chief Financial Officer. A person approved as acting Chief Financial Officer pursuant to by-law 7.5(b) shall have 90 days from the date of termination of the Chief Financial Officer to successfully complete of the Chief Financial Officer Examination.
- (e) Any Member that fails to provide to the Association proof of successful completion of the Chief Financial Officers Examination within 10 days of the dates specified for successful completion in paragraph (d) above, or such other dates as the Association may specify, shall be liable for and pay to the Association such fees as the Board of Directors may from time to time prescribe.

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CFO QUALIFYING EXAMINATION – LATE COMPLETION FEE  
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- (d) Notwithstanding subsection (c) above, any person approved as Chief Financial Officer with a Member as of ~~December 31, 2003~~ January 5, 2004 shall have until July 4, 2005 to successfully complete the Chief Financial Officer Examination in order to maintain approval as Chief Financial Officer. A person approved as acting Chief Financial Officer pursuant to By-law 7.5(b) shall have 90 days from the date of termination of the Chief Financial Officer to successfully complete of the Chief Financial Officer Examination.
- (e) Any Member that fails to provide to the Association proof of successful completion of the Chief Financial Officers Examination within 10 days of the dates specified for successful completion in paragraph (d) above, or such other dates as the Association may specify, shall be liable for and pay to the Association such fees as the Board of Directors may from time to time prescribe.