



June 14, 2007

To: British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Registrar of Securities, Northwest Territory
Registrar of Securities, Yukon Territory
Registrar of Securities, Nunavut

John Stevenson
Secretary, Ontario Securities Commission
Email: jstevenson@osc.gov.on.ca

Anne-Marie Beaudoin
Directrice du secrétariat
Autorité des marchés financiers
Email: consultation-en-cours@lautorite.qc.ca

Dear Mr. Stevenson and Mme Beaudoin,

CSI is pleased to submit the attached comments for the CSA member commissions in response to the proposed National Instrument 31-103 – Registration Requirements.

If you require any further information please contact me.

Regards,

Marc Flynn
VP – Regulatory Relations and Academic Standards
CSI Global Education, Inc.

cc: Roberta Wilton, President and CEO, CSI



Comments on Proposed National Instrument 31-103 and Companion Policy 31-103 June 2007

CSI welcomes the opportunity to provide the following remarks in response to the CSA's request for comments on proposed National Instrument 31-103 Registration Requirements and proposed Companion Policy 31-103 Registration Requirements. CSI Global Education, Inc. is the leading Canadian provider of accredited financial services proficiency learning solutions.

We commend the CSA on the proposed NI 31-103 and its comprehensive approach to modernizing the regulatory framework in Canada. This new rule will streamline and strengthen securities regulations which should lead to efficiencies for the industry while increasing investor protection.

One of the keys to accomplishing the objectives of NI 31-103 is an effective registration process for both firms and individuals. The registration regime must also include proficiency requirements for individuals that are truly reflective of the financial services industry today. Since CSI focuses on offering proficiency solutions to support these goals, our comments will be focused on Part 4 - Proficiency Requirements.

EXAMINATION-BASED PROFICIENCY REQUIREMENTS (PART 4)

We have serious reservations pertaining to the focus on an examination as the proficiency requirement as stated throughout Part 4 of the draft instrument and specifically noted in 4.3 of the Companion Policy. We believe that replacing the current full course plus examination model with an examination-only requirement will have the unintended consequence of lowering proficiency standards.

This proposed change seems to rest on the assumption that duplication exists between the education provided by universities/colleges and regulatory courses such as ours and that fast-tracking would make sense for people with such credentials. In fact, duplication is minimal and fast-tracking is seldom warranted.

Here's why:

1. Proficiency Courses Differ From Academic Studies

Universities approach their curriculum theoretically. They have neither a need nor a requirement to address industry products and service basics, market structure and the roles of participants, client relationships, rules and ethics, or the practicalities of working competently in the capital markets.

Conversely CSI's courses do focus on the above in a pragmatic and focused fashion. Furthermore, as a trusted provider of proficiency solutions, CSI is held to a high standard by SRO's and government regulators. Our programs must not just be up-to-date, they must address emerging products and challenges facing the industry because it is in these areas that investors and companies are most at risk. Academic institutions are less able and disinclined to adapt quickly to a changing business environment.

Consequently, while university students may have an advanced education, they are not usually prepared to challenge a proficiency examination that requires applying knowledge and skills to client situations.

In recognition of this distinction, many academic institutions have sought out expertise from industry proficiency course providers in order to provide career-oriented programs. CSI has partnered with over 50 colleges and universities across Canada and our courses are an integral part of their diplomas, degrees and continuing education offerings. Through these agreements, our academic partners can offer recognized professional credentials and career paths while maintaining focus on their broader academic mandate. Students who successfully complete such industry programs while at university have met requirements and don't need to be fast-tracked.

We would also remind you that professions including doctors and lawyers normally require post-university qualifications that round out their theoretical foundation with practical and applied programs, examinations and internships. We strongly believe that removing the education requirement is a step backwards in the genesis of our industry to true professionalism.

2. The U.S. Model Would Lower the Current Standards

The United States NASD examination-based model has resulted in the emergence of a multitude of exam-prep providers with no regulatory accreditation for oversight or quality control. As a result, most providers simply offer tactics aimed at passing an examination rather than understanding and application of knowledge and skills required of a professional.

In Canada a course-based model for proof of proficiency is applied across the financial services industry in securities, financial planning and insurance. This model addresses the need for individuals to think, learn and perform – the keys to proficiency. We are concerned that the implementation of a US style model will make a passing grade on an examination the goal - not true competency.



3. CFA also has Concerns with Examination Prep Approach

An example of another organization expressing similar concerns with the issue of competency vs. examination preparation is the internationally recognized CFA Institute (grants the Chartered Financial Analyst designation). As of 2008, the CFA Institute will require the purchase of the CFA Institute's course curriculum along with any exam enrolment. This decision was based on the following concerns as stated by the CFA:

“The CFA Program curriculum is driven by a rigorous global practice analysis to determine the knowledge relevant to the profession. This body of knowledge drives the curriculum development process and the exam itself. The content in the curriculum is the sole source for exam questions.

Yet for many candidates, the focus has shifted from mastering a body of knowledge to merely passing an exam. The current practice of allowing candidates to register for an exam without purchasing the curriculum sends the wrong message that studying the curriculum is optional. Some candidates even confuse third-party materials with the curriculum. “

4. The Current Model is Flexible and Responsive to Students of All Backgrounds

Today proficiency courses are easily accessible and available on a 7-24 basis. Examination sessions are held virtually daily and study materials are available immediately upon registration through online delivery or shipped for next day delivery. Students can move as rapidly through the curriculum as they wish, given their own personal abilities and constraints.

That said, CSI can and is willing to aid that process by adding diagnostic testing at the beginning of a course, should that be considered desirable. Diagnostic testing provides an opportunity to assess a student's level of knowledge and application skills prior to course participation. This helps the individual with some background to focus on improving in areas of weak performance rather than spending valuable time studying topics where there is more familiarity. This approach combined with the provision of learning maps can significantly enhance learning and bears no similarity to the exam-prep approach that concentrates only on “passing the test”.

5. The Current Model Contributes to Confidence in the Canadian Marketplace

We believe that removing the course requirement will not only weaken the rigour of our proficiency regime, it will also be **seen** to weaken it. Our capital markets depend on public confidence in and perception of their integrity to maintain their health. It is not helpful for us to take a step backward.

The model currently in force in Canada is internationally recognized as a robust proficiency requirement superior to the antiquated examination model that is applied in the United States. While the Canadian model must continue to evolve to meet changing industry needs, we submit that moving to an examination-based proficiency regime is not “modernizing” nor moving in the right direction.



PROFICIENCY REQUIREMENTS FOR CATEGORIES OF REGISTRATION (PART 4 DIVISION 1 - 4.1- 4.13)

We generally support the categories of registration as stated in Part 2 and have these specific comments with regard to individual registration requirements for Exempt Market Dealers, Associate Advising Representatives, Portfolio Managers and Chief Compliance Officers.

Exempt Market Dealers

Exempt market dealers trade a range of complex products and provide advice to “accredited” investors. It has been argued by many industry observers that the threshold for deeming investors as accredited is too low and in that many cases “accredited” does not mean knowledgeable nor sophisticated. Therefore we believe that firm and individual registration requirements are appropriate for exempt market dealers, and that given the importance of proficiency in investor protection, that new course requirements for registrants be required as well.

Exempt Market Dealers – Dealing Representatives (4.7)

Based upon the results of the OSC's review of Limited Market Dealers (staff notice 11-758), and given their client-facing role and the complex products exempt market dealers trade, the range of topics covered by the Canadian Securities Course (all traditional investment products, hedge funds, derivatives, structured products) and the CPH (regulations and ethics) will provide a sufficient level of coverage for the purpose of registration.

The Partners, Directors and Officers Qualifying Examination (PDO) course should no longer be considered an alternative to CPH. It was revised several years ago and no longer includes the Conduct and Practices Handbook course content.

We recommend that an individual who has “*met the requirements of section 4.9 (portfolio manager – advising representative)*” also be required to complete the CPH as the CFA program focus is on the non-retail U.S. environment. The CPH would address “suitability” and Canadian registration requirements for an individual providing advice to a retail client.

Exempt Market Dealer – Chief Compliance Officer (4.8)

In order to maintain consistency between the two proposed options, the PDO should also be required for those completing the Series 7 and New Entrants Course.

Portfolio Manager - Associate Advising Representative (2.7; 4.10)

There is some ambiguity as to the intended audience for this category and subsequently in the proficiency requirements as they are stated in sections 2.7 and 4.10 of the proposed instrument and then further discussed in Section 2.5 of the companion policy.



Our understanding is that this category attempts to capture individuals with three distinct roles. We suggest that the proficiency requirement differs for each role.

- Administrative employees of a Portfolio Management firm who have contact with clients but do not provide advice. We don't believe these individuals need to be registered.
- Client Relationship Managers involved in asset allocation, suitability and providing portfolio management results to retail clients.
- Apprentice Portfolio Managers that work directly with Portfolio Managers and have limited contact with retail clients.

We are concerned that the proficiency requirements as stated within the proposed instrument are deficient and would allow for individuals with little knowledge or background to deal directly with clients. We propose the following proficiency requirements be considered.

- **Client Relationship Manager Role**

Prior to registration, individuals in a client relationship role should be required at a minimum to complete the CSC and the CPH, similar to the IDA introductory IA requirement.

- **Apprentice Portfolio Manager Role**

Prior to registration, individuals in an Apprentice Portfolio Manager role should have completed the course requirements as stated for a Portfolio Manager Advising Representative (4.9). During the apprenticeship, registrants would acquire the experience component required to register as a Full Advising Representative.

Portfolio Manager – Advising Representative (4.9)

We agree with the proposed requirements for the full Portfolio Manager – Advising Representative category. This is consistent with IDA current requirements and meets the current needs of the industry.

Chief Compliance Officer (Sub-sections 4.4, 4.6, 4.8, 4.11; 4.12; 4.13)

The proposed Partners, Directors and Officers Qualifying Examination (PDO) is a good general qualification for directors and officers and would be beneficial for CCOs. We suggest, however that the CSA consider the Chief Compliance Officers Qualifying Examination course, recently released by CSI, as a more suitable course requirement for CCOs. Since this course was designed specifically for IDA CCOs, CSI would be open to adapting the course to non-IDA CCOs if it were deemed beneficial by the CSA.



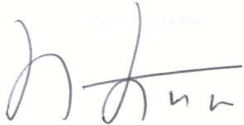
CLOSING COMMENTS

We encourage the CSA to continue to work with SRO's, firms, industry participants and educators to define appropriate proficiency requirements. It is of the utmost importance to strive towards assuring investors that only competent, professional advisors are granted registered status.

In closing, we re-iterate our concerns about the change to an exam-based model and its potential negative impact on competency and investor protection and urge the CSA to reconsider.

We would welcome the opportunity to provide further insight into proficiency requirements as this project moves forward.

Regards,

A handwritten signature in blue ink, appearing to read 'M. Flynn', is written over a light blue rectangular background.

Marc Flynn
Vice President
Regulatory Relations and Academic Standards
CSI Global Education Inc.

cc: Roberta Wilton
President and CEO, CSI

