

ASC Notice 27

Registration as an Investment Counsel or Portfolio Manager

Introduction

The proficiency requirements for an individual to qualify as a registered (advising) officer of a firm that is registered as an investment counsel and/or portfolio manager (IC/PM) are demanding. Under certain conditions, the Chief of Securities Administration will consider granting a restricted registration to an individual who does not meet all the prescribed requirements. One of the conditions will be strict supervision by a fully qualified advising officer. This is similar to an apprenticeship system, whereby an individual may get appropriate experience as an advisor.

Background

The education and experience requirements for the registration of individuals as IC/PM are set out in section 44 of the Regulation made under the Securities Act (Alberta). The requirements are:

44(l) No individual shall be granted registration as a partner or officer of a portfolio manager or investment counsel unless the individual

- (a) has
 - (i) successfully completed the Canadian Securities Course, Canadian Investment Management: Part I and II and the first year of the Chartered Financial Analyst Course, and
 - (ii) been employed for at least 5 years performing research involving financial analysis of investments, at least 3 of which have been under the supervision of an investment counsel or portfolio manager who has the responsibility for the management or supervision of investment portfolios having an aggregate value of not less than \$1000000

or

- (b) has successfully completed Canadian Investment Management: Part I and II and,
 - (i) if advising on futures contracts or options on futures contracts, has
 - (A) successfully completed the Canadian Futures Examination Program, and

(B) been employed performing research involving the analysis of futures contracts or options on futures contracts for at least 5 years, at least 3 of which have been under the supervision of an adviser responsible for the management or supervision of futures contracts or options on futures contract portfolios having an aggregate value of at least \$1000 000,

and,

- (ii) if advising on options, other than options on futures contracts, has
- (A) successfully completed the Canadian Options Course, and
 - (B) been employed performing research involving the analysis of options other than options on futures contracts for at least 5 years, at least 3 of which have been under the supervision of an adviser responsible for the management or supervision of options portfolios other than options on futures contract portfolios having an aggregate value of at least \$1000000.

Section 46 of the Regulation provides:

46 If the Chief of Securities Administration, on application, decides that an individual has education and experience qualifications that are equivalent to those required by section 40, 41, 42, 43, 44 or 45, as the case may be, the Chief of Securities Administration may grant registration to the individual even though the requirements of those sections are not met.

Section 55 of the Act provides:

55(2) The Chief of Securities Administration, in granting registration, renewal of registration, reinstatement of registration or amendment to registration, may do one or more of the following:

- (a) restrict a registration of an applicant by imposing terms and conditions on the registration;
- (b) restrict the duration of a registration of an applicant;
- (c) restrict the registration of an applicant to trades in certain securities or exchange contracts or a certain class of securities or exchange contracts.

Many individuals who may wish to be employed as advisors do not meet the full education and

experience requirements. Some have sufficient experience that the Chief of Securities Administration will consider the combination of their education and experience to be equivalent to the prescribed requirements. Others of these individuals do have some related education and experience that qualifies them to give investment advice under certain conditions, but not enough to be equivalent to the prescribed requirements.

Conditions

We have therefore adopted a system that will allow individuals who do not meet the prescribed requirements or have equivalencies to get additional experience that would permit them to meet the prescribed requirements. We may register an individual as a "Junior IC/PM" on the following conditions:

1. The applicant is employed by a firm registered as an IC/PM whose registration is not subject to conditions. We expect that the sponsoring firm will have made an assessment whether the individual's background equips him or her to give investment advice. The sponsoring firm must assume responsibility for the applicant.

2. A senior officer of the sponsoring firm who has met the normal education and experience requirements (or equivalent) and is registered without conditions in Alberta as an IC/PM must directly supervise the activities of the applicant. This senior officer must complete an ~~undertaking~~ undertaking in the form attached as Schedule A. The undertaking must accompany the application for registration as a Junior IC/PM.

3. Where the IC/PM firm is registered to advise about securities, either:
 - 3.1 The applicant must have some experience in investment analysis and providing comprehensive investment advice. The applicant should have completed the Canadian Securities Course. Other education, such as a Master of Business Administration, a Bachelor of Commerce, or similar degree, or an appropriate professional designation, may be acceptable when combined with experience in the securities industry. The applicant's experience should be set out in detail in a letter accompanying the application for registration.

 - or

 - 3.2 The applicant must have completed the Canadian Securities Course, Canadian Investment Management: Part I and II, and the first year of the Chartered Financial Analyst Program.

4. Where the IC/PM firm is registered to advise about futures contracts, the applicant must have completed the Canadian Futures Examination. The applicant must also have experience trading,

or advising about trading, in futures contracts, options on futures contracts, or both.

5. Where the IC/PM firm is registered to advise about options, other than options on futures contracts, the applicant must have completed the Canadian Options Course. The applicant must also have experience trading, or advising about trading, options, other than options on futures contracts.
6. All other registration requirements shall apply.

A Junior IC/PM may seek unrestricted registration when he or she has sufficient experience and education to meet fully the requirements of section 44 of the Regulation. However, there is no requirement to upgrade the Junior IC/PM's registration. An individual may remain registered as a Junior IC/PM indefinitely, and will remain subject to restrictions.

The Chief of Securities Administration retains full discretion whether to register an applicant.

Schedule A

ALBERTA SECURITIES COMMISSION

Undertaking to be provided by a registered senior officer of an investment counsel or portfolio manager as a condition of registration of a Junior IC/PM:

Undertaking

To: The Chief of Securities Administration
Alberta Securities Commission

I am a registered officer of _____ (company name) which is registered as an IC/PM. I hereby undertake to supervise and approve the IC/PM activities of _____ (name of applicant) as required as a condition of his/her registration, and as a condition of registration of _____ (company name).

_____ (company name) assumes responsibility for the IC/PM activities of _____ (name of applicant).

Signature

Print Name

Date