



# Institutional Securities Exam Syllabus

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# Institutional Securities Exam Overview

## Exam parameters

<b>Exams</b>	1 paper
<b>Exam format</b>	Proctored (remote or in person)
<b>Exam duration</b>	2.5 hours
<b>Question format</b>	Multiple choice
<b>Questions per exam</b>	100
<b>Attempts allowed per exam</b>	3

## Question weighting

<b>Element</b>	<b>Indicative Qs</b>
<b>1</b> Managing institutional client relationships	16
<b>2</b> Conflicts of interest and standards of conduct	8
<b>3</b> Fixed income	12
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<b>5</b> Securities analysis and investment theory	31
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# Syllabus key

The syllabus is divided into a series of learning outcomes. Each learning outcome expects the candidate to remember, understand, apply or analyze information. These expectations are set out below.



**Remember** requires the candidate to recall information such as facts, rules and principles. Associated terms include describe, identify, recognize and state.

For example:

- Which of the following is an enforcement power of the Canadian Securities Administrators?
- What is the objective of the Canadian Investor Protection Fund?
- Who is responsible for the management of fiscal policy in Canada?



**Understand** requires the candidate to demonstrate comprehension of an issue, fact, rule or principle. Associated terms include describe, explain, interpret and select.

For example:

- Which of the following best describes the role of the middle office in an Investment Dealer?
- Why might an Investment Dealer use the services of a custodian?
- Labour markets are used as a key economic indicator in market analysis. Which of the following explains what they can tell us?



**Apply** requires the candidate to use information in specific situations created in the question. Associated terms include calculate, demonstrate, implement, interpret and use.

For example:

- Which of the following demonstrates compliance with the know-your-client (KYC) rule for Institutional Clients?
- Review the information on the three funds in the table below. Calculate the average return of the funds.

	Start value (millions)	End value (millions)
Fund A	\$540	\$590
Fund B	\$2,400	\$2,250
Fund C	\$920	\$935

- In which of the following situations would a Registered Representative use the money-weighted rate of return rather than the time-weighted rate of return?



**Analyze** requires the candidate to review information and draw conclusions or make connections. Associated terms include compare, contrast, differentiate and examine.

For example:

- An investor buys 100 shares in a publicly traded company for \$25.80 each and subsequently sells them several months later for \$32.40. They make their trades through an order execution only (OEO) account which charges a \$15 flat fee per transaction. Calculate the impact of the fee on the return for the investor.
- A Registered Representative is reviewing the information collected from a corporate client during a meeting. The information indicates that the client is seeking to raise long term capital with minimal risk to the company's existing capital. The client is still at an early stage but is growing steadily. Based on this information alone, which of the following indicates the method and explanation that best meets the client's needs?
- A client chooses a direct market access account at an Investment Dealer. What impact will this choice have on their experience compared to choosing a full-service Investment Dealer?

Note: The syllabus terms are cumulative. For example, learning outcomes using the **Apply** verb can also test on the levels of **Understand** and **Remember**.



## Element 1: Managing institutional client relationships

**Summary:** Element 1 requires an in-depth application of the processes around servicing Institutional Clients. Candidates can expect to be tested on institutional marketplace structure, servicing Institutional Clients, the documentation and disclosures required and the role of subject matter experts.

- 1.1** Understand key aspects of institutional marketplace structure. Consider:
  - The different types of sell-side institutional Investment Dealers
  - The different types of buy-side clients, their goals and the Investment Dealer's role in supporting them
- 1.2** Understand the types of traders within the institutional market. Consider:
  - Agency traders
  - Liability traders (proprietary traders and inventory facilitation traders)
  - Market makers
  - Specialized asset class traders
  - Program traders
- 1.3** Apply to specific situations the services provided to Institutional Clients by Investment Dealers. Consider:
  - Trading (including Direct Electronic Access [DEA])
  - Research
  - Underwriting
  - Merger and acquisition service
  - Prime brokerage
  - Securities lending
- 1.4** Apply key aspects of service to onboarding new clients. Consider:
  - Investment Dealer onboarding processes for new clients
  - Types of accounts, including sub-accounts
  - Products and services the client can access at the Investment Dealer
  - Proper completion of new account applications and the process for opening accounts
  - CIRO rules and requirements for clients to qualify as an Institutional Client
- 1.5** Understand all Institutional Client information required under know-your-client (KYC) Requirements and the processes around collection and verification. Consider:
  - Essential facts
    - Identification, for individual and non-individual clients
    - Identifying the beneficial owner of assets
    - Trade authorization
    - Insiders
    - Creditworthiness
  - Client confirmation of accuracy
  - Identification exemptions
  - Exemptions for Institutional Clients
  - Primary responsibility, delegation and obligation to keep current
- 1.6** Apply to specific situations the role of the Investment Dealer in providing client services. Consider:
  - The role of the Investment Representative and Registered Representative, including scope of permitted and prohibited activities
  - Limitations and restrictions on products and services offered at the Investment Dealer (where applicable)
  - Types of securities sold and traded at institutional dealers
  - Fees, commissions and appropriate guidelines for compensation
  - Soft-dollar agreements and commission sharing agreements
  - Procedures and legal and regulatory requirements for working with foreign clients
- 1.7** Apply to specific situations the account appropriateness obligation and exceptions for certain types of Institutional Clients.





- 1.8** Apply to specific situations key aspects of Institutional Client suitability determination requirements. Consider:
- When it applies
  - Relevant considerations in the assessment of the client's sophistication level
  - Investment Dealer obligations where there are reasonable grounds to conclude sophistication
  - Investment Dealer obligations where there are not reasonable grounds to conclude sophistication
  - Exceptions for certain types of Institutional Clients, including permitted clients
- 1.9** Understand all the products used by Institutional Clients, including those that are held because of a transfer-in or client-directed trade. Consider:
- Securities
  - Fixed-income products
  - Derivatives
- 1.10** Apply the use of required documents and disclosures when servicing Institutional Clients to specific situations. Consider:
- The account agreement and any other documentation required by the Investment Dealer or by any applicable laws, including conflict of interest disclosures
  - Investment Dealer processes for documenting client sophistication
  - Requirements for documenting and maintaining client records, including the authorized parties for the account(s)
- 1.11** Apply the importance of containment of confidential information to specific situations. Consider:
- Investment Dealer policies and procedures for maintaining client confidentiality
  - Information barriers and firewalls
  - Grey and restricted list
  - Material non-public, confidential and sensitive information
  - Role of investment banking, research department and corporate finance

- 1.12** Understand the importance of internal subject matter experts. Consider:
- The need for specific Approved Person registration for specific products, such as derivatives
  - Situations in which clients should be directed to internal subject matter experts
  - The process for directing clients to internal subject matter experts:
    - Direct clients to the correct investment desk and expertise
    - Identify the correct internal roles to provide assistance to clients and efficiently refer them
- 1.13** Apply to specific situations the CIRO requirements when Investment Dealers communicate with clients and/or the public. Consider:
- Awareness of obligations and best practices
  - Accurately representing information about proficiency and experience, qualifications and registration category to clients
  - The appropriate use of professional titles in client communications in compliance with applicable laws and regulation and in keeping with Investment Dealer requirements
  - Misleading communications
  - Restrictions and guidelines regarding social media and other communications with the public
  - Off-channel communication issues
- 1.14** Understand relevant laws and regulations in relation to Proceeds of Crime (Money Laundering) and Terrorist Financing legislation, exceptions, related rules and issues. Consider:
- Stages of money laundering
  - Compliance program requirements
  - Anti-money-laundering policies and procedures
  - Client information and due diligence requirements
  - Enterprise risk assessment and indicators
  - Employee training
  - Business relationship record-keeping





## Element 2: Conflicts of interest and standards of conduct

**Summary:** The ability to act ethically and professionally in servicing Institutional Clients is fundamental to any candidate's role. This element requires candidates to understand the content and application of the CIRO standards of conduct to servicing Institutional Clients, applying these in the context of managing conflicts of interest, outside activities and personal financial dealings with Institutional Clients.

- 2.1** Apply to specific situations CIRO standards of conduct involving a Registered Representative and their client or a Registered Representative and their firm.
- 2.2** Apply to specific situations the regulatory requirements governing the management of conflicts of interest in the best interests of the client. Consider:
  - Identifying
  - Avoiding
  - Addressing
  - Disclosure
- 2.3** Apply to specific situations the regulatory requirements relating to outside activities. Consider:
  - Prohibition
  - Approval
  - Disclosure
- 2.4** Apply to specific situations the regulatory requirements relating to personal financial dealings with Institutional Clients. Consider prohibition and action relating to:
  - Accepting any consideration
  - Settlement agreements
  - Personal borrowing from clients
  - Personal lending to clients
  - Control or authority
- 2.5** Understand the application of the Investment Dealer's policies and procedures relating to the management of conflicts of interest. Consider:
  - Effective controls and qualified supervision
  - Applicable due diligence process for approvals
  - Appropriate record-keeping
- 2.6** Apply the regulatory requirements governing Institutional Client complaint handling to specific situations. Consider:
  - Recognition
  - Process
  - Resolution
  - Reporting
  - Prohibited practices





## Element 3: Fixed income

**Summary:** Element 3 requires the candidate to analyze the features of fixed-income securities issued by governments, corporations and other bodies. Candidates will need to analyze how these features provide different risks and potential rewards to the holders and issuers of these securities. This element also requires an ability to calculate the price and yields of fixed-income securities, as well as apply the factors that can change these.

**3.1** Understand structure of the Canadian fixed-income markets. Consider:

- Market size
- Market access
- Delivery
- Settlement
- The role of credit-rating agencies

**3.2** Understand regulatory requirements for debt markets. Consider:

- General requirements
  - To promote fair and efficient debt securities markets
- Policies and procedures
  - The requirement
  - The content
- Prohibited practices
  - Obligations on the Investment Dealer
  - Obligations on the Approved Person

**3.3** Understand the types and features of fixed-income products. Consider:

- Government of Canada Securities
- Provincial and municipal government securities
- Corporate securities

**3.4** Apply terminology of fixed-income products to specific situations. Consider:

- Par value
- Coupon rate
- Maturity date
- Term to maturity
- Bond price
- Yield to maturity
- Settlement

**3.5** Analyze characteristics of fixed-income products. Consider:

- Advantages and disadvantages to the investor
- Advantages and disadvantages to the issuer
- Sources of risks and potential returns
- Impact of the costs associated with acquiring and holding fixed-income products

**3.6** Understand the characteristics of the following products and the conditions that affect the risk–return profile. Consider:

- Strips
- Floating rate
- Callable/puttable
- Convertible
- Real return bonds
- Extendable
- Sinking/purchase funds

**3.7** Apply standard calculations to bond yields. Consider:

- Income (or current) yield
- (Approximate) yield to maturity
- Yield on a zero-coupon investment
- Yield curves

**3.8** Apply, in specific situations, an understanding of the relationship between:

- Coupon, yield, term-to-maturity and price volatility
- Macaulay duration, modified duration and price sensitivity
- Changes in economic factors and price of fixed-income products

**3.9** Apply modified duration calculations to assess the change in a bond's price for a given change in yields.

**3.10** Apply time value of money to investment calculations. Consider:

- The calculation of the present value of a fixed-income security having been given the par value, coupon rate, term to maturity and discount rate.
- The calculation of any missing variable in a time value of money calculation.



## Element 4: Equities

**Summary:** Element 4 requires the candidate to analyze the features of equity securities issued by corporations. Candidates will need to analyze how these features provide different risks and potential rewards to the holders and issuers of these securities.

**4.1** Understand different types of business structures and the impact on investment opportunities. Consider:

- Sole proprietorship
- Partnership
- Corporation
  - Private vs. public
- Co-operative

**4.2** Understand the requirement for and purpose of a prospectus under National Instrument 41–101 General Prospectus Requirements and when this requirement may not apply under National Instrument 45–106 Prospectus Exemptions. Consider:

- Application to primary and secondary distributions
- Application to takeovers
- Comprehensive disclosure
- Advertising and marketing
- Timely disclosure requirements
- Exempt market securities
- Private placements
- Accredited investor

**4.3** Understand the types and key features of different classes of common shares. Consider:

- Dividend rights
- Voting rights
- Rights to surplus on dissolution

**4.4** Understand the types and key features of Canadian depository receipts (CDRs). Consider:

- Rights to holder
- CDR ratio

**4.5** Analyze characteristics of investing into different classes of common shares and depository receipts. Consider:

- Source of risks and potential returns
- Impact of the costs associated with acquiring and holding common shares and depository receipts

**4.6** Analyze the features of common share ownership. Consider:

- Advantages and disadvantages of common share ownership
- Advantages and disadvantages to the issuer of common shares

**4.7** Understand how corporate actions and other factors can affect the shareholder's position. Consider:

- How dividends are declared, claimed and taxed
- The impact of stock splits and consolidations
- Share buy-back programs
- Environmental, social and governance (ESG) issues

**4.8** Understand the types and key features of different classes of preferred shares. Consider:

- Dividend rights
- Voting rights
- Rights on dissolution

**4.9** Analyze characteristics of investing into different classes of preferred shares. Consider:

- Source of risks and potential returns
- Impact of the costs associated with acquiring and holding preferred shares

**4.10** Apply the distinction between common share and preferred share ownership to specific situations. Consider:

- Advantages and disadvantages to the owners of preferred shares
- Advantages and disadvantages to the issuer of preferred shares

**4.11** Apply time value of money to investment calculations. Consider:

- The calculation of the present value of an equity security using appropriate models. Consider:
  - Discounted cash flow
  - Price–earnings growth models



## Element 5: Securities analysis and investment theory

**Summary:** Element 5 tests the information that is available about companies and the economy and how this information can be used to assess the value of an investment. Candidates may be required to calculate various accounting ratios and interpret the results.

- 5.1** Analyze the factors involved in performing company analysis to determine whether a company represents a good investment. Consider:
- All relevant documents and sources of information
  - Clear explanations of company analysis to Institutional Clients when requested
  - Collaboration and consultation with both internal and external subject matter experts as required, in relation to company analysis matters
- 5.2** Understand the purpose and content of a company's statement of financial position. Consider:
- Format and items included on a statement of financial position and how they are classified
  - Purpose of the statement of changes in equity and its relation to both the balance sheet and earnings statement
- 5.3** Understand the purpose and content of statements disclosing company income. Consider:
- Structure of the statement of comprehensive income and the sources of net income
  - Purpose of the retained earnings statement and its relation to both the statement of financial position and statement of comprehensive income
- 5.4** Understand the purpose and content of statements disclosing company cash flows. Consider:
- Components of the cash flow statement and classification of accounting activities or items including cash flow from operating, financing or investing activities
- 5.5** Understand other factors regarding company financial statements. Consider:
- The importance of the notes for financial statements and the auditor's report
- 5.6** Analyze the information provided from basic financial statements to give meaningful responses on the company in question. This may involve calculations. Consider:
- Liquidity ratios
    - Current and quick ratios
  - Risk analysis ratios
    - Debt to equity
    - Debt to assets
    - Interest coverage
  - Profitability ratios
    - Profit margins
      - Gross, pre-tax and net
    - Return on assets
    - Return on invested capital
  - Efficiency ratio
    - Fixed asset turnover
    - Inventory turnover
    - Receivables turnover
    - Payables turnover
    - Working capital turnover
  - Equity ratios
    - Dividend payout
    - Retention rate
    - Earnings per share
    - Book value per share
    - Free cash flow to equity





- 5.7** Analyze the information provided from basic financial statements to give meaningful responses on the investment in question. This may involve calculations. Consider:
- Value ratios
    - Earnings per share, price to earnings, dividend yield, dividend cover, dividend payout, equity to common share
    - Intrinsic value and the price–earnings ratio (P/E) of a stock using the dividend discount model (DDM)
  - The use of trend analysis and external comparisons
  - The evaluation of the investment quality of debt and equity issued by a corporation using credit ratios or other pertinent information. Consider:
    - Leverage ratios
    - Coverage ratios
- 5.8** Understand the types and uses of information for equities and fixed income provided by issuers, exchanges and regulators. Consider:
- Price, volumes, yields and market capitalization
  - Restrictions including cease trade orders (CTOs)
- 5.9** Understand the purpose and uses of market indices. Consider:
- How index values are constructed
  - Index vs. average
  - Market-value-weighted vs. price-weighted index
  - Price return vs. total return
  - Asset class, sector, country, international
- 5.10** Analyze information regarding financial markets. Consider:
- Market trends
  - The market impact of specific trades
  - Factors that affect foreign exchange
  - Economic, political and social events that can affect investments
- 5.11** Analyze methods of assessing product and stock market behaviour. Consider:
- The importance of using different sources of company analysis and company information
  - Fundamental analysis
  - Quantitative analysis
  - Technical/statistical analysis
  - The assumptions and valuation approaches which may be used
- 5.12** Understand how industries can be classified into sectors and how these classifications are interpreted in a company's stock valuation. Consider:
- Consumer products
  - Manufacturing industries
  - Service industries
  - Technologies
- 5.13** Apply macroeconomic factors to investor expectations of the price of securities and market movements. Consider:
- Interest rates
  - Inflation
  - Employment
  - Productivity
- 5.14** Understand the purpose of all relevant sources of information on investment products. Consider:
- Offering documents
  - Prospectuses and other regulatory documents
  - Market research
  - Marketing material
  - Investment Dealer recommendations
- 5.15** Understand the different types of risk. Consider:
- Interest rate risk
  - Inflation risk
  - Liquidity risk
  - Capital risk
  - Income risk
  - Issuer risk
  - Financial crime risk
- 5.16** Understand what different measures of risk indicate about an asset or portfolio. Consider:
- Standard deviation and variance
  - Beta
  - Multi-factor
  - Drawdown
- 5.17** Apply methods of risk management processes to deal with risk and return. Consider:
- The role of risk in asset selection
  - Hedging and diversification
  - Factors that affect the expected return and risk of a portfolio
- 5.18** Apply theories of interest rate determination. Consider:
- Classical and loanable funds theories
  - Keynesian and liquidity preference theories
  - Modern Monetary Theory (MMT)
- 5.19** Understand concepts of portfolio theories. Consider:
- Modern portfolio theory/mean variance theory
  - Efficient diversification, naïve diversification and industry or issuer concentration
  - Black–Litterman theory
  - Monte Carlo simulations
- 5.20** Analyze the purpose, advantages and disadvantages of asset pricing models. Consider:
- The capital asset pricing model
  - Arbitrage pricing theory
  - Multi-factor models:
    - Fama–French five-factor model
    - Fama–French five-factor model + momentum
    - Carhart four-factor model
- 5.21** Analyze passive investment styles and strategies. Consider:
- Buy and hold
  - Tracking/Indexing



**5.22** Analyze active investment styles and strategies. Consider:

- Top-down vs bottom-up
- Sector rotation
- Growth investing
- Value investing
- Market timing

**5.23** Understand passive portfolio management techniques for equity managers. Consider:

- Buy and hold
- Tracking/indexing

**5.24** Understand passive fixed-income portfolio management and active fixed-income portfolio management techniques. Consider:

- Passive buy and hold
- Index matching
- Immunization
- Duration management
- Bond swaps
- Sector rotation

**5.25** Apply processes, laws and rules under National Instrument 62-104 in relation to takeovers and issuer bids. Consider:

- Adequate disclosure
  - Circulars and valuation
- Sufficient time
- Equal treatment
- Minimum tender requirement
- Bid financing

**5.26** Apply processes, laws and rules in relation to public company disclosure. Consider:

- Periodic filings
  - Financial statements
  - Management discussion and analysis (MD&A)
  - Forward-looking information (FLI)

- Event-driven filings
  - Material contracts and other documents
  - Disclosure of material changes
  - Business acquisitions reports (BAR)
  - Restricted security disclosures
- Other disclosures
  - Press releases
- Certification of disclosure
- System for Electronic Document Analysis and Retrieval (SEDAR+) and System for Electronic Disclosure by Insiders (SEDI)
- Understand processes, laws and rules in relation to statutory rights of investors. Consider:
  - Rights to information
  - Rights to attend and speak at meetings
  - Rights to vote on company resolutions
  - Rights to declared dividends
  - Rights to surplus on dissolution

**5.27** Analyze the impact of relevant changes and updates to:

- Industry standards
- Legislation
- Regulations
- Investment Dealer procedures, rules and best practices
- Product due diligence
- Emerging issues, financial trends, economic trends and the impact of world events on markets





## Element 6: Managed and other products

**Summary:** Candidates will be required to analyze managed and other products and how they compare to direct investments. General fund management approaches will be tested alongside the information that needs to be provided to investors. Questions will expect candidates to analyze the differences between the various types of managed and other products, from income trusts to private equity funds and determine the relative advantages and disadvantages of these products.

**6.1** Understand types and key features of managed products. Consider:

- Income trusts
- Closed-ended funds
- Real Estate Investment Trusts (REITs)
- Exchange-traded funds (ETFs)
- Pooled funds

**6.2** Understand the structure and features of alternative investments.

Consider:

- Derivatives
- Crypto assets
- Private equity

**6.3** Understand the structure and features of alternative strategy funds.

Consider:

- Hedge funds
- Structured products
- Alternative investment funds

**6.4** Analyze the characteristics of alternative and other types of investments.

Consider:

- Structure
- Features
- Fees: management, performance, hurdle rates
- Advantages and disadvantages to the investor
- Advantages and disadvantages to the provider
- Sources of risks and potential returns
- Impact of the costs associated with acquiring and holding other investments
- Accredited investor requirement

**6.5** Analyze the main features of ETFs. Consider:

- Access to ETFs
- Creation
- Pricing: market price vs. net asset value (NAV)
- ETFs management styles
- The types of leverage (single, double, triple)
- Cost structures

**6.6** Apply the factors used to decide between managed products and individual equity securities, including investor's decisions.

**6.7** Understand the role of derivatives markets within the securities market.





## Element 7: Execution and market integrity

**Summary:** In Element 7, candidates are expected to apply the requirements under the Universal Market Integrity Rules (UMIR) regarding the recognition of abusive trading and the gatekeeping responsibilities of Investment Dealers and their Representatives. The application of the types of orders that can be placed and the process of execution will also be tested in the exam, together with an analysis of algorithmic trading.

**7.1** Apply an understanding of the UMIR to specific situations. Consider:

- Best execution
- Abusive trading
  - Specific unacceptable activities
  - Manipulative and deceptive practices
  - Artificial pricing
  - Improper orders and trades
- Front running
- Direct electronic access and routing arrangements
- Principal trading

**7.2** Apply to specific situations the regulatory requirements in relation to UMIR gatekeeping responsibilities. Consider:

- The purpose of the UMIR gatekeeping obligations
- The client's typical financial activity and patterns to identify suspicious transactions
- How to identify and escalate suspicious transactions
- Possible insider trading activity and violations
- Applicable regulatory frameworks on whistleblowers
- Applicable reporting obligations to Investment Dealers and regulators

**7.3** Apply the features of different types of orders. Consider:

- Limit order
- Market order
- Immediate and cancel
- Fill or kill
- On-stop orders
- Iceberg orders
- Short sales

**7.4** Apply various aspects of the trade execution and settlement process.

Consider:

- Awareness of the various marketplaces
  - Exchanges vs. over the counter
  - Lit vs. dark pools
  - Order-driven vs. quote-driven
- Placing orders, including processes for handling order errors and changes
- Introducing broker/carrying broker relationship
- The settlement and delivery process
- Considerations for foreign exchange transactions and currency conversions to facilitate transactions
- Trading settlement procedures for all transactions

**7.5** Understand the types of trading accounts. Consider:

- Client (CL)
- Inventory (IN)
- Non-client (NC)

**7.6** Apply to specific situations the requirements on managing client orders.

Consider:

- Accuracy of trade details
- Execute without discretion
- Record trade details
- Remain available to client

**7.7** Understand the nature of the various trading desks. Consider:

- Agency
- Proprietary
- Buy-side
- Sell-side
- Retail
- Institutional

**7.8** Analyze the benefits and disadvantages of algorithmic trading. Consider:

- Market discipline
- Consistency provided
- Speed
- Technological failure
- Over-optimization
- Flash crashes

