



Director and Executive Exam Syllabus

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Director and Executive Exam Overview

Exam parameters

Exams	1 paper
Exam format	Proctored (remote or in person)
Exam duration	2.5 hours
Question format	Multiple choice: <ul style="list-style-type: none">• 50 Standard• 25 Item set
Questions per exam	75
Attempts allowed per exam	3

Question weighting

Element	Indicative Qs
1 General regulatory framework	7
2 Investment Dealer business model and related areas	9
3 Offering and distribution of securities	7
4 Corporate governance and ethics	12
5 Duties, liabilities and defences	8
6 Risk, management and internal controls	12
7 Significant areas of risk	10
8 Ultimate Designated Person (UDP) responsibility	10





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, recognize and select.

For example:

- Which of the following best describes the role of the middle office in an Investment Dealer?
- Why might a person grant power of attorney for their financial affairs?
- 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 new situations. Associated terms include calculate, demonstrate, implement and use.

For example:

- A Director at an Investment Dealer has just received a report from a direct report that identifies a failure to conduct appropriate due diligence during underwriting. Which of the following demonstrates the most appropriate next steps?
- In which of the following situations would an Executive need to report to CIRO?
- The Ultimate Designated Person (UDP) at an Investment Dealer has read the most recent report from the Chief Compliance Officer (CCO) on the effectiveness of the adopted policies and procedures in ensuring compliance of the Investment Dealer and its employees and Approved Persons to relevant laws and regulations. The report identifies some areas where internal controls are weak and might lead to non-compliance. What should be the UDP's main focus?



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

For example:

- The UDP at an Investment Dealer is reviewing the process used by the compliance department of communicating policies and procedures to relevant staff. They notice that the compliance department has kept up to date with any legislative changes and assessed these against the Investment Dealer's risk profile. Compliance policies have been amended or, at times, created in response to the changes. All changes are communicated by email to all relevant staff as well as Directors and Executives. Why should the UDP be concerned about elements of this process?
- At a recent board meeting attended by a Director, the following objectives were discussed:
 1. To raise more capital to fund corporate expansion
 2. To refinance debt due to falling interest rates
 3. To increase Director bonuses due to frozen salaries
 4. To offer existing shareholders the right to increase their equity stake
 5. To reduce the administrative workforce to streamline operations
- When considering a Director's duty of diligence at board meetings, how should the Director respond to these objectives?
- How should an Executive ensure that their obligations relating to significant areas of risk are fulfilled?



Element 1: General regulatory framework

Summary: In Element 1, candidates are expected to show an understanding of the key regulators in the Canadian investment industry, including the Canadian Securities Administrators (CSA) and the Canadian Investment Regulatory Organization (CIRO). Element 1 also covers the key legislation that governs and impacts the investment industry, with detailed focus on the prevention of using the investment industry for money laundering and other criminal activities.

1.1 Understand the role and authority of the CSA and provincial/territorial securities and derivatives regulators. Consider the:

- Jurisdiction of the CSA
- Mandate and objectives of the CSA
- Purpose and implication of different forms of legislation:
 - National Instruments (NI)
 - Multilateral Instruments (MI)
 - National Policies
 - Staff Notices
 - Companion Policies (CP)
- Investment Dealer and individual registration requirements
- Enforcement powers

1.2 Understand the role and authority of CIRO. Consider the:

- Jurisdiction of CIRO
- Purpose of recognition orders and delegated authorities
- Mandate and objectives of CIRO
- Investment Dealer and individual registration requirements
- Investment Dealer and Partially Consolidated (IDPC) Rules
- Universal Market Integrity Rules (UMIR)
- Role and implications of rules, guidance notes, forms and supporting schedules, including:
 - Standards of conduct
 - Sales practices
 - External communications
- Enforcement powers of CIRO

1.3 Understand the role and authority of exchanges and other marketplaces. Consider:

- Exchanges
- Alternative Trading Systems (ATS)
- Crypto Asset Trading Platforms (CTPs)
- Foreign Organized Regulated Markets (FORM)

1.4 Understand the role of the Canadian Investor Protection Fund (CIPF). Consider:

- Purpose and objective
- Funding requirements by Investment Dealers
- Governance structure
- Role of CIPF in an Investment Dealer's bankruptcy/insolvency, including pooling of client assets
- Coverage

1.5 Understand the function and purpose of other financial regulators and agencies. Consider:

- Financial Services Regulatory Authority of Ontario (FSRA)
- Bank of Canada
- RCMP Integrated Market Enforcement Teams (IMET)
- Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)
- Office of the Superintendent of Financial Institutions (OSFI)
- Federal and provincial privacy commissioners
- Ombudsman for Banking Services and Investments (OBSI)
- US and other foreign securities and derivatives regulatory authorities:
 - US: Securities Exchange Commission (SEC), Financial Industry Regulatory Authority (FINRA), Commodity Futures Trading Commission (CFTC), National Futures Association (NFA)





1.6 Understand the purpose of the following federal statutes:

- Bankruptcy and Insolvency Act, Part XII, Bankruptcy of a Securities Firm
- Criminal Code and its application to financial crimes, including:
 - Fraud
 - Theft
 - Theft by person holding power of attorney
 - Misappropriation of money under direction
 - False statement or false pretenses
 - Obtaining execution of security by fraud
 - Forgery
 - Uttering a forged document
 - False prospectus
 - Organized crime offences
 - Illegal insider trading
- Canadian Anti-Spam Legislation (CASL)
 - Reducing spam
 - Enhancing privacy
 - Promoting electronic commerce
 - Deterring malicious activities
 - Encouraging compliance and accountability
- National Do Not Call List (DNCL)
 - Reducing unwanted calls
 - Improving telemarketing practices
 - Encouraging compliance
- Confidentiality agreements/non-disclosure agreements (NDAs)
 - Protecting proprietary information
 - Legal recourse
 - Facilitating business relationships
 - Maintaining competitive advantage

- Personal Information Protection and Electronic Documents Act (PIPEDA)
 - Protecting personal information
 - Requests for information
 - Fair information principles
- Proceeds of Crime (Money Laundering) and Terrorism Financing Act (PCMLTFA) and Regulations (PCMLTFA Regulations), including:
 - 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

1.7 Remember the purpose of the following federal statutes:

- Bank Act
 - Ensure stability and integrity
 - Protect consumers
 - Promote competition
- Canada Business Corporations Act (CBCA)
 - Facilitate business operations
 - Define corporate structure and governance
 - Protect stakeholders
 - Enable flexibility and innovation
 - Ensure compliance and regulation
- Competition Act
 - Promote fair competition
 - Protect consumers
 - Foster innovation and efficiency
 - Ensure market integrity
 - Facilitate economic growth





Element 2: Investment Dealer business models and related areas

Summary: Element 2 covers the Investment Dealer in detail and the role of the Directors and Executives in recognizing and analyzing the risk, opportunities and requirements that the Investment Dealer's activities create. Specific focus is applied to the Investment Dealer's business model, the services they provide, the client types they deal with, the accounts and investments that they offer and the compensation structures they create for their representatives. Questions will challenge candidates to interpret information and draw appropriate conclusions to a range of situations.

2.1 Analyze the risks, opportunities and requirements associated with each of the following client types:

- Retail
- Institutional

2.2 Analyze the risks, opportunities and requirements associated with each of the following business models:

- Advisory, including:
 - Roles of different categories of Approved Persons and their responsibilities to the client and compliance with the applicable requirements and Investment Dealers' policies and procedures
 - Know-your-client (KYC) obligations
 - Suitability determination
- Portfolio management
 - Managed account model, including role and responsibilities for Portfolio Managers and Associate Portfolio Managers
- Online Advice
 - Operations, regulatory obligations, and product limitations
 - Role of algorithms and modern portfolio theory
 - Product limits such as exchange-traded funds (ETFs)
 - Role of Approved Persons
- Order Execution Only (OEO)
 - Recommendation prohibition
 - Account suitability determination exemption
 - Account appropriateness requirements
 - Scope of products and account types

- Direct Electronic Access (DEA)
- Proprietary trading
- Institutional trading

2.3 Analyze the risks, opportunities and requirements associated with each of the following services:

- Underwriting and other capital-raising activities
- Advice on Mergers & Acquisitions (M&A) and other corporate advisory services
- Trading services and sales
- Research
- Introducing and Carrying Broker relationships
- Prime brokerage
- Corporate and merchant banking
- Asset and product securitization

2.4 Analyze the risks, opportunities and requirements associated with each of the following account types:

- Advisory accounts
- In-house managed accounts
- Third-party managed accounts
- Discretionary accounts
- Fee-based/wrap accounts
- Tax-deferred accounts (e.g. registered and non-registered)
- Margin accounts
- Derivatives accounts





2.5 Analyze the risks, opportunities and requirements associated with each of the following basic types of securities:

- Equities
- Mutual funds and ETFs
- Fixed-income products

2.6 Analyze the risks, opportunities and requirements associated with each of the following complex types of securities/products:

- Leveraged and inverse ETFs
- Structured products
- Asset-backed securities
- Specialized (e.g. cryptocurrency)

2.7 Analyze the risks, opportunities and requirements associated with each of the following types of derivatives:

- Options
- Forwards and futures
- Swaps
- Contracts for Difference (CFDs)
- Other similar derivatives as defined by CRO

2.8 Analyze the risks, opportunities and requirements associated with each of the following compensation structures:

- Commission-based
- Fee-based
- Negotiated flat fee
- Bonuses
- Referral fees
- Soft-dollar commission arrangements

2.9 Analyze the risks, opportunities and requirements associated with each of the following profitability measures:

- Profit margins: gross, operating and net
- Profit ratios: Return on assets and return on investment

2.10 Understand the requirements for development, evaluation and delivery of products and services. Consider:

- Products, their risk characteristics and appropriate accounts
- Industry initiatives, developments and new and existing rules
- Requirement to have as many Executives and Supervisors as necessary to supervise activities of the Investment Dealer and its employees
- Procedures to conduct due diligence on new products and services and ongoing risk assessment of existing products and services

2.11 Understand the product due diligence requirements and exemptions. Consider:

- Assessing relevant aspects of securities and derivatives the Investment Dealer makes available
- Approving securities and derivatives to be made available to clients
- Monitoring the securities and derivatives made available
- Exemptions for accounts held by:
 - Carrying brokers
 - Dealers who only provide trade execution, clearing, settlement or custody

2.12 Understand the requirements for product due diligence policies and procedures, which reflect:

- Investment Dealer business model
- Types of securities and derivatives offered





Element 3: Offering and distribution of securities

Summary: Element 3 requires the candidate to understand the responsibilities that apply to a public company, including the offering of securities to the public and the requirement for sufficient information through the prospectus. Candidates will be tested on analyzing the relevant information required and the situations where a prospectus is not needed, as well as the role of the Investment Dealer when underwriting offers. This element will further test the public company's continuing disclosure obligations and the rights that must be afforded to the company's shareholders. It ends by providing insight into other legal requirements that the company will be held accountable to.

3.1 Understand the requirements under National Instrument 41-101 (General Prospectus Requirements), National Instrument 44-101 (Short Form Prospectus Distributions) and the role of provincial and territorial securities legislation relating to the offering and distribution of securities. Consider:

- The status of the reporting issuer
- Application to primary and secondary distributions
- Application to takeovers
- Comprehensive disclosure
- Form and content
 - Preliminary, final, long-form and short-form
- Distribution periods
- Responsibility and certification
- Advertising and marketing
- Pre-marketing/testing the waters
- Confidentiality of material non-public information policies and procedures
- Distribution and filing
- Timely disclosure requirements

3.2 Understand where information and filing relating to securities issuance can rely on selective disclosure. Consider:

- Legislative prohibitions
- High-risk disclosure practices, e.g.
 - Private briefings with analysts
 - Confidentiality agreements with analysts
- Confidential filing mechanisms

3.3 Understand the commonly used exemptions for prospectus requirements under National Instrument 45-106 Prospectus Exemptions. Consider:

- Exempt market securities
- Private placements
- Capital raising exemptions
 - Certain rights offerings
 - Reinvestment plan
 - Accredited investor
 - Private issuer
 - Minimum amount investment
 - Family, friends and business associates

3.4 Understand the information and protections available to the investor in relation to the issuance of securities. Consider:

- Information circulars
- Shareholder communication procedures
 - Beneficial owners
 - Voting by Investment Dealers
- Mandatory proxy solicitation
- Rights of withdrawal, rescission and action for damages





3.5 Analyze the rights and obligations of the Investment Dealer when underwriting securities issuers. Consider:

- Gatekeeping functions
- Types of underwriting (bought deal, agency, etc.)
- Underwriter due diligence
 - Policies and procedures
 - Due diligence record-keeping
 - The role of supervision and compliance
 - Syndicate vs. lead Investment Dealer due diligence
- Confidentiality of material non-public information policies and procedures
- Prospectus preparation
- Prospectus certification
- Margin obligations/capital requirements for underwriting commitments
- Termination clauses
- Statutory defences
- Standard-form new issue letter (SFNIL)

3.6 Understand the requirements for public company relating to continuous disclosures. Consider:

- Periodic filings
 - Financial statements
 - Management discussion and analysis (MD&A)
 - Executive compensation
 - Annual information form (AIF)
 - Forward-looking information (FLI)
 - Mutual Funds and Fund Facts documents
- Event-driven filings
 - Material contracts and other documents
 - Disclosure of material changes
 - Business acquisitions reports (BAR)
 - Restricted security disclosures

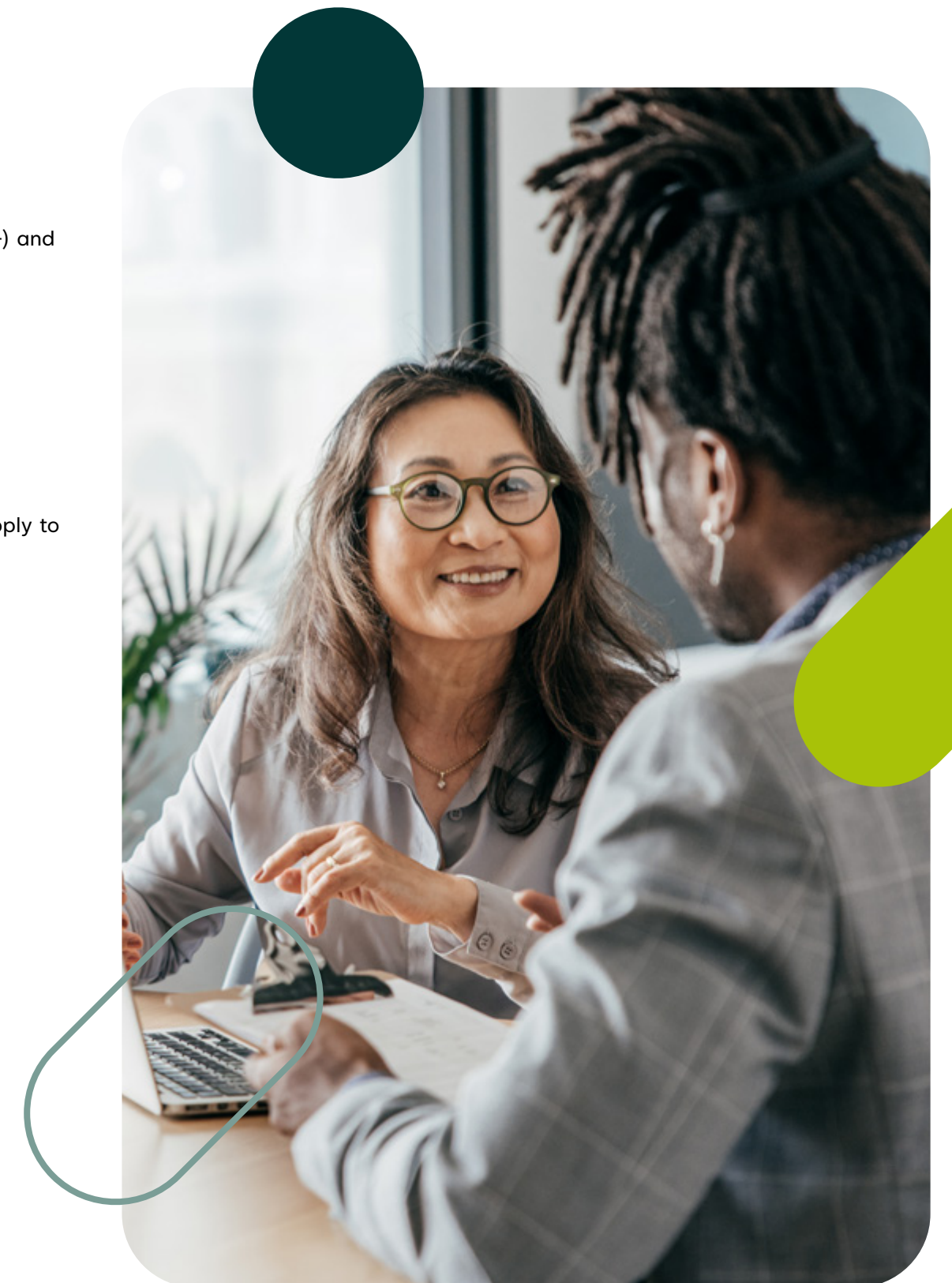
- Other disclosures
 - Proxies and information circulars
 - Press releases
- Certification of disclosure
- System for Electronic Document Analysis and Retrieval (SEDAR+) and System for Electronic Disclosure by Insiders (SEDI)

3.7 Understand the requirements for public companies relating to the statutory rights of shareholders. Consider:

- Rights to information
- Rights to attend and speak at meetings
- Rights to vote on company resolutions
- Rights to declared dividends

3.8 Remember additional common and civil law liabilities that can apply to issuers. Consider:

- Breaches of contract law, including:
 - Awards for damages or losses suffered
 - Exemplary or punitive damages
 - Specific performance
 - A declaration that the contract is void and of no effect
 - Litigation costs
- Tort law, including:
 - Intentional
 - Negligence
 - Misrepresentation
 - Vicarious liability





Element 4: Corporate governance and ethics

Summary: Element 4 requires the candidate to be able to identify, analyze and draw conclusions from internal behavioural factors that pose a risk to the Investment Dealer. It begins by covering the role of corporate governance from the role and the composition of the Board to the relationship with company stakeholders. The element then requires the candidate to analyze the role of ethics and integrity in the Investment Dealer's activities, as well as the Director and Executive's role in implementing ways in which to identify, manage and resolve or avoid conflicts of interest. The element ends with specific focus on the requirements around outside activities and the handling of non-public information.

4.1 Analyze the components of effective corporate governance. Consider:

- Composition of the Board or equivalent governing body
- Director qualifications
- Board mandate
- Delegation, e.g. appointment and composition of Board committees
- Segregation of duties
- Specific governance considerations for small Investment Dealers

4.2 Understand the impact of a company setting its own corporate bylaws. Consider:

- Shareholder and Director meetings
- Election and removal of Directors
- Remuneration of Directors
- Declaration and payment of dividends
- Transferability of shares
- Records management and document disclosure
- Authority to bind the corporation
- Indemnification and limitations of liability

4.3 Remember the relevance and impact of environmental, social and governance (ESG) considerations.

4.4 Analyze situations for Directors and Executives that involve the role of ethics and integrity in the securities industry. Consider:

- How ethical behaviour relates to compliance with rules
 - Proper care
 - Independent professional judgment
 - Trustworthiness and integrity
 - Honesty and fairness
- CIRO standards of conduct
 - High standards of ethics and conduct
 - Acting openly and fairly
 - Not acting in a way that would be considered unbecoming or detrimental to public interest
 - Acting in accordance with just and equitable principles of trade
 - Avoiding conduct that may contravene standards of conduct

4.5 Analyze situations for Directors and Executives that involve the role of ethics and integrity in corporate governance. Consider:

- Transparency
- Managing compensation conflicts
- Oversight and accountability
- Training and awareness





4.6 Analyze the consequences and risks of unethical behaviour. Consider:

- Legal consequences
- Reputational damage
- Regulatory consequences
- Financial consequences
- Employee morale and turnover
- Client confidence and turnover

4.7 Analyze the CRO requirement relating to conflicts of interest. Consider:

- Obligations to avoid, manage, disclose and resolve material conflicts
- Sources of Director conflicts. Consider:
 - One-sided and/or contingent Investment Dealer arrangements
- Conflicts specific to smaller Investment Dealers
- Consider:
 - Segregation of duties
 - Escalation of concerns
- Protection and proper use of corporate assets and opportunities
- Confidentiality of corporate, client and third-party information
- Fair dealing with securities holders, clients, suppliers, competitors and employees

4.8 Apply to specific situations relating to Directors and Executives the requirements relating to outside activities. Consider:

- Definition
- Pre-approval
- Disclosure

4.9 Apply to specific situations relating to Directors and Executives the requirements relating to personal financial dealings with clients. Consider:

- Prohibition and action relating to:
 - Accepting any consideration
 - Settlement agreements
 - Borrowing from clients
 - Lending to clients
 - Control or authority
 - Comingling of assets or funds
 - Business partnerships
 - Investment clubs

4.10 Analyze the requirements for the containment of confidential and material non-public information policies and procedures. Consider:

- Information barriers and firewalls
- Grey and Restricted lists
- Research report disclosure requirements
- Cybersecurity





Element 5: Duties, liabilities and defences

Summary: This element requires the candidate to analyze the duties of Directors, the liabilities that they could face and the defences owed to them. Questions will challenge candidates to interpret information and draw appropriate conclusions to a range of situations. The questions will also draw on the difference in responsibilities in these areas between the role of Director and the roles of Executives. Please refer to the skills and behaviours sections of the CIRO competency profiles for Directors and Executives to see the differences that may be highlighted.

Duties

5.1 Analyze factors relating to strategic company objectives and positions. Consider:

- Models and methods of strategic analysis, option evaluation and organizational strategy
- Business planning and strategy
- Significant strategic initiatives
 - Mergers and acquisitions
 - Capital adjustments

5.2 Analyze situations and obligations relating to a Director or Executive's duties. Consider:

- Obligations to perform duties with the care, skill and diligence of a reasonably prudent person
- Duty of diligence at Board meetings, including the duty to not support improper resolutions
- General duty of legal compliance
- Directors actively engaged in the business of the Investment Dealer
- Standards applicable to "inside" and "outside" Directors
- Directors' duties as they apply to the role of Executives
- Duty during contested Director elections
- Duties of officers to ensure proper escalation to Directors or Executives as needed
- Mandatory duties (Québec only)

5.3 Analyze situations relating to legal obligations as corporate Directors or Executives as fiduciary. Consider:

- To act fairly, honestly and in good faith
- To manage corporate assets consistent with the corporation's objectives
- To avoid conflicts of interest with the corporation
- To not abuse position for personal benefit
- To maintain the confidentiality of information
- To serve the corporation selflessly, honestly and loyally

Liabilities

5.4 Analyze situations and potential legal liabilities that may arise from:

- Knowledge and authorization of illegal acts
- Misrepresentations
- Failure to conduct underwriting due diligence
- Reliance upon experts for a prospectus
- Failure to make proxy-related disclosures
- Failure to respond to requests from the Director appointed under federal and provincial corporation acts

5.5. Remember securities-related criminal penalties. Consider:

- Absolute or conditional sentences
- Fines
- Imprisonment
- Parole and probation conditions
- Restitution orders
- Forfeiture of property
- Committal for contempt

5.6 Understand limitation of liability (e.g. indemnity).

Defences: Directors

5.7 Understand legal defences available to officers and Directors in specific situations. Consider:

- Reasonable diligence
- Due diligence
- Good faith reliance
- Business judgment rule



Element 6: Risk management and internal controls

Summary: Element 6 covers the objectives of risk management and internal controls as well as the regulatory requirements on these. Candidates will need to identify, analyze and determine methods to manage risks as well as evaluate the effectiveness of policies and procedures used. Element 6 is another element where questions will draw on the difference in responsibilities in these areas between the role of Director and the roles of Executives. Please refer to the skills and behaviours sections of the CIRO competency profiles for Directors and Executives to see the differences that may be highlighted.

Risk management and internal controls: Directors

- 6.1 Understand the definition and objectives of risk management.
- 6.2 Analyze risk management in a principles-based regulatory environment.
- 6.3 Understand the regulatory expectations of risk management
 - Regulatory roles and compliance responsibilities of Directors, Executives, Chief Financial Officer (CFO), Chief Compliance Officer (CCO) and Ultimate Designated Person (UDP)
 - General reporting obligations to the Board
 - General internal control requirements
 - Adequate
 - Written
 - Reviewed and approved
- 6.4 Understand the definition and objectives of internal controls, including:
 - Detective controls
 - Preventive controls
- 6.5 Analyze an Investment Dealer's use of risk management frameworks, including:
 - Scope of risks
 - Risk tolerance and risk appetite
 - Risk identification and measurement
 - Risk limits
 - Risk mitigations
 - Risk and compliance controls
 - Risk management policies and procedures
 - Enterprise-wide risk management and models
 - Roles and responsibilities

- 6.6 Apply actions required in specific situations, from a Director or Executive's perspective, in ensuring that the Investment Dealer follows appropriate independent risk management, including risks related to the Investment Dealer's:
 - Infrastructure and higher-risk business lines
 - Compliance program
 - Risk-adjusted capital
 - Use of derivatives
- 6.7 Understand the role of the auditor and the auditor's reports in internal controls. Consider:
 - Implications of internal and external audits on the Investment Dealer
- 6.8 Analyze the role of risk in growth and value creation and of risk management in preservation of value. Consider:
 - Importance of integrating risk assessments into strategic decision-making
 - Assessment of risk-return trade-offs
- 6.9 Understand the reporting requirements for legal actions filed against the Investment Dealer.

Risk management and internal controls: Executives

- 6.10 Analyze risk identification, measurement, monitoring, control and reporting considerations. Consider:
 - Nature, scale and complexity of business lines
 - Nature and range of activities undertaken in support of business lines
 - Internal control approach and infrastructure
 - Degree of risk associated with each area of its operation and consequence of negative risk events

- 6.11 Analyze the effectiveness of risk management tools. Consider:

- Hedging
- Securitization
- Insurance
- Compliance

- 6.12 Understand the requirements relating to credit risk management policies and procedures.



Element 7: Significant areas of risk

Summary: The section requires an understanding of significant areas of risk for an Investment Dealer and analysis of how Directors and Executives should respond to these. Element 7 is another element where questions will draw on the difference in responsibilities in these areas between the role of Director and the roles of Executives. Please refer to the skills and behaviours sections of the CIRO competency profiles for Directors and Executives to see the differences that may be highlighted.

- 7.1** Understand the definition of significant areas of risk.
- 7.2** Apply to specific scenarios the requirements relating to managing significant areas of risk. Consider:
- Appointment of Executives
 - Executives' responsibilities
 - Documenting responsibilities
- 7.3** Analyze significant areas of risk specific to the Investment Dealer and its business lines, which may include the following:
- Financial risks
 - Financing arrangements (including cash and security borrowing and lending arrangements)
 - Books and records
 - Regulatory financial report filings
 - Pricing internal controls
 - Minimum capital levels
 - Early warning tests
 - Internal controls over the protection of Investment Dealer and client assets, including segregation and safekeeping-related procedures
 - Compliance risks
 - Supervision of client accounts, including:
 - Know-your-client (KYC), suitability, complaints, conflicts of interest
 - Containment of non-public material information
 - Registration, proficiency, continuing education
 - Regulatory, including:
 - Actions, investigations, requests for information
 - Reporting requirements
 - Legal
 - Anti-Money-Laundering and Terrorist Financing
 - Fraud, including internal, financial and social engineering
 - Client communication relating to marketing and advertising
 - Operational risks
 - Processing account openings and transfers
 - Account records
 - Investment Dealer records
 - Client communications relating to operation of accounts
 - Business continuity planning
 - Introducing Broker/Carrying Broker arrangement risks
 - Technology risks
 - Privacy, cybersecurity and information technology infrastructure
 - Outsourcing/vetting third-party vendors
 - Corporate finance risks
 - Underwriting due diligence
 - Professional and fairness opinions
 - Containment of material non-public information
 - Risk of not selling the new issue
 - Trading risks
 - The trading environment
 - Post-trade activities of clearing and settlement
 - Derivatives risk management
 - Market manipulation, tipping and illegal insider trading
 - Market structure and the Investment Dealer's role within the market, including best execution obligations
 - Research
- 7.4** Analyze the impact of the significant areas of risk mentioned above on the Investment Dealer and ways to mitigate these risks.



Element 8: Ultimate Designated Person (UDP) responsibilities

Summary: Element 8 covers the oversight responsibilities that fall on the Ultimate Designated Person (UDP). This section will test the candidate's ability to analyze specific situations in respect of the UDP's responsibilities, including their role in the monitoring and supervision of the organization as a whole. The element ends by testing the ability to identify early risk warnings that a UDP should be alert to and their responsibility to respond and resolve any issues addressed by the CIRO compliance examination.

- 8.1** Analyze situations relevant to an Investment Dealer that highlight the specific UDP responsibilities:
- Establishing and maintaining an effective compliance system and culture
 - Promoting compliance by the Investment Dealer and individuals acting on its behalf
 - Ensuring all staff understand the importance of compliance
 - Supervision of the Investment Dealer and the individuals acting on its behalf directed towards ensuring compliance with the applicable requirements and laws
 - Ensuring procedures for identification and escalation of non-compliance are effective
 - Ensuring the timely resolution of all instances of non-compliance are completed, recorded and regularly monitored
 - Exercising ultimate authority and accepting full responsibility for Investment Dealer and employee compliance
- 8.2** Analyze situations that highlight the UDP monitoring and supervision responsibilities, including:
- Specific cases of non-compliance
 - Internal control weaknesses that might lead to non-compliance
 - Significant areas of risk

- 8.3** Analyze the role of the UDP in overseeing Executives (including CCO and CFO) in managing significant areas of risk, including:
- Ensuring adequate resources and direction to completely exercise their responsibilities
 - Providing unrestricted access to the UDP for reporting
 - Setting goals or projects and monitoring progress
 - Making compliance matters a regular discussion topic at Executive committee meetings
 - Advising Executives of specific matters that must be brought to the UDP's attention
- 8.4** Apply to specific situations the impact of and risks associated with early warning rules, including:
- The need to maintain a positive, risk-adjusted capital amount
 - Implications of not maintaining a positive risk-adjusted capital
 - Early warning tests
 - Test failure situations
 - Early warning designations
 - Early warning related actions and implications, such as:
 - Restrictions
 - CIRO discretion to designate early warning
 - Lifting an early warning designation

- 8.5** Understand the requirement for the UDP to ensure that issues raised by examination reports are responded to and addressed. Consider:
- CIRO Business Conduct Compliance (BCC) examination reports
 - CIRO Trading Conduct Compliance (TCC) examination reports
 - CIRO Financial and Operations (FinOps) examination reports
 - Other regulatory examinations, including:
 - Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)
 - Montreal Exchange
- 8.6** Understand the purpose of annual risk questionnaires and risk trend reports:
- Inform the annual compliance risk assessments
 - Inform the planning for examinations and avoid duplication in requests for information by the compliance groups
 - Allow for annual updates from Investment Dealers with minimal disruption to their business activities

