



Chief Compliance Officer Exam Syllabus

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Chief Compliance Officer Exam Overview

Exam parameters

Exams	1 paper
Exam format	Proctored (remote or in person)
Exam duration	3 hours
Question format	Multiple choice: <ul style="list-style-type: none">• 60 Standard• 30 Item set
Questions per exam	90
Attempts allowed per exam	3

Question weighting

Element	Indicative Qs
1 General regulatory framework	5
2 Compliance function and operation	6
3 Investment Dealer business model and related areas	6
4 Offering and distribution of securities	4
5 Corporate governance and ethics	8
6 Duties, liabilities and defences	5
7 Risk management and internal controls	8
8 Compliance as risk management	9
9 Significant areas of risk	5
10 Regulatory reporting, examinations, investigations and actions	11
11 Compliance responsibilities	11
12 Chief Compliance Officer (CCO) responsibilities	8
13 Ultimate Designated Person (UDP) responsibility	4





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. The following sets out what this expectation is.



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, identify, recognize and select.

For example:

- Which of the following best describes the role of the Chief Compliance Officer (CCO) at an Investment Dealer?
- Why might a person grant power of attorney for their financial affairs?
- What red flags might indicate that the controls at an Investment Dealer's trading desk are not functioning appropriately?



Apply requires the candidate to use information in new situations. Associated terms include calculate, demonstrate, implement, interpret and use.

For example:

- The CCO at an Investment Dealer has just received a report that identifies a breach of compliance to the Universal Market Integrity Rules by one of the employees. Which of the following demonstrates the most appropriate next steps?
- In which of the following situations would a CCO need to report to CIRO?
- A CCO at an Investment Dealer is considering the controls that can be implemented relating to transactional quality control testing. Which of the following would be most effective?



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

For example:

- A CCO at an Investment Dealer is reviewing the process 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 CCO be concerned about elements of this process?
- In what ways can a CCO review the effects of new and changing regulatory requirements on an Investment Dealer's risk profile?
- A CCO is evaluating the compliance of Investment Dealers and individuals against established policies and procedures. Which of the following may indicate non-compliance or a need for improvement?



Element 1: General regulatory framework

Summary: In Element 1, the candidate is 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
 - Promoting fair competition
 - Protecting consumers
 - Fostering innovation and efficiency
 - Ensuring market integrity
 - Facilitating economic growth





Element 2: Compliance function and operations

Summary: Element 2 introduces us to the compliance function and the oversight by the Chief Compliance Officer (CCO). The candidate will need to understand the position of compliance within the Investment Dealer and the authority of the CCO. The candidate will also need to apply compliance practices to specific situations.

- 2.1** Understand the requirement for an Investment Dealer to designate an appropriate CCO. Consider:
- General requirements for Executives
 - Proficiency requirements
 - Acting CCOs
 - Penalties for failure
- 2.2** Understand the responsibilities under different CCO models, including:
- Shared
 - Multiple
 - Specialized
- 2.3** Apply to specific situations the authority and responsibility of the CCO to oversee effectiveness and consistency of business units' compliance practices. Consider:
- Leadership role
 - Strategic role
 - Promotion of appropriate compliance culture to employees and Approved Persons
 - Interaction with Ultimate Designated Person (UDP)
 - Access to the UDP and the board of directors
- 2.4** Apply to specific situations how the compliance department interacts with other functions in the Investment Dealer, including:
- The board
 - Fulfilling board directions
 - Other Executives, including the Chief Financial Officer (CFO)
 - Supervisors
 - The UDP
- 2.5** Understand how the CCO needs to interact with external stakeholders, including:
- Service providers
 - Regulators
 - Counterparties
 - Partner firms and affiliates
 - Trade associations
 - Shareholders
- 2.6** Understand how different factors at the Investment Dealer will influence compliance program design, including:
- Products and services
 - Types of clients (e.g. retail or institutional)
 - Nature, scale and complexity of the Investment Dealer's business, operations and technology
 - Volume and size of transactions
 - Internal and external stakeholders
- 2.7** Apply to specific situations relevant to a CCO prudent business practices affecting:
- Safeguarding of client and Investment Dealer assets
 - Trading
 - Conflicts of interest
 - Business interruption
 - Marketing and sales practices
 - Investment Dealer operational and financial viability





Element 3: Investment Dealer business model and related areas

Summary: Element 3 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 the candidate to interpret information and draw appropriate conclusions to a range of situations.

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

- Retail
- Institutional

3.2 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 in 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

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

- Underwriting and other capital raising activities
- Advice on Mergers & Acquisition (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

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

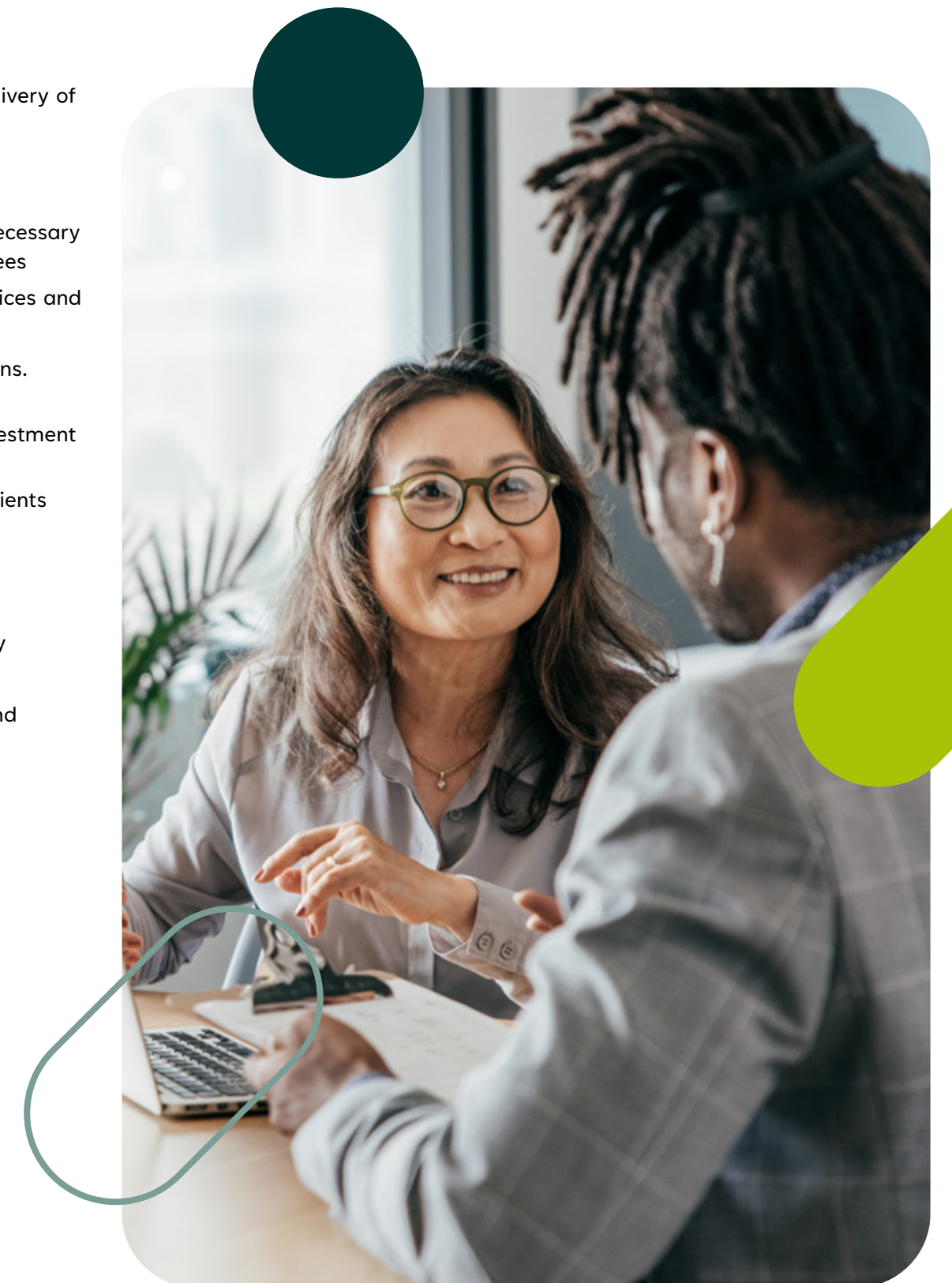
- Advisory accounts
- In-house managed accounts
- Third-party managed accounts
- Discretionary accounts
- Fee-based/wrap accounts
- Tax-deferred accounts (e.g. registered and non-registered)
- Margin accounts
- Derivatives accounts





- 3.5** Analyze the risks, opportunities and requirements associated with each of the following basic types of securities:
- Equities
 - Mutual funds and ETFs
 - Fixed-income products
- 3.6** 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)
- 3.7** 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
- 3.8** 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
- 3.9** 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

- 3.10** Understand the requirements for development, evaluation and delivery of products and services. Consider:
- Products, their risk characteristics and appropriate accounts
 - Industry initiatives, developments, 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
- 3.11** 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
 - Trade execution, clearing, settlement or custody service only Investment Dealer
- 3.12** Understand the requirements for product due diligence policies and procedures, which reflect:
- Investment Dealer business model
 - Types of securities and derivatives offered





Element 4: Offering and distribution of securities

Summary: Element 4 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. The candidate 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.

4.1 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

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

- Legislative prohibitions
- High-risk disclosure practices, such as:
 - Private briefings with analysts
 - Confidentiality agreements with analysts
- Confidential filing mechanisms

4.3 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

4.4 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





4.5 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)

4.6 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

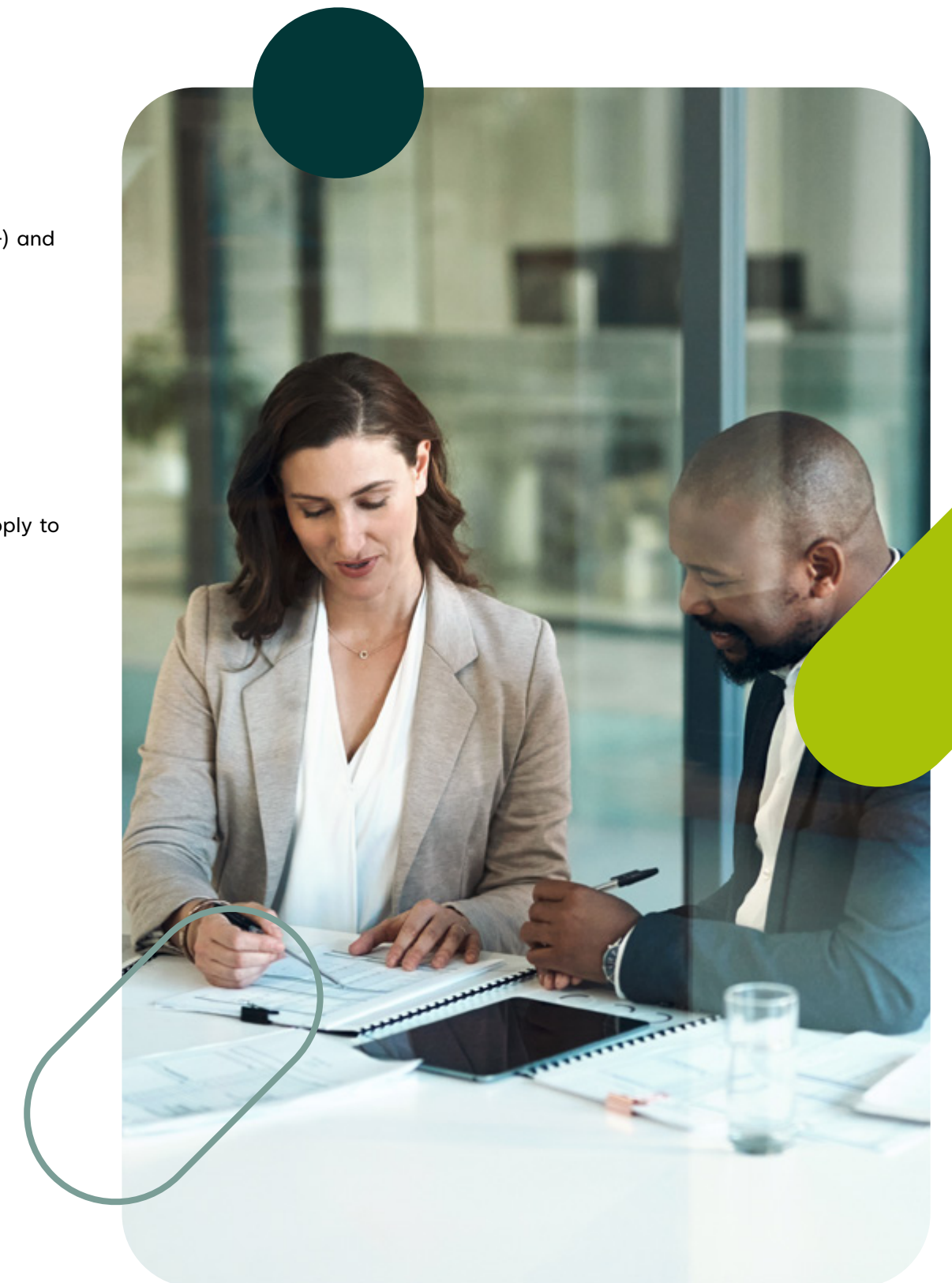
- Other disclosures
 - Proxies and information circulars
 - Press releases
- Certification of disclosure
- System for Electronic Document Analysis and Retrieval (SEDAR+) and System for Electronic Disclosure by Insiders (SEDI)

4.7 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

4.8 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 5: Corporate governance and ethics

Summary: Element 5 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 a specific focus on the requirements around outside activities and the handling of non-public information.

5.1 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

5.2 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

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

5.4 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

5.5 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





5.6 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

5.7 Analyze the CIRO 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

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

- Definition
- Pre-approval
- Disclosure

5.9 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

5.10 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 6: 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 the candidate 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 CISO competency profiles for Directors and Executives to see the differences that may be highlighted.

Duties

6.1 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

6.2 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)

6.3 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

6.4 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

6.5 Remember securities-related criminal penalties. Consider:

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

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

Defences: Directors

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

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



Element 7: Risk management and internal controls

Summary: Element 7 covers the objectives of risk management and internal controls as well as the regulatory requirements on these. The candidate will need to identify, analyze and determine methods to manage risks as well as evaluate the effectiveness of policies and procedures used. 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 CISO competency profiles for Directors and Executives to see the differences that may be highlighted.

Risk management and internal controls: Directors

- 7.1** Understand the definition and objectives of risk management
- 7.2** Analyze risk management in a principles-based regulatory environment
- 7.3** 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
- 7.4** Understand the definition and objectives of internal controls, including:
 - Detective controls
 - Preventive controls
- 7.5** 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

- 7.6** 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
- 7.7** 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
- 7.8** 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
- 7.9** Understand the reporting requirements for legal actions filed against the Investment Dealer.

Risk management and internal controls: Executives

- 7.10** 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

- 7.11** Analyze the effectiveness of risk management tools. Consider:
 - Hedging
 - Securitization
 - Insurance
 - Compliance

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



Element 8: Compliance as risk management

Summary: This element tests the ideas discussed in Element 7 from a compliance viewpoint. The candidate will be required to understand the role of compliance in the risk management function and apply strategies to control specific risks and identify red flags that may indicate non-compliance with requirements.

- 8.1** Understand the risk of legal/regulatory sanctions, financial loss and reputational damage, which arise from regulatory requirement violations.
- 8.2** Understand the role of compliance as a risk management function.
- 8.3** Apply to specific situations the controls that can be used to comply with regulatory requirements and to manage risk relating to the following:
 - Products and services offered
 - Types of clients (e.g. retail or institutional)
 - Nature, scale and complexity of the Investment Dealer's business, operations and technology
 - Quality control (transactional) testing
 - Volume and size of transactions
 - Internal and external stakeholders
- 8.4** Analyze red flags that compliance measures are not adequate in relation to risk management. Consider:
 - Defined standards being ignored
 - Attempts to circumvent existing controls
 - Internal control gaps
 - Product design
 - Contradictory or inconsistent information
 - Recurrent compliance infractions or concerns involving the same Approved Persons
 - Repeated requests for exceptions to approved policies and procedures
- 8.5** Apply to specific situations the need to update policies and procedures when changes arise to the Investment Dealer's business activities and/or regulatory requirements.
- 8.6** Understand the need to notify the regulator of material changes.
- 8.7** Understand the qualifications and registration requirements for Approved Person roles at the Investment Dealer. Consider:
 - National Registration Database (NRD) use, where applicable
 - Hiring due diligence requirements
 - The registration review process
 - Including enhanced due diligence or fit and proper review
 - Terms and conditions of approval
 - Approved Persons on enhanced (close or strict) supervision
 - Suspensions and termination
 - Minimum proficiency requirements, the proficiency principles and continuing education
 - Designated staff have appropriate training and resources
- 8.8** Understand the obligation of relevant employees and Approved Persons relating to supervisory responsibilities:
 - Business and operations
 - Activities of Approved Persons
 - Account approvals
 - Account activity
 - Trading and market rules
 - Advertisements, sales literature and correspondence
 - Research reports
 - Investment Dealer activity
 - Registered locations
- 8.9** Apply to specific situations involving a Chief Compliance Officer (CCO) the compliance obligation of the trade desk. Consider:
 - Trading Conduct Compliance, including:
 - Appropriateness of supervisory framework
 - Identifying and reporting on potential market violations
 - Providing adequate response to regulatory matters relating to potential and exposed trading violations
 - Market surveillance, including live and post-trade surveillance
 - Universal Market Integrity Rules (UMIR) violations and gatekeeper and any other reporting obligations
 - Non-Participant reviews
 - Following up on all non-compliance matters



Element 9: Significant areas of risk

Summary: This 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 9 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 CISO competency profiles for Directors and Executives to see the differences that may be highlighted.

9.1 Understand the definition of significant areas of risk.

9.2 Apply to specific scenarios the requirements relating to managing significant areas of risk. Consider:

- Appointment of Executives
- Executives' responsibilities
- Documenting responsibilities

9.3 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 account, 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

9.4 Analyze the impact of the significant areas of risk mentioned above on the Investment Dealer and ways to mitigate these risks.



Element 10: Regulatory reporting, examinations, investigations and actions

Summary: In Element 10, the candidate will be expected to apply behaviours required of the Chief Compliance Officer (CCO) and the compliance department to various scenarios ranging from reporting, both internally and externally, regulatory examinations and any actions required after these investigations.

10.1 Apply to specific situations the regulatory reporting requirements, including:

- Registration reporting
- Complaint and settlement reporting
- Internal investigation and discipline reporting
- Gatekeeper reporting
- Suspicious transaction reporting
- Cybersecurity incident reporting
- Record-keeping

10.2 Apply to specific situations the requirement to give timely responses to market-related inquiries and the consequences of not doing so. Consider:

- Real-time surveillance
- Normal course surveillance
- Market surveillance

10.3 Understand the process of compliance examinations, including:

- The examination powers of the regulator
- External auditor results on the existence of specific internal controls
 - Deficiency vs significant deficiency
 - Newly identified vs repeat
- Periodic self-assessment and/or certifications
 - Annual risk questionnaire (ARQ)
- UDP and CCO responsibilities in responding to regulatory examinations, including:
 - Supervisory duties and responsibilities
 - Delegation of compliance duties
 - Lines of communication/accessibility
 - Measures taken for non-compliance

10.4 Understand the Investment Dealer controls, procedures and information reviewed in compliance examinations, including:

- Supervisory structure
- Risk management
- Internal policies
- Operational procedures and controls

10.5 Apply the appropriate remediation response to identified compliance matters raised in an examination.

10.6 Understand the process of regulatory investigation and potential disciplinary actions that may come about as a result of failures, including:

- Failure to adequately conduct an internal investigation, review or audit, where required by regulatory requirements or by the Investment Dealer's policies and procedures
- Failure to follow up with appropriate internal disciplinary action
- Failure to keep adequate records regarding an investigation
- Failure to respond to CIRO's requests for information
- Failure to attend or failure to answer questions under oath or other manner

10.7 Understand the requirement Investment Dealers, Approved Persons and employees have to communicate and cooperate with compliance investigations.

10.8 Understand the hearing process. Consider:

- Notice of hearing and statement of allegation
- The role of the hearing panel
- Powers of compulsion
- Decisions
- Appeals and complaints

10.9 Understand the disciplinary proceedings, including:

- Temporary orders
- Protective orders
- Sanctions and the process for assessing sanctions

10.10 Understand the possible implication of enforcement action on:

- Investment Dealers, including imposition of terms and conditions
- Registration action on individual Approved Persons

10.11 Apply to specific situations the need to ensure remediation of matters of non-compliance identified through enforcement action and the role of a Monitor.

10.12 Understand the procedures for opportunities to be heard before decisions on approval and regulatory compliance matters. Consider:

- When these may apply
- The process
- The decision



Element 11: Compliance responsibilities

Summary: Element 11 requires a candidate to understand the responsibilities of the compliance department and the wide range of policies and procedures within an Investment Dealer and analyze their effectiveness. The candidate will also be required to apply regulatory requirements to decisions in specific situations, such as handling complaints and suitability determinations.

- 11.1** Understand the requirement to establish and maintain policies and procedures, where applicable, for assessing compliance by the Investment Dealer and individuals acting on its behalf in relation to:
- Product due diligence
 - Principal/agent arrangements
 - Personal financial dealing with clients
 - Outside activities
 - Referral arrangements
 - Anti-Money Laundering (AML) and anti-terrorism requirements
 - Outsourcing and third-party risk management
 - Reporting of terrorist property to Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)
 - Trade desk, order taking and trading restrictions
 - Personal trading by employees
 - Corporate finance/underwriting
 - Conflicts of interest
 - Information containment and barriers (fire walls)
 - Sales/advertising/marketing/promotional activities
 - Research reports
 - Education and training
 - Record-keeping requirements
 - Disclosure requirements
 - Registration requirements
 - Business locations (e.g. site openings, closings)
 - Privacy and data protection requirements and processes
 - Business continuity and disaster recovery planning
 - Cybersecurity and technology related controls

- 11.2** Apply to specific situations the Chief Compliance Officer (CCO) responsibility to:
- Monitor and assess compliance with regulatory requirements and Investment Dealer policies and procedures
 - Identify controls to be used to comply with laws and manage risk
 - Set out standards for conduct and systems for monitoring and enforcing standards
 - Outline who is expected to do what, when (frequency) and how
 - Be readily accessible
 - Keep up to date with applicable regulatory changes (and any required subsequent testing for effectiveness)
- 11.3** Analyze CCO actions in specific situations to assess their role in ensuring policies and procedures are appropriate. Consider how the CCO would:
- Align the compliance department's practices with industry and regulatory compliance practices that are appropriate for executing its mandate
 - Evaluate how new and changing regulatory requirements affect the Investment Dealer's risk profile, in addition to changes in business activities
 - Develop or amend the Investment Dealer's compliance policies as regulatory requirements are introduced/amended or as new or changing business activities require different regulatory obligations
 - Document new or amended compliance policies and communicate them across the Investment Dealer on a timely basis
 - Support other Executives to identify, address and integrate significant regulatory requirements into their business activities through appropriate procedural controls
 - Consider the role of other Executives and Supervisors with respect to implementation and updating of the policies and procedures

- 11.4** Understand documented controls for delegation and apply those controls to specific situations. Consider:
- Detailed policies and procedures which lay out how the delegation works and to whom the tasks and activities have been delegated
 - Maintain records of delegated tasks
 - Restrictions on delegation:
 - Proficiency of the delegate
 - Prohibitions on delegation
 - Retention of responsibility by the delegator
 - Processes for escalating any significant issues to the delegator
 - A list of factors that trigger a review by the delegator
 - Examining the delegate's tasks to ensure they are following applicable policies and procedures and to ensure that they are recommending items for approval that would have been approved by the delegator
 - Regular communication from the delegate to the delegator, including adequate record keeping and confirmation of completion
 - Regular (at minimum annual) reviews of the delegation process, with revisions to policies and procedures as necessary
- 11.5** Understand the importance of ensuring individuals are included in the correct Approved Persons/Registration category, including appropriate jurisdictions and related exemptions.
- 11.6** Apply to specific situations approaches to internal disciplinary measures. Consider:
- Establishing procedures to ensure that appropriate internal disciplinary measures are applied for compliance breaches
 - Ensuring Executives are alerted about serious alleged misconduct and legal actions
 - Adopting adequate internal investigation and whistleblower policies and procedures and revise periodically



11.7 Understand the requirements relating to reportable matters, including:

- Internal investigations
- Complaints
- Internal discipline
- Settlements
- Legal actions

11.8 Understand the reporting obligations:

- By an Approved Person to the Investment Dealer
- By an Investment Dealer to CIRO
- Consequences for failure to report

11.9 Analyze specific situations that may require internal investigations by the Investment Dealer.

11.10 Understand the internal investigation requirements. Consider:

- Record keeping
- Internal discipline

11.11 Apply to specific situations the client complaint requirements. Consider:

- Policies and procedures
- All client issues are raised with Supervisors and compliance staff as needed
- Publishing complaint handling processes
- Escalating serious problems and the role of the CCO
- Acknowledging and responding to complaints
- Duty to assist in client complaint resolution
- Client complaint file

11.12 Understand the role and responsibilities of the designated complaints officer (DCO)

- Knowledge, experience and authority
- Appropriate training
- Named point of contact for escalation

11.13 Apply to specific situations the options available to a client if they are not satisfied with the Investment Dealer's response. Consider:

- Alternative Dispute Resolution
- Arbitration
- Internal ombudsman
- Ombudsman for Banking Services and Investments (OBSI)
- Litigation/civil action
- Submitting complaint to CIRO

11.14 Apply in specific situations the requirements for know-your-product (KYP).

11.15 Apply in specific situations the requirements and exemptions for know-your-client (KYC), account appropriateness and suitability determination.

11.16 Understand the documentation requirements for compliance with:

- Client account openings
- KYC, KYP and suitability determination and account appropriateness requirements

11.17 Understand the documentation requirements for compliance with:

- Advertisements, sales literature and correspondence
- Research reports
- Compliance and supervision activities of the Investment Dealer

11.18 Apply to specific situations relevant to the CCO obligations to monitor and assess compliance with:

- Requirements to manage conflicts of interest
- Account supervision policies
- Supervision of trading and non-trading activity
- Different account type requirements, including KYC
- Account transfers





Element 12: Chief Compliance Officer (CCO) responsibilities

Summary: In Element 12 the candidate is required to specifically address the role of the CCO in the Investment Dealer and analyze the procedures for identifying non-compliance, the communication of these procedures and the assessment of potential compliance risks. The candidate will be required to apply their knowledge to a range of scenarios.

- 12.1** Analyze situations where the CCO has the responsibility to:
- Establish and maintain policies and procedures, including approval
 - Monitor and assess the compliance of Investment Dealers and individuals against these policies and procedures
 - Monitor and assess the compliance of Investment Dealers and individuals against CRO requirements and securities laws
 - Report to the Ultimate Designated Person (UDP) as soon as possible:
 - Indication that the Investment Dealer or any individual may be in non-compliance and
 - Either:
 - Creates a reasonable risk of harm to the client
 - Creates a reasonable risk of harm to the capital markets
 - Is part of a pattern of non-compliance
- 12.2** Understand the need for policies and procedures for identifying areas of non-compliance with securities and derivatives laws and regulations which:
- May reasonably create a risk of harm to a client
 - May reasonably create a risk of harm to the capital markets
 - Is reasonably part of a pattern of non-compliance
- 12.3** Apply red flags and areas of non-compliance to specific situations that would require CCO action. Consider:
- Defined standards being ignored
 - Attempts to circumvent existing controls
 - Gaps in controls
 - Contradictory or inconsistent information
 - Recurrent compliance infractions or concerns involving same Approved Persons
 - Repeated requests for exceptions to approved policies and procedures
- 12.4** Understand the requirement to notify the regulators about Investment Dealer misconduct and all related actions including remedial measures.
- 12.5** Apply to specific situations relevant to the CCO requirements relating to the Investment Dealer's communications. Consider:
- Sales practices
 - Advertisement, sales literature and correspondence
 - Research reports
 - Misleading communications
 - Confirmations, statements and reports
- 12.6** Apply to specific situations relevant to the CCO requirements relating to the policies and procedures for reviewing or self-assessment of all compliance programs. Consider:
- Ongoing and future compliance initiatives
 - Operational considerations and deficiencies
 - Evaluation of existing reporting and effectiveness
 - Monitoring and surveillance
 - Aggregation and trend analysis
 - Daily trade review for errors, proper settlement and unusual trading activity
- 12.7** Understand the role of CCO on the managed account committee.
- 12.8** Understand the requirement to ensure relevant employees and Approved Persons are apprised of the key procedures and controls through compliance department training. Consider:
- New training sessions and content
 - Ongoing training and updates
- 12.9** Analyze situations that require the CCO to report to the board of directors for the purposes of assessing compliance by the Investment Dealer, its employees and Approved Persons, with the Corporation requirements and securities laws. Consider:
- Written report at least annually addressing the compliance of the Investment Dealer and its employees
 - Board's requirement to review and determine any appropriate action to remedy any deficiencies identified and ensure action is taken
 - Board's requirement to maintain records of actions determined and monitoring of those actions
- 12.10** Apply the appropriate actions of a CCO to specific red flags that indicate compliance measures are not adequate in the reporting obligation. Consider:
- Defined standards being ignored
 - Attempts to circumvent existing controls
 - Internal control gaps
 - Contradictory or inconsistent information
 - Recurrent compliance infractions or concerns involving same Approved Persons
 - Repeated requests for exceptions to approved policies and procedures



Element 13: Ultimate Designated Person (UDP) responsibility

Summary: Element 13 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.

13.1 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

13.2 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

13.3 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

13.4 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 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

13.5 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

13.6 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

