



Chief Financial Officer Exam Syllabus

Last updated June 06, 2025

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Chief Financial 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	Element	Indicative Qs
1 General regulatory framework	4	8 Risk management and internal controls	7
2 General financial requirements	9	9 Inventory, pricing of securities and underwriting	8
3 Investment Dealer business model and related areas	5	10 Credit risk management and client accounts	8
4 Offering and distribution of securities	3	11 Significant areas of risk	4
5 Capital adequacy, books and records, and reporting	10	12 Operations and settlements	8
6 Corporate governance and ethics	7	13 Protection of dealer and client assets	5
7 Duties, liabilities and defences	4	14 Other capital provisions	5
		15 Ultimate Designated Person (UDP) responsibilities	3



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, list, repeat 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 Financial Officer (CFO) at an Investment Dealer?
- Why might a person grant power of attorney for their financial affairs?
- What red flags might indicate that the controls governing risk-adjusted capital at an Investment Dealer are not functioning effectively?



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

For example:

- The Chief Financial Officer (CFO) at an Investment Dealer is investigating the controls for safeguarding assets. Which of the following should be identified as a control that needs attention?
- In which of the following situations would a CFO need to report to CIRO?
- A CFO at an Investment Dealer is considering the controls that can be implemented relating to handling and recording the receipt and delivery of securities. 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:

- The Chief Financial Officer (CFO) at an Investment Dealer is reviewing the procedures for holding client assets at different locations. The Investment Dealer stores client assets at both internal and external locations, often transferring between the two. They register the assets in the name of the client. The custodial agreements have been used for some time and are well established. Which of the following observations might the CFO make about these procedures?
- In what ways can a CFO evaluate the effects of new and changing legislation on an Investment Dealer's risk profile?
- How can liquidity risk affect the stability of an Investment Dealer?



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: General financial requirements

Summary: Element 2 requires the candidate to analyze key requirements of the Chief Financial Officer (CFO) in the Canadian investment industry. An analysis of fundamental regulatory knowledge of the CFO will be tested, including corporate governance and oversight responsibilities of the CFO, the Canadian Investor Protection Fund (CIPF) and the application of and accounting departures from International Financial Reporting Standards (IFRS).

- 2.1** Apply to specific situations the responsibilities of the CFO of an Investment Dealer. Consider:
- Financial oversight and supervisory responsibilities
 - Reporting requirements related to Form 1, including general tax considerations
 - Confidential information containment requirements
- 2.2** Apply best practice in preparing for and undertaking internal and regulatory financial examinations, investigations and enforcement. Consider:
- General procedures and information reviewed in regulatory examinations
 - CISO investigation and record-keeping requirements
 - Regulatory consequences of financial non-compliance
 - Arbitration and hearing procedures
 - Enforcement action, settlement agreements and penalties
- 2.3** Understand the authority and purpose of the CIPF. Consider:
- Operations and risk management at CIPF
 - CIPF coverage
 - Examination powers
 - Role in insolvency
 - General and separate account coverage
 - Exclusions
- 2.4** Understand rules and procedures relating to the funding of the CIPF by Investment Dealers. Consider:
- Disclosure to clients
 - Regular quarterly assessment
 - Capital deficiency assessment
 - New member assessment
 - Special assessment
 - Statement of Member Assets by Location (SMAL) and their use, including:
 - CIPF's Exposure at Default (EaD) to Investment Dealers
 - CIPF's Liquidity Resource Requirements
 - Asset Location Assessments
- 2.5** Analyze accounting policies required of Investment Dealers. Consider:
- Relevant International Financial Reporting Standards (IFRS) requirements of Investment Dealers
 - Prescribed accounting departures from IFRS mandated by CISO as set out in Form 1 and their implications





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 candidates 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 clients 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 & 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

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 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
- 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
 - Dealers who only provide trade execution, clearing, settlement or custody
- 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. 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.

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

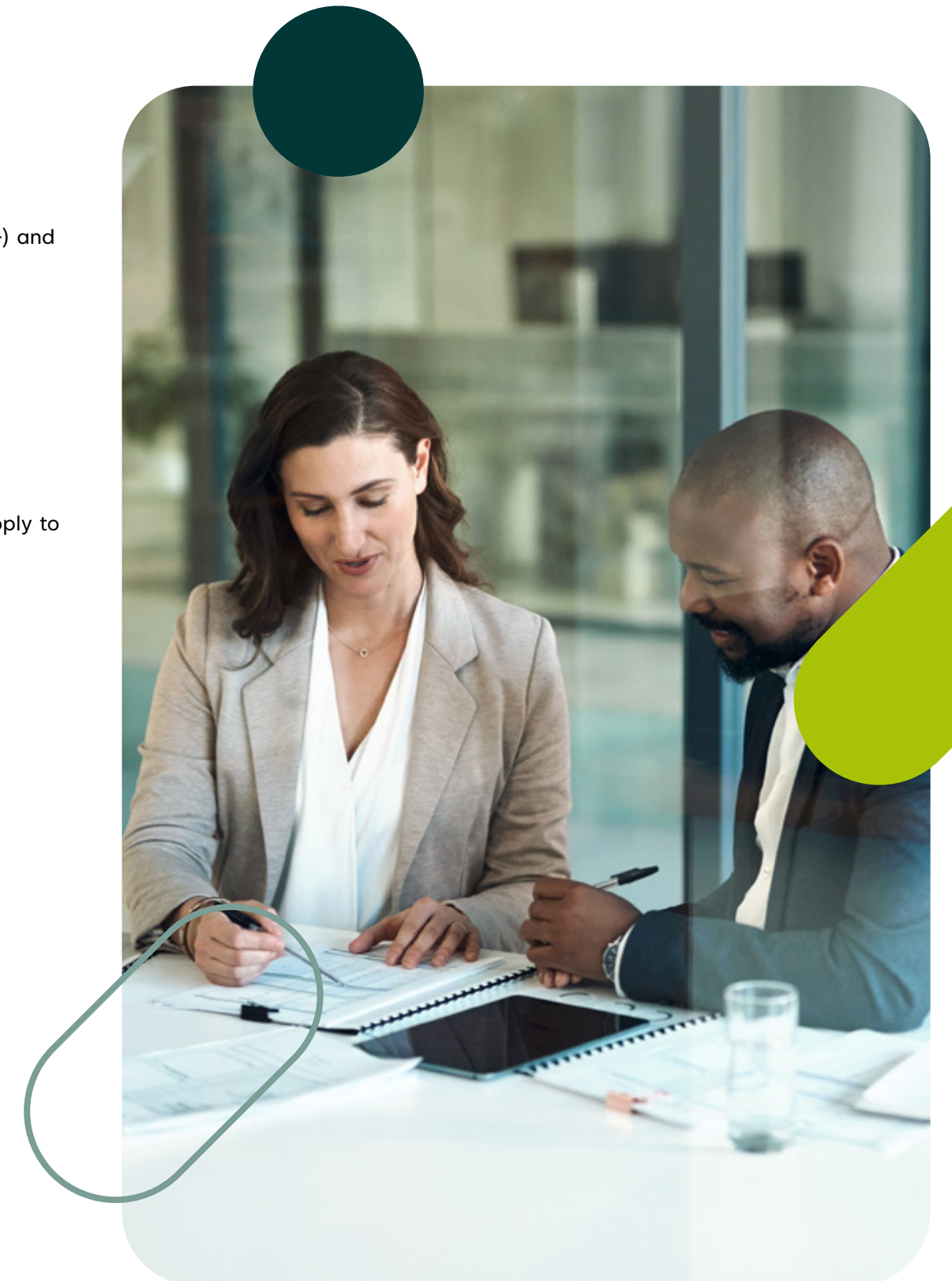
- Other disclosures
 - Proxies and information circulars
 - Press releases
- Certification of disclosure
- System for Electronic Document Analysis and Retrieval (SEDAR+) and System for Electronic Disclosure by Insiders (SEDI)

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: Capital adequacy, books and records, and reporting

Summary: Element 5 requires the candidate to analyze the financial, solvency and other relevant risks affecting an Investment Dealer and the controls required to mitigate such risks. This element also requires an analysis of the CRO record-keeping and reporting requirements, including audit, related and affiliated companies, cross guarantees and insurance coverage.

5.1 Analyze the capital adequacy reporting system and risk-adjusted capital (RAC) controls of the Investment Dealer, including the importance of oversight and maintenance of the capital adequacy reporting system.

5.2 Analyze the financial risks faced by an Investment Dealer. Consider:

- Counterparty risk
- Liquidity risk
- Price risk
- Concentration risk
- Market risk
- Credit risk
- Operational risk

5.3 Apply the Capital Formula used to identify and quantify risk activities. Consider:

- Minimum capital
- Securities owned or sold short
- Unsettled trades or under-margin accounts
- Out of balance money/securities
- Financing
- Contingent liabilities, including a provision for contingent loss from litigation
- Concentration
- Underwriting commitments
- Activity limits for the major functional areas of the Investment Dealer. Consider:
 - Corporate finance activities
 - Principal/agency trading
 - Financing transactions

5.4 Analyze the RAC calculation and apply working knowledge of the results of the RAC calculation. Consider:

- Maintenance of adequate capital and ramifications of a capital deficiency
- Calculation and working knowledge of the RAC of the Investment Dealer, including:
 - Regulatory financial statement capital of the Investment Dealer
 - Allowable and non-allowable assets
 - Net allowable assets
 - Minimum capital requirements
 - Margin deductions (including margin for provider of capital concentration charge and contingent liabilities)
 - Tax recoveries
 - Securities concentration charge
- Minimum requirements for internal controls
- Corrective measures to address RAC deficiency, including:
 - Injection of new share capital or subordinated debt
 - Adjusting the asset structure
 - Reducing indebtedness





5.5 Analyze CIRO requirements on the early warning system, tests and related requirements. Consider:

- Early warning excess
- Early warning reserve
- Liquidity and capital test violations triggered intra-month
- Parameters
 - Capital, liquidity, profitability and frequency tests
 - Levels of early warning triggers
 - Reporting requirements for Level 1 and Level 2 triggers
 - Sanctions for Level 1 and Level 2 triggers and possible enhanced business restrictions
 - Discretionary application

5.6 Analyze CIRO requirements applicable to reports, books and records and their impact on regulatory reporting. Consider:

- How information flows at the Investment Dealer
- General requirements for double-entry accounting system, including audit trail
- Brokerage accounting systems, including:
 - Money general ledger
 - Stock record
 - Capital required reports
 - Client related reports
- Ancillary, management and supervisory reports. Consider:
 - Securities and commodity records
 - Balance reports
 - Segregation reports
 - Concentration reports
 - Secondary or subsidiary records
 - Records of trades
 - Records of cash and margin accounts
 - Listed and over-the-counter derivative reports
 - Margin report and margin call records

5.7 Apply to specific situations relevant to a Chief Financial Officer (CFO), financial and other reporting requirements, including the timing and method of filing such reports. Consider:

- Monthly Financial Report (MFR)
- Interim risk-adjusted capital (RAC) filings
- Annual audited Form 1 including the Agreed upon Procedures Report
- Reports for derivatives, including large open positions reporting (LOPR)
- Reporting of short positions
- Cybersecurity incident reporting
- Capital deficiency
- Early warning triggers
- Other required regulatory reporting

5.8 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.

5.9 Understand the need to notify the regulator of material changes. Consider:

- Business or operational model changes
- Change of external audit firm or audit partner

5.10 Understand regulatory requirements and disclosures for non-arms length or related party transactions or events which impact the risk assessment of the Investment Dealer. Consider:

- Non-arms length transactions with affiliates and inter-company agreements
- Consolidated financial reporting
- Cross guarantee requirement for related CIRO dealers
- Changes in ownership or share capital of Investment Dealers and holding companies
- Diversification of business activities, including the prohibition on distribution of insurance products

5.11 Apply to specific situations relevant to a CFO, insurance coverage requirements of an Investment Dealer in accordance with the regulatory requirements. Consider:

- Global policies
- Coverage requirements, including full reinstatement or double aggregate limit

- Registered mail insurance requirement
- Calculation of minimum insurance requirements
- Calculation of client net equity
- Financial Institution Bond (FIB)
- Prescribed minimum insurance clauses
- Termination notice to CIRO
- Corrective measures for insurance deficiencies
- Internal control policies for monitoring the adequacy of insurance coverage and loss claims

5.12 Apply to specific situations relevant to a CFO best practice in ensuring an appropriate audit of an Investment Dealer. Consider:

- Minimum requirements for the appointment of auditors and for conducting audits
- The role of the external auditor
- Investment Dealer's obligations to the external auditor
- Special compliance report for insurance, segregation and guarantee arrangements
- Management letter and response

5.13 Understand specific substantive audit procedures regarding the financial position of the Investment Dealer. Consider:

- Review of the accounting system
- Review of the internal accounting controls, including safeguarding of assets
- Review of reconciliations
- Specific items tests
- Representative item tests
- Positive and negative confirmations
- Audit procedures and implications related to introducing/carrying broker relationships
- Review the financial audit and resolve audit differences and issues identified during audits



Element 6: Corporate governance and ethics

Summary: Element 6 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. This 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. This element ends with specific focus on the requirements around outside activities and the handling of non-public information.

- 6.1** 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
- 6.2** 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
- 6.3** Remember the relevance and impact of environmental, social and governance (ESG) considerations.
- 6.4** Analyze situations for Directors and Executives, including the Chief Financial Officer (CFO), 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
- 6.5** Analyze situations for Directors and Executives, including the CFO, that involve the role of ethics and integrity in corporate governance. Consider:
- Transparency
 - Managing compensation conflicts
 - Oversight and accountability
 - Training and awareness
- 6.6** 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
- 6.7** 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
- 6.8** Apply to specific situations relating to Directors and Executives, including the CFO, the requirements relating to outside activities. Consider:
- Definition
 - Pre-approval
 - Disclosure
- 6.9** Apply to specific situations relating to Directors and Executives, including the CFO, 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
- 6.10** 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 7: 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 CISO competency profiles for Directors and Executives to see the differences that may be highlighted.

Duties

7.1 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

7.2 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)

7.3 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

7.4 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

7.5 Remember securities-related criminal penalties. Consider:

- Absolute or conditional sentences
- Fines
- Imprisonment
- Parole and probation conditions

- Restitution orders
- Forfeiture of property
- Committal for contempt

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

Defences: Directors

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

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



Element 8: Risk management and internal controls

Summary: Element 8 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 8 is another element where questions will draw on the difference in responsibilities in these areas between the role of Director and the role 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

- 8.1** Understand the definition and objectives of risk management.
- 8.2** Analyze risk management in a principles-based regulatory environment.
- 8.3** 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
- 8.4** Understand the definition and objectives of internal controls, including:
 - Detective controls
 - Preventive controls
- 8.5** 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
- 8.6** 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
- 8.7** 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
- 8.8** 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
- 8.9** Understand the reporting requirements for legal actions filed against the Investment Dealer.

Risk management and internal controls: Executives

- 8.10** 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
- 8.11** Analyze the effectiveness of risk management tools. Consider:
 - Hedging
 - Securitization
 - Insurance
 - Compliance
- 8.12** Understand the requirements relating to credit risk management policies and procedures.



Element 9: Inventory, pricing of securities and underwriting

Summary: Element 9 requires the candidate to analyze policies, procedures and processes relating to inventory risk management and margin rates, pricing of securities and underwriting capital issuances. Candidates will be tested both on areas of oversight and detecting and correcting errors, in the management of these areas.

- 9.1** Understand principal trading activities and controls of the Investment Dealer. Consider:
- Financial products
 - Hedging strategies
 - Risk limits
 - Reporting infrastructure related to inventory systems, including regulatory reports and risk management framework
 - Internal controls over the principal trading activity at the Investment Dealer
- 9.2** Analyze relevant rules and calculations regarding inventory margin and offsets. Consider:
- Calculation of inventory margin, including equities, bonds, listed and over-the-counter derivatives
 - Financing and security margin rates
 - Debt and equity margin rates
 - Margin offsets
 - Bond margin surcharge
 - List of securities eligible for reduced margin (LSERM)
- 9.3** Apply to specific situations relevant to a Chief Financial Officer (CFO), oversight of approved Traders and trading desks. Consider:
- Minimum margin requirements for approved Traders
 - Capital and position limits for trading desks
- 9.4** Apply to specific situations relevant to a CFO, considerations in assessing inventory margin errors. Consider:
- Issues with balances and margin calculations
 - Issues with pricing of securities
 - Issues with the reporting infrastructure

- 9.5** Apply to specific situations relevant to a CFO, oversight of policies, procedures and processes relating to pricing of financial instruments. Consider:
- The process of marking to market
 - Pricing and valuation of securities, illiquid securities and derivatives
 - Sources of information relating to valuation methods and models
- 9.6** Apply minimum requirements relating to pricing securities. Consider:
- Independent sources of pricing
 - External price verification
 - Supporting documentation evidencing verification of securities pricing and adjustments
 - Segregation of duties such as trading function and access to pricing records
 - Inventory profit and loss information
- 9.7** Apply to specific situations relevant to a CFO, red flags and indications that internal controls are not adequate. Consider:
- Inconsistent methods used to value and report client and inventory security portfolios such as last sale price, last bid or ask price
 - Unexplained fluctuation in Trader inventory profit and loss trading
 - High error rate on margin calls or collateral repricing of financing transactions
- 9.8** Analyze policies, procedures and processes relating to syndicate accounting. Consider:
- Roles within an underwriting syndicate
 - Mark-to-market provisions for underwriting
 - Unsold positions of underwriting
 - Definitions and price structure
 - Management fee

- Syndicate profit
 - Allowable syndicate expenses
 - Payment of underwriting profits
- 9.9** Analyze policies, procedures and processes relating to margin rates with respect to underwriting commitments. Consider:
- Definition of commitment
 - Normal new issue margin rates
 - Reduction in normal new issue margin rates
 - Permitted out clauses
 - Expressions of interest
 - Standard Form New Issue Letters (SFNILs)
 - Concentration margin for underwriting commitments
 - Formalization of capital rental arrangements between Investment Dealers
 - Indicators of possible errors in underwriting margin



Element 10: Credit risk management and client accounts

Summary: Element 10 requires the candidate to analyze CIRO requirements and best practices in relation to credit risk management, client accounts and registered account plans. An understanding of regulations around these areas will be tested, together with the practical application of these techniques from the oversight perspective of the Chief Financial Officer (CFO).

10.1 Apply to specific situations credit risk management best practices.

Consider:

- The importance of a credit risk policy
- The role of the Investment Dealer's Board, senior management and credit risk department
- Internal guidelines to approve and review client and counterparty risk and credit limits
- Security loan values specifying dollar limits for all products, concentration, leverage activities and transaction types
- Review procedures for retail and institutional client credit worthiness

10.2 Analyze different types and classifications of credit risk. Consider:

- Issuer credit risk
- Counterparty risk
- Settlement risk

10.3 Apply to specific situations relevant to a CFO, margin rules and capital provisions and the use of margin accounts. Consider:

- Market value of a security position
- Margin rates and loan value
- Margin deficiency
- Margin calls and how to clear it
- Security concentration charge
- Account restrictions
- Derivatives and leverage

10.4 Apply to specific situations relevant to a CFO, the Cash Account Rules and practices. Consider:

- Determination of account equity
- Weighted market value deficiency
- Calculation of margin requirement
- Account restrictions
- Cash account settlement practices

10.5 Understand CIRO requirements to account guarantees. Consider:

- Legal relationship and terms
- Documentation requirements
- Guarantee margin determination
- Account guarantee coding
- Form 1 audit requirements

10.6 Apply to specific situations relevant to a CFO, counterparty risk and margin requirements for Acceptable Institution (AI), Acceptable Counterparty (AC) and Regulated Entity (RE). Consider:

- Account types
- Extended settlements
- Risk identification and classifications

10.7 Apply to specific situations relevant to a CFO, the requirement to have specific written agreements. Consider:

- Margin agreements
- Derivatives Trading Agreements
- Guarantee agreements
- Transaction types

10.8 Apply to specific situations relevant to a CFO, oversight of identification, documentation and corrective measures in specific key areas relating to client accounts. Consider:

- Indications of poor credit controls
- Potential errors in the calculations of margin

10.9 Understand applicable policies and procedures relating to registered account plans. Consider:

- Requirements of the Income Tax Act
- Trust arrangements, trust and trustee agreements and the authorized agent of the Trustee
- Different types of introducing/carrying broker arrangements and their impact on an Investment Dealer's responsibilities for registered accounts

10.10 Apply to specific situations relevant to a CFO, oversight of the operation of registered accounts. Consider:

- Segregation of securities in registered accounts
- Requirement to transfer account balances daily
- Eligible investments for registered accounts
- Margin treatment of registered account debit balances



Element 11: 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 11 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 CRO competency profiles for Directors and Executives to see the differences that may be highlighted.

11.1 Understand the definition of significant areas of risk.

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

- Appointment of Executives
- Executives' responsibilities
- Documenting responsibilities

11.3 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

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





Element 12: Operations and settlement

Summary: Element 12 requires the candidate to analyze operations and settlement of the Investment Dealer. Candidates can expect to be tested on the activities of clearing organizations, oversight of back-office operations and the Investment Dealer's liquidity and financing needs. Application of control activities and corrective actions in these areas will also be examined.

12.1 Understand rules, policies and roles of clearing agencies and depositories. Consider:

- Criteria for an acceptable clearing corporation
- Canadian Depository for Securities (CDS)
- Canadian Derivatives Clearing Corporation (CDCC)
- Trade matching
- Continuous net settlement (CNS)
- Fixed income netting
- Trade-for-trade (TFT) settlement
- CDSX clearing and settlement system

12.2 Understand roles of foreign clearing and settlement agencies. Consider:

- National Securities Clearing Corporation (NSCC)
- The Depository Trust & Clearing Corporation (DTCC)
- The Depository Trust Company (DTC)
- The Clearing Corporation (TCC)
- The clearing house division of the CME Group
- Options Clearing Corporation (OCC)
- Euroclear and Clearstream

12.3 Apply oversight of relevant aspects of clearing and settlement. Consider:

- Deposits with clearing houses, including the difference between fixed and variable deposits
- Margin on unsettled clearing/broker trading balances
- Recording of clearing trades
- Internal control standards for the accounting and reconciliation of securities settled through a clearing organization

12.4 Apply to specific situations relevant to a Chief Financial Officer (CFO), oversight of specific back-office arrangements. Consider:

- Criteria and application for consolidation of back-office operations of an Investment Dealer and its affiliates
- Introducing broker/carrying broker arrangements, covering Type 1, 2, 3 and 4 arrangements and how the combination of functions outsourced trigger a type of arrangement
- Jitney or omnibus arrangements
- Domestic and foreign clearing arrangements
- Security custody arrangements
- External portfolio management arrangements
- Shared back-office arrangements
- Acceptable arrangements with foreign affiliates

12.5 Apply to specific situations relevant to a CFO, oversight of regulatory requirements and financial implications for outsourcing arrangements. Consider:

- Which core and non-core activities can or cannot be outsourced
- Due diligence obligations
- Risks involved and how to manage them

12.6 Apply to specific situations relevant to a CFO, general knowledge relevant to oversight of back-office procedures and activities. Consider:

- Back-office relationship to financial capital rules
- Internal control standards required for back-office operations





- 12.7** Apply to specific situations relevant to a CFO, oversight of financial implications related to trading. Consider:
- Counterparty risk
 - Margin applicable to Regulated Entity (RE), Acceptable Institution (AI), Acceptable Counterparty (AC) and other
 - Derivatives risk management
 - Aging of open transactions and suspense balances
- 12.8** Understand the importance of general requirements for stock record balancing. Consider:
- Ensuring that transactions are tracked by trade date and settlement date
 - Balancing of long and short security positions
 - Reconciliation of securities held at external and internal locations
- 12.9** Apply to specific situations relevant to a CFO, oversight of procedures for addressing unresolved differences. Consider:
- Unresolved long with money on the Investment Dealer's books
 - Unresolved short with money on the Investment Dealer's books
 - Short security break
 - Aged and unconfirmed positions in transfer
 - Margin calculation and requirements on unresolved differences
- 12.10** Analyze techniques to determine and manage the liquidity needs and financing costs of the Investment Dealer. Consider:
- The Investment Dealer's liquidity risk and needs
 - Costs of capital, borrowed money, funding client accounts
 - Sources of liquidity and how various sources work together for funding
 - Function of the funding desk at the Investment Dealer to meet liquidity needs
 - Considerations in assessing risk adjusted capital errors for financing

- 12.11** Analyze the Investment Dealer's use of client free credits. Consider:
- Rationale for permitting Investment Dealers to use client free credits
 - Calculation of free credit limit and amount required to segregate
 - Assets qualifying for free credit segregation
- 12.12** Analyze economics, collateral, legal structure, accounting, internal controls, reporting and regulatory margin rules for the various financing arrangements. Consider:
- Cash and non-cash securities borrowing and lending
 - Call loans
 - Repurchase agreements (repos)
 - Reverse repurchase agreements (reverse repos)
 - Limited recourse call loans
 - Tri-party arrangements
 - Subordinated debt





Element 13: Protection of dealer and client assets

Summary: Element 13 requires the candidate to apply policies, procedures and controls over the assets of the Investment Dealer and of the client. Areas including custody of assets, segregation of assets and safekeeping requirements will be tested. Candidates will also be required to demonstrate the application of calculations and controls in respect of client free credit balances and of oversight of internal controls for safeguarding cash and securities.

13.1 Apply internal control standards over the handling and custody of money and securities.

13.2 Apply to specific situations relevant to a Chief Financial Officer (CFO), oversight of acceptable securities locations. Consider:

- Acceptable internal storage locations
- External acceptable securities locations
- Acceptable transfer locations
- Registration of securities in client name or nominee name
- Book-based systems
- Written custodial agreements
- Confirmation and reconciliation requirements

13.3 Apply to specific situations relevant to a CFO, oversight of capital and early warning charges. Consider:

- Securities held at non-acceptable securities location
- Invalid or no custody agreement with acceptable securities locations

13.4 Apply to specific situations relevant to a CFO, oversight of segregation of securities. Consider:

- Client assets: fully paid and excess margin
- Insolvency considerations
- Bulk segregation and calculation
- Security usage restrictions and correcting segregation deficiencies
- Minimum segregation policies and procedures
- Segregation records and reports
- Procedures for sequencing and prioritizing the segregation and desegregation of securities
- Minimum standards of internal controls over the segregation of client securities
- Acceptable external and internal segregation locations

- Free box location
- Segregation calculation including frequency of calculation
- Registered accounts
- Treatment of securities in transfer and securities held in safekeeping

13.5 Apply to specific situations relevant to a CFO, oversight of indicators of potential problems with the segregation system and corrective measures for segregation deficiencies.

13.6 Apply to specific situations relevant to a CFO, oversight of investment policies and controls related to client free credit disclosure requirements on client account statements. Consider:

- Computation of free credit balances
- Frequency and calculation of usable free credit balances
- Qualifying securities for free credit segregation
- Requirement for disclosure related to client free credits on client account statements

13.7 Apply minimum requirements for safekeeping of client securities. Consider:

- Adequate safekeeping arrangements to protect clients' assets
- Safekeeping agreements
- Policies and procedures for safekeeping
- Identification and records of securities held in safekeeping

13.8 Apply to specific situations relevant to a CFO, oversight of policies and procedures to prevent loss of assets and minimum requirements and internal control standards for safeguarding client and Investment Dealer cash and securities. Consider:

- Receipt, delivery, custody of Investment Dealer and client assets
- Restricting access to securities and cash
- Protecting securities and cash
- Segregation of duties

- Maintaining adequate security records
- Physical security counts
- Moving certificates and securities between branches
- Transferring securities
- Reorganizations
- Handling dividends and interest
- Reconciling internal accounts
- External bank account reconciliations



Element 14: Other capital provisions

Summary: Element 14 requires the candidate to apply oversight of other capital provisions, including securities concentration, providers of capital and foreign exchange. An understanding of applicable regulatory requirements in these areas will also be assessed.

14.1 Apply to specific situations relevant to a Chief Financial Officer (CFO) matters relating to oversight of securities concentration. Consider:

- Concentration thresholds
- Margin requirements for concentrated security positions
- Steps to determining the security concentration amount at an Investment Dealer
- Different applications in determining securities concentration for Types 1 to 4
- Introducing/Carrying brokers
- Indications of potential errors in concentration calculation
- Appropriate actions to rectify concentration charge

14.2 Apply the importance of regulation, oversight and controls related to providers of capital. Consider:

- Significance of capital concentration charge (anti-avoidance)
- Determination of the provider of capital, including the treatment of related companies and affiliates
- Provider of capital concentration charge rule, including when capital charges are incurred
- Limited Recourse Call Loan Agreement
- Concentration test
- Exposure test
- Purpose and role of Acceptable Institutions
- Ways to minimize credit exposure with the Investment Dealer's provider of capital
- Clearing a deficiency before it becomes a capital charge

14.3 Understand the role of Investment Dealers and liquidity providers in foreign exchange markets, including activities that result in foreign exchange exposure.

14.4 Apply foreign exchange margin rules. Consider:

- Currency Groups 1 to 4
- Spot and term risks
- Margin surcharge mechanism
- Foreign exchange concentration charge for currencies in Groups 2 to 4
- Options an Investment Dealer might have to reduce its exposure to foreign currencies





Element 15: Ultimate Designated Person (UDP) responsibilities

Summary: Element 15 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. This 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.

15.1 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

15.2 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

15.3 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

15.4 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

15.5 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

15.6 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

