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Canadian Investment
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Organisme canadien
de réglementation
des investissements

Institutional Securities Exam

Practice Exam – Questions

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ITEM ID: ISEC_E_000006

1. An institutional hedge fund submits a complex-options order to an agency trader for execution. Which of the following best identifies how the trader should manage this order?
- A. Adjust the order independently to capitalize on market trends, using the firm's capital for enhanced returns
 - B. Execute the order precisely as directed by the hedge fund, ensuring compliance with regulatory trading rules
 - C. Take ownership of the options to stabilize market prices, acting as a counterparty to the hedge fund's position
 - D. Set the hedge fund's trading limits based on market volatility, overriding client instructions for risk management

ITEM ID: ISEC_E_000017

2. A publicly listed pharmaceutical company decides to acquire a biotech firm to scale up its research capability and seeks help from a Investment Dealer. How should the Investment Dealer's investment banking team assist this client in the process?
- A. Trade the biotech firm's stocks on the market to support the share price
 - B. Identify and assess potential biotech firms and structure the acquisition deal
 - C. Sell the pharmaceutical company's other assets to fund the acquisition quickly
 - D. Provide a loan to the pharmaceutical company to pay for the biotech firm's shares

ITEM ID: ISEC_E_000027

3. An Investment Dealer is onboarding a Canadian corporation as a new client. Which of the following best identifies the essential information required and the verification process under know-your-client (KYC) regulations?
- A. The corporation's tax identification number, verified with a tax assessment notice
 - B. The corporation's name and directors, verified with a certificate of incorporation
 - C. The corporation's business license, verified with the CEO's photo ID
 - D. The corporation's office address, verified with a provincial utility bill



ITEM ID: ISEC_E_000033

4. When opening a margin account for an institutional client, various pieces of key information relating to the client must be collected and verified, whilst other items are exempt from collection under CIRO's rules. Which of the following information is the Investment Dealer required to collect?
- A. The client's investment objectives
 - B. The client's risk profile
 - C. The client's authorized representatives
 - D. The client's investment time horizon

ITEM ID: ISEC_E_000041

5. A fund manager opens an account with an Investment Dealer to trade Canadian tech stocks. How should the Investment Dealer handle suitability for this new institutional client?
- A. The Investment Dealer assesses the fund manager's ability to judge risks before every trade
 - B. The fund manager is a regulated entity so the Investment Dealer does not collect suitability information
 - C. A waiver is signed by the fund manager for all suitability rules, which is retained by the Investment Dealer
 - D. Trades by the Investment Dealer in the tech stocks only occur after confirming the fund manager's market views

ITEM ID: ISEC_E_000047

6. Which of the following best describes the structure of the Canadian fixed-income market?
- A. It is primarily composed of corporate bonds, with government bonds playing a minor role
 - B. It is largely constituted of government bonds of all types, with corporate bonds making up a smaller portion
 - C. It is evenly split between government and corporate bonds, with minimal influence from other instruments
 - D. It is dominated by municipal and provincial bonds, with federal and corporate bonds playing a secondary role



ITEM ID: ISEC_E_000058

7. A municipal government is issuing bonds with two different repayment structures: one with a bullet maturity and another with a serial maturity. Which of the following statements best describes the differences between these two bond structures?
- A. In a bullet maturity structure, the principal is repaid gradually over time, while in a serial maturity structure, the principal is repaid in a lump sum at maturity
 - B. In a serial maturity structure, the principal is repaid gradually over the life of the bond, while in a bullet maturity structure, the principal is repaid in a lump sum at the end of the bond term
 - C. Both bullet and serial maturity structures involve gradual repayment of the principal over time, but the serial maturity structure allows for a single lump-sum repayment at the end
 - D. In a bullet maturity structure, there is no interest payment until the principal is repaid, whereas in a serial maturity structure, interest is paid on the entire principal until it is fully repaid

ITEM ID: ISEC_E_000067

8. A seven-year bond is currently trading at a discount to its face value. How does this affect its yield to maturity (YTM) compared to its coupon rate?
- A. The YTM is higher than the coupon rate
 - B. The YTM is lower than the coupon rate
 - C. The YTM is equal to the coupon rate
 - D. The YTM is unaffected by the bond's price

ITEM ID: ISEC_E_000083

9. An equity research analyst is evaluating a company that has recently reported strong financial performance in its annual and quarterly reports. However, the company's earnings calls transcripts include cautionary language about emerging regulatory risks, and independent analyst reports suggest that revenue growth may be overstated. How should the analyst reconcile these conflicting signals of the company?
- A. Rely on the quantitative data from the annual and quarterly reports, assuming overall historical performance predicts future success
 - B. Base the investment decision on the cautionary statements found in the earnings calls, disregarding the strong financial numbers
 - C. Integrate quantitative financial analysis with a review of qualitative disclosures, while evaluating independent analyst reports
 - D. Focus on independent analyst reports, as they provide the equity analyst with unbiased external assessments of the company's performance



ITEM ID: ISEC_E_000088

- 10.** A company has \$1 million in cash, \$500,000 in equipment and \$200,000 in short-term investments. It also has \$300,000 in long-term debt and \$100,000 in accounts payable. How should these items be classified on the company's statement of financial position?
- A. Cash, short-term investments and accounts payable are classified as either current assets or current liabilities, while equipment and long-term debt are classified as non-current
 - B. Cash, short-term investments and equipment are classified as current assets, while accounts payable and long-term debt are classified as non-current liabilities
 - C. Cash and short-term investments are classified as current liabilities, while accounts payable, equipment and long-term debt are classified as current assets
 - D. Cash, short-term investments and equipment are classified as current items, while accounts payable and long-term debt are classified as non-current liabilities

ITEM ID: ISEC_E_000102

- 11.** A company's cash-flow statement shows a significant decrease in cash from operating activities, despite reporting strong net income for the period. Which of the following is the most likely explanation for this apparent discrepancy between the decrease in cash from operating activities and the increase in net income?
- A. The company made significant repayments on its long-term debt during the period
 - B. The company had high levels of non-cash expenses, such as depreciation
 - C. The company recorded a large portion of its sales on credit, increasing accounts receivable
 - D. The company issued new shares to raise capital, boosting cash flow

ITEM ID: ISEC_E_000107

- 12.** Company Y has the following financial information: current assets \$450,000 (composed of cash and cash equivalents \$80,000, accounts receivable \$150,000, inventory \$220,000); current liabilities \$300,000 (composed of accounts payable \$275,000, accrued expenses \$25,000). Which of the following statements is correct?
- A. The company's liquidity position is strong, as both the current ratio and quick ratio exceed 1
 - B. The company has enough liquid assets to cover its current liabilities, as the quick ratio exceeds 1
 - C. The current ratio indicates strong liquidity, but the quick ratio is below 1, suggesting problems in paying current liabilities
 - D. Both the current and quick ratios indicate weak liquidity, as the company has substantial inventory and accounts receivable



ITEM ID: ISEC_E_000117

- 13.** An investor is assessing a company's stock using data from its financial statements. The company reported earnings per share (EPS) of \$3.50 and an annual dividend of \$4.60 per share for the past year, and its stock is currently trading at \$42.00 per share. The industry average price-earnings (P/E) ratio for similar companies is 10. Using the P/E ratio, which of the following best indicates whether the stock is undervalued or overvalued based on its current valuation compared to the industry standard?
- A. The stock is undervalued, because its P/E ratio is 12
 - B. The stock is overvalued, because its P/E ratio is 12
 - C. The stock is undervalued, because its P/E ratio is 9
 - D. The stock is overvalued, because its P/E ratio is 9

ITEM ID: ISEC_E_000122

- 14.** Which of the following describes a type of information provided by equity issuers?
- A. Annual financial statements
 - B. Real-time stock price quotes
 - C. Trading volume data
 - D. Regulatory filings from exchanges

ITEM ID: ISEC_E_000130

- 15.** An economist is studying the equity markets of Canada and Japan to advise on international diversification strategies. They rely on a Canadian market index and a Japanese market index. How do these country-specific indices best assist the economist in making their recommendation?
- A. They provide rankings of corporate profitability within each country to highlight top-performing firms for investment
 - B. They offer a measure of each country's equity market performance to assess potential returns relative to global trends
 - C. They calculate the aggregate dividend yields for each country's stocks to prioritize income-generating opportunities
 - D. They assess the trading liquidity of each country's equity markets to guide the timing of market entry



ITEM ID: ISEC_E_000133

- 16.** On a single day, an institutional investor sells 2 million shares of a major technology stock at \$50 per share, representing 5% of the stock's average daily trading volume of 40 million shares. On the day prior to the trade, the stock closed at \$52, and on the day of the trade, it closed at \$49. The broader technology sector index remained unchanged. What does this data suggest about the market impact of the trade?
- A. The trade appeared to significantly disrupt the broader technology sector, due to the large volume sell-off
 - B. The trade appeared to significantly affect the stock's price, with no influence on other companies in the sector
 - C. The trade appeared to have a minor impact on both the stock's price and the prices of the wider sector
 - D. The trade appeared to have affected the stock's price, but the sentiment was counterbalanced in the wider sector

ITEM ID: ISEC_E_000142

- 17.** An institutional investor is considering purchasing shares of an exchange-traded fund (ETF). The ETF has a net asset value (NAV) of \$50.00 per share and it is currently trading at \$50.16 per share. Which of the following best explains the implications of this price discrepancy for the investor?
- A. The ETF is trading at a discount, which presents a buying opportunity for the investor
 - B. The ETF is trading at a premium, meaning investors are paying more than the value of the underlying assets
 - C. The ETF is priced correctly based on the NAV, ensuring the investor is buying at fair market value
 - D. The ETF's market price does not impact the investor's decision, as all ETFs always trade in line with NAV

ITEM ID: ISEC_E_000147

- 18.** An institutional investor is evaluating a leveraged exchange-traded fund (ETF) on the Toronto Stock Exchange (TSX) with a \$40 market price, a 3x daily leverage target on the S&P/TSX 60 and a 1.5% management fee. The institutional investor plans to hold it for one year amid expected market volatility (e.g. daily swings of $\pm 2\%$). Which factor most critically impacts their analysis of leverage's effect on this ETF's performance?
- A. The \$40 market price, driving higher entry costs compared to other non-leveraged alternative ETFs
 - B. The 1.5% management fee of the ETF, compounding to erode leveraged gains over the year
 - C. The TSX's daily volatility of $\pm 2\%$, amplifying the ETF's returns beyond 3x expectations
 - D. The 3x leverage, magnifying volatility and compounding losses in fluctuating markets over the year



ITEM ID: ISEC_E_000148

- 19.** An Investment Dealer's Registered Representative is helping to design a marketing campaign. The Representative is asked about investing in their firm's managed equity fund versus selecting individual equity securities. Which statement would be most likely to be used in their firm's promotional materials?
- A. A managed equity funds allow the investor maximum control over their investment decisions
 - B. Individual equity securities minimize rebalancing costs for investors through economies of scale
 - C. A managed equity funds offer diversification and requires less time commitment for the investor
 - D. Individual equity securities are the better choice for tracking broad market returns around the world

ITEM ID: ISEC_E_000153

- 20.** A hedge-fund manager is concerned about potential losses in their equity holdings due to market volatility. To mitigate risk while maintaining upside exposure to the market, they decide to use derivatives. Which of the following is the best risk-management strategy in this scenario?
- A. Buy put options on the hedge fund's holdings to limit downside risk while retaining upside potential
 - B. Enter into a forward contract to sell the equity holdings at a fixed price, locking in current market value
 - C. Establish a protective collar by buying put options and selling call options to hedge downside risk at a lower cost
 - D. Increase cash allocation within the hedge fund by liquidating a portion of equity holdings and using futures to replicate market exposure

ITEM ID: ISEC_E_000156

- 21.** An institutional client asks an Investment Dealer to sell 10,000 shares as quickly as possible while maximizing the sale price. The unprotected Alternative Trading System (ATS) has a higher bid price but lower trading volume. The Toronto Stock Exchange (TSX) Venture Exchange (TSXV) has more liquidity but a slightly lower bid price. What should the Investment Dealer consider most critically when choosing where to execute the order?
- A. The ATS's higher bid price, as it maximizes the sale price
 - B. The TSXV's higher liquidity, as it ensures faster execution
 - C. The difference in settlement rules, as this may delay the client's funds
 - D. The size of the order compared to each market's liquidity



ITEM ID: ISEC_E_000159

- 22.** An Investment Dealer executes a trade to buy shares for an institutional client. On the settlement date, the selling Investment Dealer fails to deliver the shares due to an administrative error. What should the buying Investment Dealer do to address this settlement failure?
- A. Cancel the trade and notify the client about the issue
 - B. Extend the settlement date and attempt delivery again
 - C. Report the failure to the clearing agency for guidance
 - D. Buy the shares elsewhere and recover the extra cost

ITEM ID: ISEC_E_000165

- 23.** Which of the following most accurately reflects the responsibilities of an Approved Person who intends to open a securities trading account with a different Investment Dealer?
- A. They should open the account first and inform their Dealer after opening, then begin trading
 - B. They are not required to report external trading accounts to their Dealer, as long as the account is marked as non-client (Pro)
 - C. They must inform their own Dealer, obtain approval and ensure that such approval is received before opening the new account
 - D. They only need approval from the Dealer at which the account is being opened, as their current Dealer does not oversee external accounts

ITEM ID: ISEC_E_000166

- 24.** What is an Investment Dealer required to do when an error in an institutional client's trade details is discovered after execution?
- A. Correct the error and inform the client promptly
 - B. Document the error for internal audit purposes
 - C. Report the error to the regulator immediately
 - D. Amend the details in the next reconciliation

ITEM ID: ISEC_E_000168

- 25.** The current market price per share is exactly \$49.75. What must an Investment Dealer do with a sell limit order from an institutional client for 100 shares at \$50.00 if the price first rises to exactly \$50.10 before then dropping to exactly \$49.88?
- A. Sell only if the price is exactly \$50.00
 - B. Sell at \$50.10 when the price rises
 - C. Sell at \$49.88 when the price drops
 - D. Sell immediately at \$49.75



ITEM ID: ISEC_E_000170

- 26.** Which of the following best describes how a proprietary trading desk operates within a financial institution?
- A. It executes client orders to earn commission fees
 - B. It hedges client risks using market derivatives
 - C. It trades firm capital to generate direct profits
 - D. It matches client trades with proprietary market intelligence

ITEM ID: ISEC_E_000177

- 27.** Which of the following best describes a key benefit of algorithmic trading related to its consistency?
- A. It executes trades instantly, capitalizing on short-term market movements
 - B. It processes large volumes of data to identify trading opportunities
 - C. It applies trading strategies uniformly, avoiding unpredictable human interventions
 - D. It reduces the need for manual trade execution, lowering operational costs

ITEM ID: ISEC_E_000184

- 28.** A large asset manager with varying liquidity demands needs execution services, and a sell-side Investment Dealer offers both agency and principal facilitation trading from inventory. Which statement best describes how these desks differ when meeting diverse client needs?
- A. Principal facilitation desks supply unlevered execution to the Investment Dealer, whereas agency desks perform leveraged transactions
 - B. Agency desks fulfil client orders without using the Investment Dealer's capital, while principal facilitation desks trade from inventory
 - C. Institutional clients typically handle trades independently, removing any need for specialized Investment Dealer services or varied approaches
 - D. Large asset managers have no real need for principal facilitation trading desk support due to the size of their own trading desk



ITEM ID: ISEC_E_000188

- 29.** An institutional manager needs in-depth sector research plus large-block trade execution for multiple pension accounts. The Investment Dealer proposes specialized analysts and a high-touch trading desk to handle these transactions efficiently. Which statement best explains how an Investment Dealer meets such institutional requirements?
- A. Investment Dealer services extend solely to underwriting equity offerings, excluding research tasks or block execution responsibilities
 - B. Prime brokerage focuses exclusively on lending securities, bypassing any related block trading or Investment Dealer analyst coverage steps
 - C. Comprehensive trading support plus targeted research insights show how Investment Dealers meet extensive institutional demands
 - D. Institutional clients must self-execute all large trades and compile any essential market research independently of the Investment Dealer

ITEM ID: ISEC_E_000195

- 30.** A foreign institutional investor wishes to buy listed securities, but potential jurisdiction limits may apply. How should the Approved Person proceed under the Investment Dealer's guidelines?
- A. Open the trading accounts for the investor and treat them as a retail client until jurisdictional limits have been checked
 - B. Consult the Investment Dealer's foreign-client onboarding policies, and confirm local restrictions before opening the account
 - C. Decline the service for this non-resident investor, because the jurisdictional limits prohibit Investment Dealer action
 - D. Follow the regulator's guidance on acting for foreign clients, and register the client as politically exposed

ITEM ID: ISEC_E_000197

- 31.** A large hedge fund requests a leveraged margin account for short-term trading, claiming their institutional status exempts them from the Investment Dealer's standard account checks. Which statement best describes whether this exemption applies and how to document that the large hedge fund understands margin risks?
- A. The hedge fund must confirm its understanding of margin risk, and the Investment Dealers must verify any institutional exemption
 - B. Institutional clients are relieved of margin disclosure requirements, as they are assumed to have the sophistication to make their own investment decisions
 - C. Exemptions remove verification requirements if the hedge fund's total assets surpass a set threshold, bypassing standard account checks
 - D. Suitability determination and written risk acknowledgments are waived upon the Investment Dealer recognizing the hedge fund as institutional



ITEM ID: ISEC_E_000205

- 32.** An Investment Dealer's corporate finance team learns about a pending takeover, putting the target company on a grey list. A corporate finance employee still attempts to buy shares despite these restrictions. Which statement best explains the role of the grey list?
- A. Grey lists help prevent trades fuelled by non-public information, blocking staff from using insider takeover knowledge
 - B. Such lists remain fully optional; staff can still trade if short-term profits appear especially attainable
 - C. Only the broker of record learns takeover details, letting other employees trade freely despite posted restrictions
 - D. The manager's personal preference is more relevant than the Investment Dealer policies, whose policies always authorize trades even with grey-listed securities

ITEM ID: ISEC_E_000213

- 33.** A Registered Representative (RR) personally owns shares in a tech start-up that they also recommend to certain institutional clients. How should the RR address this potential conflict under regulatory rules?
- A. Assess whether a conflict exists and, if so, disclose the conflict to the client before providing the recommendation
 - B. Sell the personal holding before providing recommendations, avoiding any potential conflict with the client's interests
 - C. Disclose the ownership to the Investment Dealer, and gain consent or withdraw the recommendation if objectivity is compromised
 - D. Delay the recommendation of the stock until sufficient time has passed to make any advantage to the RR negligible

ITEM ID: ISEC_E_000214

- 34.** An Approved Person agrees to sit on the Board of Directors of an issuer outside the firm, without disclosing the arrangement. Which steps best ensures compliance and mitigates potential conflicts of interest?
- A. Approved Persons may serve on external boards if the role is unpaid and unrelated to their professional responsibilities, with no need to inform the firm
 - B. Approved Persons must disclose the board position to the firm and obtain prior approval to ensure conflicts of interest are addressed and the activity does not breach firm policies
 - C. Serving on an external board is permissible as long as the Approved Person separates their personal and professional activities
 - D. Disclosure is only required if the board position of the Approved Person involves a financial interest or direct compensation



ITEM ID: ISEC_E_000216

- 35.** An Investment Dealer learns that one of their employees, an Approved Person, holds a senior role at a company trading through the Investment Dealer, raising potential conflict concerns. How should the compliance department address this issue?
- A. Recommend termination of the Approved Person's employment, because of the breach of policy and lack of integrity
 - B. Launch an internal investigation of the matter, delaying any disciplinary action or disclosure until the review is complete
 - C. Highlight the conflict to the Approved Person, require an attestation of independence and review training on outside activities
 - D. Require disclosure, evaluate impartiality and escalate the matter to the Investment Dealer's senior management team

ITEM ID: ISEC_E_000221

- 36.** An institutional hedge fund complains about unauthorized trades in a sub-account held at an Investment Dealer. How should an Approved Person handle a complaint received from an institutional client?
- A. Forward the complaints to an external ombudsman for review after the Investment Dealer has carried out a preliminary review
 - B. Escalate the complaint to their Supervisor, who is responsible for handling the complaint and filing it with the compliance department
 - C. Acknowledge the institutional client's complaint, investigate the matter as appropriate and communicate findings to the client
 - D. Inform the Designated Complaints Officer, send an acknowledgement letter to the client and ensure substantive responses are given

ITEM ID: ISEC_E_000227

- 37.** An Investment Dealer is reviewing the policies and procedures mandated by Canadian regulators for trading in the debt market. Which of the following best describes the main purpose of these requirements?
- A. To reduce systemic risk and promote transparent, orderly trading
 - B. To guarantee uniform pricing for all investors, regardless of market conditions
 - C. To limit market entry to only a handful of approved institutional participants
 - D. To standardize all transaction fees for every issuer in the marketplace



ITEM ID: ISEC_E_000230

- 38.** An institutional investor buys eight corporate bonds from XYZ Inc. Each bond has a \$1,000 par value, a 5% annual coupon and ten years to maturity. The current market price is \$98.25, reflecting changes in interest rates. If the investor holds these bonds for a full year, how much total coupon interest will they receive?
- A. \$49.12
 - B. \$50.00
 - C. \$393.00
 - D. \$400.00

ITEM ID: ISEC_E_000231

- 39.** An institutional investor holds a corporate bond purchased at par with three years remaining to maturity. It has a 4% annual coupon. Recent market interest rates have risen to 5% and the bond is now trading below par. The investor can either hold the bond until maturity or sell it now. Which statement best describes a key factor the investor should analyze when deciding whether to hold or sell?
- A. The bond's maturity date ensures that the investor will receive the full par value at redemption, which might outweigh temporary price declines
 - B. The coupon rate automatically adjusts to 5% if the investor holds the bond for at least another 12 months
 - C. Continuing to hold the bond assures higher coupon payments compared to any reinvestment alternative
 - D. If the bond is sold now, it will sell at par because the maturity date is still three years away

ITEM ID: ISEC_E_000252

- 40.** Which statement best describes how Canadian Depositary Receipts (CDRs) trade in Canada and whether holders receive proportionate voting and dividend rights?
- A. They remain locked until maturity, granting no fractional voting or dividend rights to holders
 - B. They trade freely on a Canadian exchange, but lack any voting or dividend entitlements
 - C. They are listed for open trading, and both voting and dividends reflect fractional ownership
 - D. They provide a fixed dividend schedule, but cannot be resold after purchase on market



ITEM ID: ISEC_E_000256

- 41.** An institutional investor compares domestic Class B shares with moderate dividends to a Canadian Depositary Receipt (CDR) on a foreign e-commerce stock (with hedging fees). Their aim is to achieve maximum long-term net gains despite uncertain exchange rates. Which approach best fits this goal?
- A. Always select domestic shares, concluding all currency exposure inevitably yields net losses, even with potential foreign growth
 - B. Use leverage on local shares to amplify potential returns, offsetting CDR hedging costs while avoiding exchange concerns
 - C. Avoid both alternatives, deducing that dividend-paying shares underperform currency-hedged assets in any foreseeable scenario
 - D. Choose the CDR if higher potential growth offsets currency moves and hedging fees, maximizing net returns overall

ITEM ID: ISEC_E_000262

- 42.** A manufacturing firm enacts a two-for-one reverse split to keep its share price above minimum listing standards. Which statement best addresses how this consolidation affects both share count and overall shareholder value?
- A. It permanently halves each investor's total economic value, effectively reducing their prior holdings by 50 percent
 - B. Reverse splits reduce shares outstanding but raise price proportionally, leaving each shareholder's total value unchanged
 - C. A reverse split ensures higher dividend payouts on fewer shares, boosting short-term income for all holders
 - D. Holders automatically forfeit part of their shares at no cost, letting the company reclaim pieces of ownership

ITEM ID: ISEC_E_000265

- 43.** A specialized manufacturer issues Class X preferred shares (participating dividends if profits exceed targets) plus Class Y preferred shares (fixed dividends, no surplus share). Which statement best captures these features' appeal and trade-offs for institutional investors?
- A. Class X holders get no extra dividends, even if profits rise, making Class Y far more compelling
 - B. Both share classes produce identical returns regardless of firm profitability or any limited voting provisions
 - C. Class Y's steady dividend always surpasses any additional payout when the company's net income unexpectedly jumps
 - D. Class X promises surplus-based dividends plus limited votes, while Class Y offers fixed income but no upside



ITEM ID: ISEC_E_000267

- 44.** A food distributor is issuing retractable preferred shares offering a fixed dividend but carrying redemption fees if sold early. How should an institutional investor weigh both the potential income and the associated costs when considering the long-term risk/return profile?
- A. The retractable feature eliminates redemption fees, guaranteeing full principal recovery at any time
 - B. Higher fees and penalties can reduce net returns, even if the dividend yield looks appealing
 - C. Retractable preferred shares always outperform common shares in total return
 - D. Early redemption fees are optional and rarely enforced by the issuer

ITEM ID: ISEC_E_000269

- 45.** An institutional investor debates buying common shares for potential gains or preferred shares with more stable dividends, noting that the issuer might cut common dividends if earnings fall. Which consideration best captures the trade-off between these share types?
- A. Preferred shares appreciate more quickly than common shares, especially once interest rates begin to drop
 - B. Preferred shares offer steadier dividends but limited growth, while common shares bring stronger capital gains
 - C. Common shares pay a superior income over preferred stock, ensuring stable returns unaffected by profit changes
 - D. Both share classes carry identical long-term risk profiles and dividend policies, ensuring no difference for investors

ITEM ID: ISEC_E_000274

- 46.** A beverage producer paid a \$2.00 annual dividend just now, with 4% growth projected, and the investor requires 9%. Which method correctly applies Gordon's growth model to find the fair stock price?
- A. Multiply the \$2.00 dividend by $(1 + 4\%)$, then divide the result by $(9\% - 4\%)$
 - B. Multiply the \$2.00 dividend by $(1 + 9\%)$, then divide the result by $(9\% - 4\%)$
 - C. Divide the \$2.00 dividend by $(1 + 4\%)$, then multiply the result by $(1 + 9\%)$
 - D. Divide the \$2.00 dividend by 9%, then multiply the result by $(1 + 4\%)$



ITEM ID: ISEC_E_000283

47. A global retailer reports \$300 million net income plus a \$50 million other comprehensive loss from foreign transaction. The global retailer then sells its foreign subsidiary, reclassifying that \$50 million loss. How does this event alter net income and total comprehensive income?
- A. Net income remains \$300 million and total comprehensive income \$250 million, unaffected by reclassifying the transaction loss
 - B. Neither net nor total comprehensive income changes, so reclassification exerts no noticeable effect
 - C. Reclassification never decreases net income, implying total comprehensive income must exceed \$250 million post-transaction
 - D. Net income drops to \$250 million when the \$50 million loss reclassification hits, leaving total comprehensive income at \$250 million

ITEM ID: ISEC_E_000286

48. A tech manufacturer sells part of its underperforming division for \$2 million, booking a net disposal gain in income. However, operating cash flow stays negative, raising warnings about ongoing day-to-day expense difficulties. What best explains this discrepancy?
- A. Proceeds appear under operating activities, offsetting the firm's negative cash flow to depict improved day-to-day liquidity
 - B. The inflow of cash resulting from the division's sale is an investing activity, so the operating deficit remains
 - C. Reporting any disposal gain in net income means no separate inflow must appear on the cash-flow statement
 - D. Including part-sale profits in net income automatically fixes negative operational cash flow, removing deficits or shortfalls

ITEM ID: ISEC_E_000289

49. A software firm receives a qualified auditor opinion due to scope limits on valuing proprietary intangible assets, with footnotes noting an intellectual property (IP) dispute affecting future revenue. Which statement is most accurate in explaining the significance of these findings for investors?
- A. A qualified opinion mirrors an unmodified one, so any note on IP conflicts or disputes carries no investor importance
 - B. Footnote disclosures remain optional and do not link to an auditor's judgement, having no influence on reported conclusions
 - C. Mentioning IP disputes in footnotes confirms imminent bankruptcy, nullifying any further investor analysis or concern
 - D. A qualified opinion shows unresolved risks; footnotes list intangible valuation issues and legal uncertainties, allowing closer scrutiny



ITEM ID: ISEC_E_000295

- 50.** An energy producer trades at a price-to-earnings (P/E) ratio of 30, exceeding its sector average of 20. While cyclical earnings for the company vary widely, it has recently raised its dividend. Which factor best explains how an analyst might view this high P/E ratio?
- A. A high P/E ratio in cyclical fields is generally expected, but comparing with other sectors would give a better understanding
 - B. Normalized earnings and dividend sustainability assessments using a dividend discount model tell if growth supports a high P/E ratio
 - C. Directly comparing a cyclical stock's P/E ratio to industry peers confirms immediate overvaluation, ending any deeper research
 - D. A dividend boost ensures lasting earnings strength and explains the high P/E ratio despite the variable earnings

ITEM ID: ISEC_E_000314

- 51.** A real-estate developer's offering memorandum warns of no guaranteed liquidity, yet promotional brochures promise "minimal risk and quick exit." Which step is most appropriate for an institutional investor to take to reconcile these conflicting claims and ensure compliance with Canadian disclosure rules?
- A. Contact the real-estate developer for an explanation of the wording in the brochure and memorandum
 - B. Ensure they file a complaint with the regulator as soon as reasonably practicable to halt any potential harm
 - C. Verify discrepancies in the official memorandum versus promotional claims via their Investment Dealer
 - D. Rely on the offering memorandum to ensure all potential risk is accounted for in the investment decision

ITEM ID: ISEC_E_000317

- 52.** An institutional client primarily holding long-term bonds fears rising rates and unexpected inflation. How might these macroeconomic changes threaten the institutional investor's income and principal?
- A. Rising interest rates lift bond values, protecting real coupon returns from any inflation-related damages
 - B. High rates plus inflation depress bond prices and shrink real coupon income for existing holders
 - C. Interest-rate risk affects equities only, ensuring fixed-income investors are immunized against inflation changes
 - D. Inflation increases the coupon on a bond, letting investors keep pace with rising consumer price levels



ITEM ID: ISEC_E_000323

- 53.** A fixed-income fund manager wants to add high-yield corporate bonds to an existing bond portfolio. Which action best balances increased credit risk with the fund's overall return objectives?
- A. Consolidate the fund's portfolio into one high-yield issuer, maximizing yield but ignoring broader fund diversification needs
 - B. Use short-equity futures on the Toronto Stock Exchange (TSX) as a direct credit hedge for the fixed-income allocation
 - C. Diversify the risk across multiple high-yield issuers while keeping investment-grade bonds to stabilize overall quality
 - D. Remove all lower-rated bonds after early price gains, retaining only safer bond issues so as to minimize risk

ITEM ID: ISEC_E_000330

- 54.** A pension fund uses mean variance theory to reduce total volatility while seeking growth. How should it allocate assets to achieve an efficient diversification strategy?
- A. Concentrate available capital into one high-yield bond issuer if historical returns look good
 - B. Use correlations across multiple asset classes to mix securities that do not move in lockstep
 - C. Place equal amounts into each security without analyzing underlying correlation or variance
 - D. Invest into a broad equity market index without any fixed-income or alternative assets

ITEM ID: ISEC_E_000332

- 55.** An equity analyst working at an institutional Investment Dealer applies the Capital Asset Pricing Model (CAPM) to a mid-cap primary resources company, then tests size and value factors. Which aspect best explains why these approaches might yield different required returns?
- A. CAPM already includes all firm-specific factors, making any multi-factor approach unnecessary
 - B. Multi-factor models encompass more than beta alone, shifting required returns beyond simple market risk
 - C. Adding more factors cuts required returns, regardless of the company's size or actual intrinsic characteristics
 - D. Multi-factor models assume zero correlation with the entire market, making typical beta measures obsolete



ITEM ID: ISEC_E_000337

- 56.** An institutional investor holds a broad-market exchange-traded fund (ETF) for diversification but sees a sector-specific index fund outperforming. The investor contemplates shifting capital to the new fund while remaining passive overall. Which approach would be the best one to take, and why?
- A. Make a short term switch to the new ETF in order to capture the outperformance observed over recent months
 - B. Sell part of the broad ETF holding to buy into the sector fund, balancing increased returns and risk from narrower exposure
 - C. Drop the passive investing strategy since the single sector's outperformance shows active investing is the better choice
 - D. Continue with the broad market ETF investment because sector performance variations are not relevant to future returns

ITEM ID: ISEC_E_000340

- 57.** A value-focused fund manager seeking short-term trends decides to add high-momentum growth shares and scales back undervalued sectors. Which statement best describes the potential effect of this unexpected style change?
- A. Adopting momentum stocks assures higher returns, removing the necessity to follow established value processes
 - B. Since growth and value investing are identical, this shift merely refines an existing long-term style approach
 - C. Changing from value-focus to growth-focus has little effect on credibility or the portfolio's overall risk characteristics
 - D. Style drift may seize quick gains but jeopardize the core thesis, confusing value-oriented clients and boosting risk

ITEM ID: ISEC_E_000341

- 58.** An equity manager follows buy-and-hold in large-cap stocks but fears price moves may cause sector drift. Which passive technique best manages long-term imbalance without raising turnover significantly?
- A. Apply market timing each quarter to tweak portfolio holding weights, downplaying the steady passive large-cap plan
 - B. Use derivative hedges that closely mimic active sector rotations, deviating from the buy-and-hold principles
 - C. Periodically rebalance or track an index, preserving low turnover yet managing sector weighting shifts properly
 - D. Let sector imbalances expand without restraint, trusting momentum to surpass any need for proper diversification



ITEM ID: ISEC_E_000343

59. A passive equity fund tracking a Canadian index sees a major energy stock dropped and a tech firm added. How should this be handled to minimize tracking error?
- A. Immediately align holdings with updated constituents to reduce tracking error, instead of waiting for the next rebalancing
 - B. Persist with the existing rebalancing schedule, ignoring any index changes until the routine portfolio adjustment occurs
 - C. Employ leverage to offset the removed energy weighting, skipping replacement by the newly listed technology firm
 - D. Liquidate existing positions quickly, rebuilding after the new index members fully settle in the market

ITEM ID: ISEC_E_000344

60. A pension fund pursues buy-and-hold corporate bonds yet sees yield-spread shifts in certain sectors, sparking doubts about strict passivity. Which approach best addresses these changes while preserving mostly passive principles?
- A. Ensure the fund holds bonds to maturity, ignoring all sector-based yield-spread changes or mispricing signals
 - B. Periodically rebalance into cheaper sectors to exploit mispriced spreads, preserving a mostly passive bond structure
 - C. Short-sell government bonds whenever spreads tighten, giving consistent outperformance across all market conditions
 - D. Abandon passive rules, adopting a fully active approach and discarding any index or buy-and-hold references

ITEM ID: ISEC_E_000345

61. A mining company launches a takeover bid for a smaller competitor, issuing a bid circular under National Instrument (NI) 62-104. Which requirement ensures minority shareholders have enough time and details for an informed decision?
- A. No official paperwork is necessary if the bidder expects quick acceptance and minimal minority objections overall
 - B. Extended review applies only to major holders, not minority investors, negating equal disclosure for smaller positions
 - C. A formal circular plus a minimum tender period allows shareholders to evaluate the details of the takeover bid properly
 - D. The bid may shut at any time, bypassing formal documentation and removing any mandated minority shareholder review



ITEM ID: ISEC_E_000349

- 62.** A mining corporation announces its annual shareholders meeting, issuing proxy materials and a management discussion on SEDAR+. Which statutory right ensures minority holders can attend, speak and vote on proposed resolutions?
- A. Only majority owners can cast votes, denying minority shareholders any meeting participation or official voice
 - B. Each shareholder, big or small, gets meeting notices, can question management and has full voting privileges
 - C. Meeting details remain confidential, revealed only after the event, withholding any prior transparency from minority holders
 - D. Proxy materials exclude forward-looking info, preventing potential biased voting yet denying thorough, detailed analysis for investors

ITEM ID: ISEC_E_000351

- 63.** A global crisis triggers commodity price swings, leading Canadian regulators to revise margin rules for futures. Which factor must a local Investment Dealer carefully address to comply while managing increased volatility?
- A. Avoid monitoring commodity exposures because intraday volatility is short-lived and requires no major margin adjustments
 - B. Reassess margin policies, secure extra collateral, and refine hedging to meet updated rules amid volatility
 - C. Encourage clients to disregard margin calls during volatility, trusting eventual rebounds to restore balances
 - D. Push for unlimited speculative positions for Investment Dealers since strict margin restrictions should not be a concern for regulators

ITEM ID: ISEC_E_000353

- 64.** An institutional investor is comparing investing into shares in a real-estate investment trust (REIT) versus units in an exchange-traded fund (ETF) where the ETF fund manager invests into REITs (a REIT ETF). Which statement correctly describes the difference between REITs vs REIT ETFs?
- A. Because REIT shares never trade publicly, a REIT ETF investment provides permanently higher, stable dividends than REIT shares
 - B. A REIT ETF invests directly into property, whereas a REIT invests indirectly into property indices
 - C. REITs can be non-exchange traded, limiting their liquidity, unlike REIT ETFs, which are always exchange-traded
 - D. ETFs are far less liquid compared to REITs, blocking intraday sales for interested real-estate investors



ITEM ID: ISEC_E_000355

65. A venture fund invests in an early-stage tech startup and also considers digital tokens issued by the startup. Which distinction must the investor clarify about private equity shares vs crypto-assets?
- A. Private equity shares list on Canadian exchanges, while digital tokens guarantee fixed redemptions upon maturity
 - B. Crypto-assets require formal due diligence, leaving private equity largely unregulated and free of scrutiny
 - C. Both private equity shares and digital tokens ensure guaranteed exit strategies within six months
 - D. Crypto-assets may be highly volatile, while private equity often imposes long lock-up periods and uncertain liquidity

ITEM ID: ISEC_E_000357

66. An institution is designing a structured product offering downside protection with a capped equity index return. Which consideration best explains trade-offs compared to investing directly in the index?
- A. Structured products mirror index gains, guaranteeing no upper limit or negative exposures for the investor
 - B. Downside buffers can curb higher returns, so investors must review costs and issuer credit risk
 - C. Directly holding the index alone provides identical capital protection found in structured product arrangements
 - D. All structured product losses are fully insured by regulators, ensuring no adverse impact during market crashes

ITEM ID: ISEC_E_000358

67. A pension fund considers investing into a toll highway for inflation protection and stable yield, yet sees potential illiquidity and regulatory hurdles. Which statement best describes the trade-offs of investing in a toll highway for a manager seeking both returns and risk awareness?
- A. A toll highway investment can hedge inflation but is illiquid, requires property upkeep and faces local regulatory constraints
 - B. Ownership of toll highways have negligible carrying costs and complete liquidity, avoiding any cyclical or regulatory worries
 - C. Toll highway investments are shielded from local regulations, removing cyclical threats that could undermine short-term profits
 - D. High toll highway user fees are irrelevant if management of the road is outsourced, guaranteeing minimal operational burdens for investors



ITEM ID: ISEC_E_000367

- 68.** An Investment Dealer grants direct electronic access (DEA) to a hedge fund, bypassing typical order-routing. However, the obligation under the Universal Market Integrity Rules (UMIR) to prevent violations such as layering or spoofing remains. Which statement best reflects the Investment Dealer's ongoing requirements obligations, if any?
- A. Monitor direct electronic order flow, detecting and preventing practices that could harm integrity
 - B. Investment Dealers bear no further responsibility for institutional clients' automated trading behaviours
 - C. Disclose the DEA to the relevant exchange and the exchange provides surveillance directly
 - D. Disclose prohibited practices to the client and require them to sign a market integrity acknowledgement

ITEM ID: ISEC_E_000369

- 69.** An Investment Dealer's Compliance Officer gets an anonymous tip alleging insider trading by an institutional client matching earnings leak rumours. What should the Compliance Officer do in this situation?
- A. Monitor the client's trading instructions and the trader's responses to assess if there is any collusion
 - B. Report the institutional client to the regulator and suspend the client's account until instructed to act otherwise
 - C. Permit the client's trading to continue, because the tip was anonymous and cannot be confirmed
 - D. Ensure the suspected insider trading is investigated and the regulators are notified if suspicions are confirmed

ITEM ID: ISEC_E_000370

- 70.** A fund manager chooses to place a market order to buy a highly liquid stock with their executing Investment Dealer. Which statement best reflects how the order will operate in this situation?
- A. It only fills at or below a chosen price, providing little immediate guarantee of full execution
 - B. It seeks the best available price with no limit on the price paid, ensuring full execution immediately
 - C. It seeks an instant fill, but can decline partial quantities where suitable matches do not exist
 - D. It masks the majority of the order, making only a small portion visible to the market at any point in time



ITEM ID: ISEC_E_000377

- 71.** A sales trader, regulated as a Registered Representative, misses an institutional client's call to change a limit order, returning too late and losing the market window. The client insists the sales trader should have been reachable for timely updates. Which statement aligns with best practices in the situation under trade-management requirements?
- A. Sales traders should clearly disclose their market hours to ensure clients are aware of when orders can be received and executed in a timely manner
 - B. Sales traders should be continuously accessible during market hours to ensure they can modify orders quickly, demonstrating trade accuracy and timeliness standards
 - C. Sales traders should provide guided direct electronic access to run alongside the Registered Representative during times of unavailability
 - D. Sales traders should achieve best execution at the time of order placement, and should happen as soon as reasonably practicable

ITEM ID: ISEC_E_000381

- 72.** A sell-side desk uses an algorithm to minimize market impact on large equity orders, but data shows possible over-optimization. Which statement best addresses the impact of this?
- A. It can cause slower trades, missing beneficial price windows and yielding partial or incomplete large trades
 - B. The algorithm can execute the trades in a single block, guaranteeing best prices under variable market conditions
 - C. It can target price risk rather than return and make speed an irrelevant factor in the algorithm
 - D. It removes the need for recalibration, since the system autocorrects given market conditions

ITEM ID: ISEC_E_000393

- 73.** In which of the following scenarios is an Investment Dealer required to assess the suitability of an investment recommendation for an institutional client?
- A. An investment firm managing multi-million dollar portfolios requests a high-dollar value investment product
 - B. A hedge fund with a history of low-value investments asks for advice on a derivative product where they have limited investment experience
 - C. A government pension fund, known for managing large-scale, diversified portfolios, requests a specific fixed-income investment
 - D. A well-established insurance company with a track record of managing investments in various asset classes asks for information on a new product



ITEM ID: ISEC_E_000403

- 74.** A Registered Representative is reviewing an institutional client's account. Why is it important that they understand the securities held, especially those that have been transferred in or acquired through client-directed trades?
- A. To determine whether the investments are performing well in the market and if trades should be made for the client
 - B. To ensure that they understand the potential obligations under the investments that might fall to the client
 - C. To assess the potential for new investment opportunities and strategies that might interest the client
 - D. To ensure there is a diversified mix of low-risk and high-risk growth securities held in the account at all times

ITEM ID: ISEC_E_000414

- 75.** An Investment Dealer is preparing to open an account for a new institutional client. During onboarding, the Investment Dealer identifies a material conflict involving compensation tied to certain investment products. Which of the following actions best satisfies the Investment Dealer's conflict-disclosure obligations before opening the account?
- A. Disclose in writing a conflict policy statement and refer the client to a general conflicts website for more detailed information if desired
 - B. Disclose in writing the existence of conflicts during the onboarding meeting and summarize them in an email with internal colleagues
 - C. Disclose in writing that compensation practices exist across the industry and require the client to sign a standard acknowledgment form
 - D. Disclose in writing the nature, potential impact and method the Investment Dealer will use to address the conflict

ITEM ID: ISEC_E_000426

- 76.** A Registered Representative (RR) is assisting a client who is interested in a newly launched alternative investment product. The RR does not have the specific registration or expertise required to advise the client on this product. What should the RR do to ensure the client receives the proper advice and guidance?
- A. Provide general information about alternative investments, including some potential risks and rewards
 - B. Direct the client to an internal subject-matter expert in the alternative investments department
 - C. Research external subject-matter experts and make a few recommendations to the client
 - D. Recommend a different product that the RR is more familiar with, checking it meets the client's goals



ITEM ID: ISEC_E_000428

- 77.** An Investment Dealer is facilitating the purchase of a particular equity investment for an institutional client. The issuer has issued a press release suggesting that they will need to raise financing in the near-term since a credit facility is nearing repayment. The Investment Dealer has acted as an underwriter to the issuer of the equities in the past. What is the most appropriate action for the Investment Dealer to address any potential conflict of interest?
- A. Purchase the shares as agent for the client without disclosure, since any conflict is managed internally by the firm
 - B. Disclose the conflict to the client and explain how it is addressed in the client's best interest
 - C. Avoid dealing in the shares on behalf of the client to avoid any conflict of interest
 - D. Purchase the shares as principal, then sell the shares to the client once the credit facility has been refinanced

ITEM ID: ISEC_E_000432

- 78.** A Registered Representative (RR) is offered a speaking fee and travel expenses for a seminar held by an issuer whose products are available through their Investment Dealer. The RR has institutional clients who hold or may be recommended these products. Which of the following actions best complies with CRO requirements?
- A. Decline the invitation to speak at the seminar to avoid potential conflict-of-interest breaches
 - B. Accept the invitation and the fee, and disclose this in the monthly expense report to their Supervisor
 - C. Inform the issuer of the potential conflict of interest and receive written confirmation of disclosure
 - D. Disclose the fee to clients and ask if they object before deciding whether to accept the invitation

ITEM ID: ISEC_E_000439

- 79.** An Approved Person has entered into a settlement agreement with an institutional client related to a contractual dispute. The individual now seeks to continue the business relationship with the same client. What is the regulatory view regarding the settlement agreement?
- A. The individual was correct to enter into the settlement agreement with the client to ensure that the contractual dispute was resolved
 - B. The individual must disclose the terms of the settlement agreement and any implications for the business relationship with the client
 - C. The individual is in breach of personal financial-dealing rules as any settlements must be agreed with the Investment Dealer in advance
 - D. The individual is in breach of personal financial-dealing rules as Approved Persons are prohibited from entering into settlement agreements



ITEM ID: ISEC_E_000450

- 80.** A firm's conflict-of-interest committee approves a new institutional client arrangement that could present a material conflict. Several months later, a compliance audit reveals no written documentation of the approval or related controls. Which requirement has most likely been violated?
- A. Assign a qualified supervisor to oversee the client relationship
 - B. Obtain client consent prior to conflict-of-interest committee approval
 - C. Implement conflict-of-interest checks for all institutional clients
 - D. Maintain proper records of the due diligence and approval process

ITEM ID: ISEC_E_000459

- 81.** How do floating-rate securities typically perform during periods of rising interest rates?
- A. They perform better than fixed-rate securities because their coupon rates adjust upwards
 - B. Their returns are more volatile as interest rates increase, making them riskier investments
 - C. Their performance is unaffected by interest rate changes since the coupon rate is fixed
 - D. They generally perform worse because their coupon rates decline with rising interest rates

ITEM ID: ISEC_E_000465

- 82.** A bond with a face value of \$1,200 has an annual coupon rate of 4% and is currently priced at \$1,150. The bond matures in five years. What is the approximate yield to maturity (YTM) for this bond?
- A. 4.53%
 - B. 4.94%
 - C. 5.02%
 - D. 6.78%

ITEM ID: ISEC_E_000471

- 83.** The Government of Canada issues a bond that is currently priced at par value. If the Bank of Canada announces a 0.5% cut in its key interest rate, what effect will this likely have on the bond's price?
- A. The bond price will rise
 - B. The bond price will fall
 - C. The bond price will remain at par
 - D. The bond price will be volatile and uncertain



ITEM ID: ISEC_E_000472

- 84.** A bond has a modified duration of six years. If interest rates increase by 1%, approximately how much will the bond's price change?
- A. Increase by 6%
 - B. Decrease by 6%
 - C. Increase by 1%
 - D. Decrease by 1%

ITEM ID: ISEC_E_000477

- 85.** A Canadian bond has a yield-to-maturity (YTM) of 4% and a modified duration of 4.5 years. If the yield increases by 0.5%, what is the approximate percentage change in the bond's price?
- A. -2.25%
 - B. +2.00%
 - C. +2.25%
 - D. -2.00%

ITEM ID: ISEC_E_000482

- 86.** An institutional investor wishes to value a corporate bond. The bond has two years to maturity, an annual coupon rate of 3% and a par value of \$500. The discount rate is 2.5%. What is the bond's present value?
- A. \$490.18
 - B. \$504.82
 - C. \$515.00
 - D. \$519.45

ITEM ID: ISEC_E_000493

- 87.** Which type of business structure is typically most flexible in terms of profit distribution and decision-making?
- A. Corporation
 - B. Co-operative
 - C. Non-governmental organization
 - D. Partnership



ITEM ID: ISEC_E_000497

- 88.** Under National Instrument (NI) 41-101 – General Prospectus Requirements, what is the primary purpose of a prospectus in a public offering?
- A. To provide investors with marketing material that complies with the requirements under communications with clients
 - B. To disclose comprehensive information about the issuer to enable potential investors to make an informed decision
 - C. To contribute to an Investment Dealer’s due diligence on the issuing company when underwriting an issue
 - D. To ensure that the relevant securities commission has the latest information on the companies that are going public

ITEM ID: ISEC_E_000502

- 89.** A corporation has issued both common and preferred shares. Which of the following statements most accurately describes the dividend rights of the common shareholders in this corporation?
- A. They have the right to receive dividends only if the corporation achieves a specified revenue threshold
 - B. They will only receive any dividends once the preferred shareholders have been paid their dividend
 - C. They are entitled to receive a fixed dividend payout every year, regardless of the corporation’s financial performance
 - D. They can receive dividends at any time, even if preferred dividends have been cancelled by the board of directors

ITEM ID: ISEC_E_000504

- 90.** What does the transferability feature of common shares refer to?
- A. The ability of shareholders to transfer ownership without restrictions
 - B. The restriction on transferring shares unless the company gives approval
 - C. The ability of shareholders to transfer voting rights
 - D. The right to transfer dividend payments to another party



ITEM ID: ISEC_E_000512

- 91.** An institutional investor is considering purchasing a Canadian Depositary Receipt (CDR) instead of buying a foreign share directly. Which of the following best describes the two primary advantages of buying the CDR in Canadian dollars?
- A. It ensures the investor can trade the CDR at a discount to the underlying share price and eliminates any exposure to changes in interest rates
 - B. It provides the investor with a higher dividend payout and removes market risks associated with a foreign company
 - C. It allows the investor to avoid currency conversion fees and reduces the impact of foreign-currency fluctuations on investment returns
 - D. It gives the investor access to private-equity opportunities and avoids regulatory reporting requirements for foreign securities

ITEM ID: ISEC_E_000515

- 92.** An institutional investor holds depository receipts (DRs) representing shares of a foreign company. The institutional investor observes the underlying share price increased by 8%, but the price of their DRs only increased by 5%. What is the most likely explanation for this difference?
- A. The bank that issued the DR increased custodial fees by 3%
 - B. The foreign government imposed a dividend withholding tax of 3%
 - C. The foreign currency depreciated by approximately 3%
 - D. The DR trading liquidity decreased by approximately 3%

ITEM ID: ISEC_E_000537

- 93.** An institutional investor is comparing two listed companies in the same sector using the price-to-earnings (P/E) ratio. Company A has a P/E of 15, while Company B has a P/E of 20. Assuming all else is equal, which of the following would be the most reasonable conclusion?
- A. Company A's stock is overvalued relative to Company B's stock
 - B. Company B's stock is more liquid than Company A's stock
 - C. Company A's stock is more expensive relative to its earnings than Company B's stock
 - D. Company B has an expectation for higher future earnings growth than Company A



ITEM ID: ISEC_E_000542

94. A financial analyst is reviewing a high-growth technology firm that has not yet achieved profitability. Which stock valuation approach is most appropriate?
- A. Price-to-earnings ratio
 - B. Price-to-sales ratio
 - C. Dividend discount model
 - D. Net asset value

ITEM ID: ISEC_E_000547

95. A Canadian manufacturing company relies heavily on loans for expansion. If the Bank of Canada signals future interest-rate hikes, what is the best course of action for the company?
- A. Delay borrowing and expansion until interest rates stabilize
 - B. Increase borrowing immediately after rates rise
 - C. Continue borrowing at the same pace since rate hikes have no long-term impact
 - D. Reduce workforce to offset potential future borrowing costs

ITEM ID: ISEC_E_000563

96. An Investment Dealer discovers that an employee has been taking money from the firm, disguising their actions using client transactions. This discovery came to light when reviewing whether employees had taken the mandatory annual two-week vacation required by the Dealer's risk-management policy. What type of risk is the institution most exposed to?
- A. Insider trading risk
 - B. Operational risk
 - C. Bribery risk
 - D. Money laundering risk

ITEM ID: ISEC_E_000567

97. Which of the following metrics is most relevant for understanding how much a stock's value has dropped from its peak during a market downturn?
- A. Beta
 - B. Maximum drawdown
 - C. Standard deviation
 - D. Sharpe ratio



ITEM ID: ISEC_E_000572

- 98.** According to loanable funds theory, if savings increase loanable funds supply by 20% but government borrowing also raises loanable funds demand by 10%, what is the most likely short-term interest rate effect?
- A. The interest rate will increase
 - B. The interest rate will decrease
 - C. The interest rate will stay the same
 - D. The interest rate will fluctuate unpredictably

ITEM ID: ISEC_E_000581

- 99.** Under the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, what must an Investment Dealer do if an institutional client refuses to provide beneficial ownership information as part of account opening or ongoing due diligence?
- A. Proceed with the account opening, provided the client is a large, reputable institution
 - B. Delay opening the account until the client agrees to a higher transaction threshold
 - C. Decline to open the account, or freeze the relationship and consider filing a suspicious transaction report, as required
 - D. Rely on the client's self-certification that they are exempt from beneficial ownership disclosure requirements

ITEM ID: ISEC_E_000582

- 100.** An institutional client receives a large wire transfer from a third party based in a foreign jurisdiction listed under Canadian sanctions regulations. What action must the Investment Dealer take?
- A. Accept the wire transfer without delay, as institutional clients are subject to reduced scrutiny by the Investment Dealer
 - B. Report the transaction to senior management, block the funds and determine whether a report must be made to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)
 - C. Contact the third party's financial institution for clarification and proceed once basic information is received
 - D. Process the transfer and take reasonable steps to monitor activity in the account more frequently going forward



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1.

ITEM ID: ISEC_E_000006

KEY: B

2.

ITEM ID: ISEC_E_000017

KEY: B

3.

ITEM ID: ISEC_E_000027

KEY: B

4.

ITEM ID: ISEC_E_000033

KEY: C

5.

ITEM ID: ISEC_E_000041

KEY: B

6.

ITEM ID: ISEC_E_000047

KEY: B



7.

ITEM ID: ISEC_E_000058

KEY: B

8.

ITEM ID: ISEC_E_000067

KEY: A

9.

ITEM ID: ISEC_E_000083

KEY: C

10.

ITEM ID: ISEC_E_000088

KEY: A

11.

ITEM ID: ISEC_E_000102

KEY: C

12.

ITEM ID: ISEC_E_000107

KEY: C



13.

ITEM ID: ISEC_E_000117

KEY: B

14.

ITEM ID: ISEC_E_000122

KEY: A

15.

ITEM ID: ISEC_E_000130

KEY: B

16.

ITEM ID: ISEC_E_000133

KEY: D

17.

ITEM ID: ISEC_E_000142

KEY: B

18.

ITEM ID: ISEC_E_000147

KEY: D



19.

ITEM ID: ISEC_E_000148

KEY: C

20.

ITEM ID: ISEC_E_000153

KEY: A

21.

ITEM ID: ISEC_E_000156

KEY: D

22.

ITEM ID: ISEC_E_000159

KEY: C

23.

ITEM ID: ISEC_E_000165

KEY: C

24.

ITEM ID: ISEC_E_000166

KEY: A



25.

ITEM ID: ISEC_E_000168

KEY: B

26.

ITEM ID: ISEC_E_000170

KEY: C

27.

ITEM ID: ISEC_E_000177

KEY: C

28.

ITEM ID: ISEC_E_000184

KEY: B

29.

ITEM ID: ISEC_E_000188

KEY: C

30.

ITEM ID: ISEC_E_000195

KEY: B



31.

ITEM ID: ISEC_E_000197

KEY: A

32.

ITEM ID: ISEC_E_000205

KEY: A

33.

ITEM ID: ISEC_E_000213

KEY: C

34.

ITEM ID: ISEC_E_000214

KEY: B

35.

ITEM ID: ISEC_E_000216

KEY: D

36.

ITEM ID: ISEC_E_000221

KEY: B



37.

ITEM ID: ISEC_E_000227

KEY: A

38.

ITEM ID: ISEC_E_000230

KEY: D

39.

ITEM ID: ISEC_E_000231

KEY: A

40.

ITEM ID: ISEC_E_000252

KEY: C

41.

ITEM ID: ISEC_E_000256

KEY: D

42.

ITEM ID: ISEC_E_000262

KEY: B



43.

ITEM ID: ISEC_E_000265

KEY: D

44.

ITEM ID: ISEC_E_000267

KEY: B

45.

ITEM ID: ISEC_E_000269

KEY: B

46.

ITEM ID: ISEC_E_000274

KEY: A

47.

ITEM ID: ISEC_E_000283

KEY: D

48.

ITEM ID: ISEC_E_000286

KEY: B



49.

ITEM ID: ISEC_E_000289

KEY: D

50.

ITEM ID: ISEC_E_000295

KEY: B

51.

ITEM ID: ISEC_E_000314

KEY: C

52.

ITEM ID: ISEC_E_000317

KEY: B

53.

ITEM ID: ISEC_E_000323

KEY: C

54.

ITEM ID: ISEC_E_000330

KEY: B



55.

ITEM ID: ISEC_E_000332

KEY: B

56.

ITEM ID: ISEC_E_000337

KEY: B

57.

ITEM ID: ISEC_E_000340

KEY: D

58.

ITEM ID: ISEC_E_000341

KEY: C

59.

ITEM ID: ISEC_E_000343

KEY: A

60.

ITEM ID: ISEC_E_000344

KEY: B



61.

ITEM ID: ISEC_E_000345

KEY: C

62.

ITEM ID: ISEC_E_000349

KEY: B

63.

ITEM ID: ISEC_E_000351

KEY: B

64.

ITEM ID: ISEC_E_000353

KEY: C

65.

ITEM ID: ISEC_E_000355

KEY: D

66.

ITEM ID: ISEC_E_000357

KEY: B



67.

ITEM ID: ISEC_E_000358

KEY: A

68.

ITEM ID: ISEC_E_000367

KEY: A

69.

ITEM ID: ISEC_E_000369

KEY: D

70.

ITEM ID: ISEC_E_000370

KEY: B

71.

ITEM ID: ISEC_E_000377

KEY: B

72.

ITEM ID: ISEC_E_000381

KEY: A



73.

ITEM ID: ISEC_E_000393

KEY: B

74.

ITEM ID: ISEC_E_000403

KEY: B

75.

ITEM ID: ISEC_E_000414

KEY: D

76.

ITEM ID: ISEC_E_000426

KEY: B

77.

ITEM ID: ISEC_E_000428

KEY: B

78.

ITEM ID: ISEC_E_000432

KEY: A



79.

ITEM ID: ISEC_E_000439

KEY: C

80.

ITEM ID: ISEC_E_000450

KEY: D

81.

ITEM ID: ISEC_E_000459

KEY: A

82.

ITEM ID: ISEC_E_000465

KEY: B

83.

ITEM ID: ISEC_E_000471

KEY: A

84.

ITEM ID: ISEC_E_000472

KEY: B



85.

ITEM ID: ISEC_E_000477

KEY: A

86.

ITEM ID: ISEC_E_000482

KEY: B

87.

ITEM ID: ISEC_E_000493

KEY: D

88.

ITEM ID: ISEC_E_000497

KEY: B

89.

ITEM ID: ISEC_E_000502

KEY: B

90.

ITEM ID: ISEC_E_000504

KEY: A



91.

ITEM ID: ISEC_E_000512

KEY: C

92.

ITEM ID: ISEC_E_000515

KEY: C

93.

ITEM ID: ISEC_E_000537

KEY: D

94.

ITEM ID: ISEC_E_000542

KEY: B

95.

ITEM ID: ISEC_E_000547

KEY: A

96.

ITEM ID: ISEC_E_000563

KEY: B



97.

ITEM ID: ISEC_E_000567

KEY: B

98.

ITEM ID: ISEC_E_000572

KEY: B

99.

ITEM ID: ISEC_E_000581

KEY: C

100.

ITEM ID: ISEC_E_000582

KEY: B
