



CIRO · OCRI

Canadian Investment
Regulatory
Organization

Organisme canadien
de réglementation
des investissements

Supervisor Exam

Practice Exam – Questions

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ITEM ID: SPRV_E_000007

1. In regard to anti-money laundering programs, Investment Dealers must do which of the following?
 - A. Establish and maintain a risk-based compliance program
 - B. Initiate monitoring after identifying unusual client activity
 - C. Share client information with foreign regulators when requested
 - D. Apply a consistent due diligence process to all clients

ITEM ID: SPRV_E_000008

2. Upon receiving a complaint that a Registered Representative (RR) misrepresented a product's risk level, what is the Supervisor's first responsibility under CIRO rules?
 - A. Document the complaint, along with the RR's response
 - B. Refer the complaint to the Ombudsman for Banking Services and Investments (OBSI)
 - C. Direct the complaint to CIRO as it involves an external product
 - D. Log the complaint and escalate it to the designated complaints officer within two business days

Quarter-end approaches and an Investment Dealer launches an audit of new accounts opened during the past quarter.

The Supervisor leading supervisory audit team A carries out an audit of retail files. Team A compares approval timestamps with first-trade dates to confirm sign-off by the next business day, checks that each file contains the application, know-your-client (KYC) form, identity-verification record and acknowledgement of the relationship-disclosure package and reviews conflict-of-interest escalations. They also verify that the disclosure booklet outlines every product and service offered—advisory, managed, margin and fee-based—together with limitations, benchmarks and plain-language explanations of fees, turnover and tax effects on returns.

The Supervisor leading supervisory audit team B carries out an audit of institutional accounts. Team B retraces how several energy companies were classified as qualifying hedgers, ensuring files include hedging policies, volume data and written acknowledgements that speculative trades remain subject to suitability reviews. Other institutional files are tested for documentation showing why each client meets size and sophistication thresholds and how leverage or margin facilities align with the client-interest-first standard. System logs confirm that any change to beneficial ownership or trading authority triggered automatic reapproval and refreshed appropriateness controls.

The final report produced from the work of both teams will provide Directors with evidence that account approval, documentation, classification and disclosure obligations under CIRO rules are fully met.



ITEM ID: SPRV_E_000428

3. Under CIRO's account-approval rules and the review described, which missing item would constitute the clearest record-keeping breach?
- A. The account lacks the electronic timestamp showing next-day Supervisor approval of the application
 - B. The file lacks the client-signed initial acknowledgement page from the relationship disclosure package
 - C. The audit notes no business location certificate confirming conflicts were escalated during the onboarding
 - D. The folder lacks the system log proving appropriateness checks ran before first trades

ITEM ID: SPRV_E_000429

4. Under CIRO's hedger-classification standard, which evidence would best support the Investment Dealer's determination that the audited energy companies qualify as institutional hedgers?
- A. Letter from the Investment Dealer's risk committee stating the client intends to hedge projected output with futures during the year for price risks
 - B. Footnote in the client's annual report showing derivative gains and losses recognized as trading revenue against energy price movements during last year
 - C. Signed hedging policy and production schedule confirming futures volumes not exceeding forecast output and prohibiting speculative trades at all times by contract
 - D. Spreadsheet of last quarter's swap confirmations detailing settlement prices and counterparties for each commodity derivative executed during that review period

ITEM ID: SPRV_E_000430

5. During the quarter-end audit, which piece of evidence would best confirm that the account-appropriateness review put each prospective client's interests first?
- A. The Registered Representative (RR) maintained a log of features, benefits and costs for each new applicant's KYC, and Supervisor granted approval
 - B. Revenue worksheet projecting commissions if applicants adopt margin and contract for difference (CFD) features, demonstrating achievement of quarterly profitability targets
 - C. System dashboard showing the percentage of short-dated-option requests the appropriateness engine accepted after clients acknowledged the leverage-risk disclosure statement
 - D. Marketing brochure listing platform products, fee tiers and tax examples, accompanied by a disclaimer stating that investment choices remain the client's responsibility



ITEM ID: SPRV_E_000431

6. In team A's quarter-end audit, which record best satisfies CIRO's requirement to document that a new client's identity has been verified?
- A. Informal email from the RR stating they met the client in person and viewed a driver's licence while completing the application
 - B. System screenshot showing the appropriateness engine approved the account after the client clicked through the disclosure screens during online sign-up
 - C. Business location spreadsheet listing account numbers, projected commissions and margin limits for new clients opened last quarter, signed by sales management
 - D. Recorded ID verification number and RR stated they have met the client in person and viewed a physical driver's licence on the completed application

ITEM ID: SPRV_E_000432

7. During team A's audit, reviewers must confirm that every relationship-disclosure document contains which required element under CIRO content rules?
- A. Concise notice explaining the firm's privacy safeguards and how personal data are shared with external third-party service vendors
 - B. Plain-language outlining every account type offered by the firm, compensation structure and performance reporting for each service offered
 - C. Annual marketing summary describing upcoming webinars, promotional offers and educational campaigns for the new digital wealth platform online
 - D. Archived board minutes outlining supervisory findings, internal audit observations and management responses during the previous fiscal year report

ITEM ID: SPRV_E_000009

8. What procedural failure by a designated complaints officer could expose an Investment Dealer to regulatory penalties under CIRO Rules or Ombudsman for Banking Services and Investments (OBSI) guidelines?
- A. Providing OBSI with details of client correspondence related to the complaint
 - B. Delaying a response to the client beyond 90 calendar days without explanation
 - C. Allowing Registered Representatives to reply to complaints directly
 - D. Delegating internal investigations to business location-level staff



ITEM ID: SPRV_E_000022

- 9.** A Supervisor finds that an experienced Registered Representative (RR) has not updated written know-your-client (KYC) forms for most of their clients in several years, even though they say they confirmed the information verbally. What should the Supervisor do?
- A. Accept and document the verbal confirmation from clients supplied by the RR
 - B. Ensure that the RR updates KYC records during the next meeting held with the RR's clients
 - C. Ensure the RR regularly makes their best effort to contact clients to review and update their KYC information as appropriate
 - D. Require resolution by the next scheduled compliance review that the Supervisor holds with the RR

ITEM ID: SPRV_E_000023

- 10.** While managing multiple desks, a Supervisor delegates email surveillance to a qualified team lead. Assuming that proper records are kept, what else should the Supervisor do to ensure regulatory obligations are met?
- A. Schedule monthly check-ins with the team lead
 - B. Ensure compliance reviews and monitor the team's work
 - C. Maintain formal documentation as evidence of ongoing Supervisor oversight
 - D. Ensure the team is properly credentialed, then delegate full discretion

ITEM ID: SPRV_E_000037

- 11.** An institutional client shows a recent pattern of sending large aggressive orders at market open, which has created noticeable market disruptions. The client explains this is their usual strategy. What action should the Supervisor take?
- A. Allow the practice since institutional clients accept the trading risks
 - B. Review the activity for market integrity concerns
 - C. Advise the client regarding alternative execution approaches
 - D. No action, as surveillance has not expressed any concerns



ITEM ID: SPRV_E_000054

- 12.** A Registered Representative (RR) makes a report to their Supervisor regarding a client seeking to make an unsolicited purchase of shares in an issuer for which they are recorded as an insider. The issuer appears on the Investment Dealer's restricted list. The RR states the restriction was likely related to corporate actions that have since concluded. What is the best course of action for the Supervisor to take?
- A. Permit the trade as the corporate action has concluded
 - B. Allow the trade and mark the trade as unsolicited
 - C. Delay the trade until it is removed from the restricted list
 - D. Confirm the current restricted status and consult compliance

ITEM ID: SPRV_E_000059

- 13.** A new Supervisor has been appointed to a business location and has identified deficiencies in the record-keeping practices that have been followed previously. Which of the following records must be available for the purpose of auditing the supervision process?
- A. Delegations made to business location support staff
 - B. Sales performance reports
 - C. Product due diligence records
 - D. Annual compensation summaries

ITEM ID: SPRV_E_000060

- 14.** A responsible Supervisor reviews the documentation for a product presentation approved by a delegate Supervisor. The responsible Supervisor notices that the documentation provided for the product presentation was incomplete. What should the Supervisor do next?
- A. Ensure training is arranged for the delegate afterwards on the appropriate information to include in presentations and the correct sign-off process
 - B. Add review notes to the product presentation documentation that cover the additional detail and ensure these are mentioned in the presentation
 - C. Conduct a full review of the documentation to identify and address any incomplete requirements and re-approve the documentation once complete
 - D. Suggest the delegate Supervisor review the policies and procedures related to product presentation requirements and apply them in future



ITEM ID: SPRV_E_000063

- 15.** When must an Investment Dealer provide a leverage risk disclosure statement to a client?
- A. After a margin call is triggered on the client's investment account
 - B. When a client deposits an amount above a prescribed threshold
 - C. When a client borrowing funds to invest is identified
 - D. When the client opens a registered account at the firm

ITEM ID: SPRV_E_000072

- 16.** Which of the following best describes an Investment Dealer's authority under a standard derivatives trading agreement?
- A. The right to delay settlement of client trades to manage firm liquidity risks
 - B. The right to reject client orders or liquidate positions due to market risk conditions
 - C. The right to allocate trade executions unevenly among clients to optimize fees
 - D. The right to restructure client margin accounts as permitted under the terms of the agreement

ITEM ID: SPRV_E_000086

- 17.** Which of the following best reflects an Investment Dealer's supervisory responsibility when Approved Persons use interactive social media platforms?
- A. Restrict the use of interactive social media to marketing teams
 - B. Establish real-time reviews and pre-approvals of every post
 - C. Supervise real-time use and maintain records of supervision
 - D. Prohibit employees from using blogs for business purposes



During an internal compliance review at a full-service Investment Dealer, the head office supervision team examined the process for approving communications intended for client distribution. The review covered the previous six months of promotional campaigns and sales outreach across three regional business locations.

At the West Region business location, a senior Registered Representative (RR) distributed a market commentary letter that referenced performance of individual stocks across several client portfolios. No formal approval was obtained before the letter was sent to over 200 high-net-worth clients. The Supervisor believed internal data sources did not require preapproval for external distribution.

Elsewhere, a junior team member used a telemarketing script to promote a new high-yield product. The script included comparative yield references and phrases such as “one of the safest ways to grow your income.” The Supervisor was unaware the script was being used, as it had been adapted from an earlier internal training call.

A third review involved a promotional seminar hosted by the business location’s retirement planning team. The seminar materials included product-specific performance summaries and screenshots of individual account projections. The Supervisor reviewed the deck but did not flag the performance content, assuming that no prior approval was required because the session was “educational in nature.”

The head office supervision team has now advised the Investment Dealer’s management to update its procedures to clarify when approval is required before use, and to reinforce the Supervisor’s role in reviewing original and adapted materials that reference performance, product advantages or are used in solicitations.

ITEM ID: SPRV_E_000386

- 18.** To strengthen the process around materials used in promotional campaigns, what should the Supervisor ensure before any distribution occurs?
- A. All general market commentary must be pre-approved by a responsible Supervisor before being issued to clients
 - B. Materials for all content that are created using standard templates are not required to be pre-approved
 - C. Only senior team members distribute externally facing promotional seminar content containing performance outcomes
 - D. Any promotional seminar content referencing performance outcomes must receive approval prior to use



ITEM ID: SPRV_E_000387

19. Which detail from the communication practices reviewed would most likely require approval before being used?
- A. It included a generic market commentary and disclosed the RR's name and address
 - B. It adapted wording from a prior internal update sent to staff last quarter
 - C. It promoted a financial strategy using comparative and forward-looking statements
 - D. It was shared verbally by an RR in a one-on-one consultation with a client

ITEM ID: SPRV_E_000388

20. What should the Supervisor evaluate before approving materials used in group client sessions?
- A. The accuracy of outcomes or performance data and the relevance of disclaimers
 - B. The material omits product references in all visuals and reserves them for footnotes only
 - C. The number of clients that are likely to attend the session and their level of experience
 - D. The clear disclosure of education-related disclaimers in the headers of each section

ITEM ID: SPRV_E_000389

21. When would additional supervisory involvement be required for the distribution of communication?
- A. When the content was shared through a client relationship management (CRM) system and archived
 - B. When the content included language describing portfolio outcomes sent to clients
 - C. When the content mentioned internal client retention metrics in a training deck
 - D. When the content referenced a past webinar hosted internally but approved for external use

ITEM ID: SPRV_E_000390

22. What should the Supervisor do to avoid approval gaps when teams adapt previously used materials?
- A. Review the materials and validate with compliance that content can be widely distributed
 - B. Delegate all review responsibilities to the marketing team members to ensure consistency
 - C. Approve circulation when materials are modified by licensed personnel
 - D. Classify revised content as internal reference material if reused from templates



ITEM ID: SPRV_E_000098

- 23.** A regional business location of an Investment Dealer launches a new promotional campaign tailored to a local community, emphasizing exclusivity and high returns. What is the most significant risk the firm should evaluate?
- A. The risk that promotional messages may inadvertently promise guaranteed investment performance
 - B. The exposure to reputational harm if the campaign misaligns with regulatory standards
 - C. The likelihood that clients may misinterpret the intent of targeted campaign messaging
 - D. The potential for unapproved marketing content to be distributed by local representatives

ITEM ID: SPRV_E_000106

- 24.** An internal compliance review reveals that several audit findings from the previous year have not been addressed by a business location. What is the Supervisor's most appropriate response?
- A. Notify senior management and develop a corrective action plan with clear timeline
 - B. Document the oversight and wait for the next scheduled audit
 - C. Investigate the unaddressed findings directly before taking further action
 - D. Delegate the responsibility of follow-up to the compliance department

ITEM ID: SPRV_E_000120

- 25.** An Investment Dealer plans to deploy an automated onboarding tool for new online accounts and the Supervisor must select the configuration that complies with CISO rules while retaining their own non-delegable supervisory accountability. Which configuration should they choose?
- A. Enable automated ID-and-sanctions screening, but have the Supervisor approve any account flagged as an insider, vulnerable client or other exception
 - B. Outsource all identity and insider checks to a third-party vendor but retain any regulatory liability for errors
 - C. Let the algorithm auto-open accounts and require the Supervisor to sign one monthly certificate attesting CISO compliance
 - D. Disable all automation features as the supervisory task identified in CISO rules requires manual execution by the Supervisor



ITEM ID: SPRV_E_000124

- 26.** A Supervisor is reviewing four proposed retail derivative trades to decide whether they can proceed through the firm's automated approval system or must be escalated for manual review under CIRO's derivative-risk guidance:
1. a fully margined two-week long position in an exchange-traded gold futures contract used to hedge the client's physical bullion;
 2. a fifteen-to-one leveraged equity contract for difference (CFD) on a junior mining stock executed on an offshore platform;
 3. a five-year uncleared interest-rate swap with no initial or variation margin posted; and
 4. a short uncovered call option on a thin-volume biotech-index futures contract.

Which trade is most likely to qualify for standard automated approval without further supervisory escalation?

- A. The short-dated hedging long gold future on a regulated exchange
- B. The highly leveraged offshore equity CFD on the junior mining stock
- C. The five-year uncleared interest-rate swap with zero margin
- D. The uncovered short call on the thin-volume biotech-index future

ITEM ID: SPRV_E_000129

- 27.** Before any orders are placed in a new managed account, which step is expressly required by CIRO rules?
- A. The Supervisor completes and files the first post-trade suitability review once an order has executed
 - B. The client receives a written copy of its policy that guarantees fair allocation of investments among all managed accounts
 - C. The Portfolio Manager secures written permission to depart from the model strategy whenever market conditions shift abruptly
 - D. The Investment Dealer posts additional risk-weighted capital with CIRO equal to 1% of the managed assets



ITEM ID: SPRV_E_000137

- 28.** Which statement accurately reflects an exemption that applies to Order Execution Only (OEO) accounts under CIRO's OEO guidance?
- A. Suitability checks are unnecessary and post-trade surveillance may be skipped if clients sign the risk disclosure form
 - B. The account is exempt from suitability reviews but Investment Dealers must still monitor trades for market-abuse red flags
 - C. Daily manipulative-activity reviews are waived provided the platform blocks trades in restricted securities automatically
 - D. Registered Representatives may give occasional general advice without triggering suitability so long as no specific security is named

ITEM ID: SPRV_E_000141

- 29.** A retail client opens and closes eighty contracts for difference (CFDs) in one hour across three linked accounts, causing identical price spikes. Under CIRO supervision rules, which immediate action must the Supervisor take?
- A. Allow trading to continue and direct staff to draft a wash-trade memorandum for compliance review on the next business day
 - B. Raise margin requirements on all three accounts at the next settlement cycle while monitoring the client's order flow for further spikes
 - C. Freeze all further trading at once, escalate the suspected activity to senior compliance and open a written investigation file
 - D. Internally offset the positions and record a note in the daily blotter attributing the unusual activity to market-data latency



An Investment Dealer offers managed account services to its clients. Recently, the Investment Dealer's compliance department initiated a review of its managed account operations to ensure adherence to conflicts of interest regulations. During the review, several situations were identified:

1. A Portfolio Manager (PM) executed trades in a managed account in a security which affected the price favourably for a subsequent trade in the same security by the Investment Dealer for its proprietary account.
2. Shares were allocated to a managed account from an Initial Public Offering (IPO) that was underwritten by the Investment Dealer. The client had been notified of the Investment Dealer's involvement but had not provided prior written consent.
3. A PM purchased on a discretionary basis securities direct from an investment fund advised by the same PM.
4. A PM directed several client managed accounts to purchase securities from an investment fund. The fund is sub-advised by the PM's spouse, who is also registered as a PM at the same Investment Dealer. No disclosure was made to clients, and no exemption was obtained.
5. Shares from an IPO were allocated to managed accounts with no documented policy about fair distribution among clients. A commission was charged on the purchase.

The Investment Dealer's Supervisors are responsible for evaluating these situations and ensuring that appropriate steps are taken to address any conflicts of interest in compliance with regulatory requirements.

ITEM ID: SPRV_E_000476

- 30.** What is the primary concern regarding the timing of trades between the managed account and the Investment Dealer's proprietary account?
- A. The managed account received preferential pricing over the Investment Dealer's account
 - B. The Investment Dealer may have used information from the managed account's trade to its benefit
 - C. The Investment Dealer's PM failed to disclose information about the timing of the trade to the client
 - D. The Investment Dealer's trade volume during the short period will have exceeded regulatory limits

ITEM ID: SPRV_E_000477

- 31.** Under what condition can a managed account invest in the new issue?
- A. If the client is notified after the investment has been made
 - B. If the investment makes up less than 5% of the client's portfolio
 - C. If the investment is recommended by an independent analyst
 - D. If the PM receives the client's prior written consent



ITEM ID: SPRV_E_000478

- 32.** What conflict arises from the transaction between the managed account and the investment fund?
- A. The purchase by the PM takes advantage of confidential information
 - B. The PM has not provided written disclosure of the related fund to the client
 - C. The investment fund has not been discussed with the client before purchase
 - D. The transaction was not executed through a public exchange

ITEM ID: SPRV_E_000479

- 33.** Which of the following best describes the regulatory concern with the PM's spouse?
- A. The transaction involved a PM that purchased securities from a fund managed by a related party of the PM
 - B. The PM should have disclosed to clients if their spouse received direct compensation from the sale
 - C. The PM was required to pre-clear the transaction with the firm's investment committee to ensure fair treatment
 - D. The transaction was done on a discretionary basis without the PM receiving confirmation from the client

ITEM ID: SPRV_E_000480

- 34.** What is the primary issue with the allocation of IPO shares among managed accounts?
- A. The Investment Dealer should not have charged a commission
 - B. The managed account should not invest in new issues or secondary offerings
 - C. There was no documented policy to ensure fair allocation among clients
 - D. There is no evidence that the PM was connected to the issuer



ITEM ID: SPRV_E_000147

- 35.** An Investment Dealer is managing an Initial Public Offering (IPO), which is expected to open 30% higher than issue price. Minutes after the market closes on the day before issue, a Supervisor learns that a Portfolio Manager (PM) has diverted the entire retail tranche of the IPO to a managed account controlled by the manager's sibling. Meanwhile, four other eligible managed accounts received nothing. According to CIRO's managed-account conflict-of-interest procedures, what is the Supervisor's first mandatory step?
- A. Escalate to compliance for an urgent conflict review and place the allocation of IPO shares on hold
 - B. Freeze the allocated IPO shares and draft an overnight re-allocation plan for consideration by compliance
 - C. Deliver a written reprimand to the PM and record the incident in the supervision log, pending the quarterly audit
 - D. Cancel the firm's participation in the IPO and notify the underwriting syndicate that the shares will be declined

ITEM ID: SPRV_E_000158

- 36.** A Supervisor reviews four activities carried out by different Approved Persons. Based on Approved Person definitions, which activity requires immediate supervisory escalation?
- A. An Investment Representative emails a compliance-approved research summary to existing clients
 - B. A Registered Representative accepts an unsolicited order to buy a foreign-listed exchange-traded funds (ETF) after the market is closed
 - C. An Associate Portfolio Manager rebalances a managed account within parameters pre-set by the Portfolio Manager
 - D. An Investment Representative recommends and enters an order for a listed security for a retail client



ITEM ID: SPRV_E_000543

- 37.** A Supervisor is reviewing a Registered Representative's (RR's) onboarding documentation for a new institutional client opening a direct electronic access (DEA) account. While the client's overall financial sophistication is evident, the know-your-client (KYC) documents reveal that the institution's designated trading personnel have limited specific experience with DEA systems, and their internal trading oversight procedures for a DEA model are not clearly defined.

What is the Supervisor's most appropriate action before trading activity commences?

- A. Require the RR to have a supplemental interview with the institutional client, confirming their investment objectives and internal governance
- B. Escalate the issue directly to the Chief Compliance Officer (CCO) for a formal review of the RR's onboarding process for DEA accounts
- C. Ask the RR to contact the institutional client to clarify the limitations and risks of a DEA account, ensuring documented understanding
- D. Document the trading personnel's limited knowledge, flagging the account for enhanced supervisory review once initial trading in the account begins

ITEM ID: SPRV_E_000165

- 38.** An internal compliance alert shows that a prospectus amendment has been filed for a mutual fund. The amendment describes a shift from an "income" style to an "income and growth" style. When applying CIRO's know-your-product (KYP) monitoring rules, what must the Investment Dealer's Supervisor ensure the Registered Representative does first?

- A. Freeze new purchases and instruct product due-diligence staff to complete a suitability reassessment the next business day
- B. Permit trading only after each client signs a change-of-objective acknowledgement and the fund is highlighted in that client's monthly statement
- C. Ensure they assess the fund's new objectives promptly and verify and document that the new style continues to be appropriate for each client invested in the fund
- D. Rely on the order-entry KYP filter to block mismatched trades today and schedule a team review of the change at the next morning meeting



ITEM ID: SPRV_E_000171

39. A supervisory report for an integrated Investment Dealer reveals three problems with the accounts of a Registered Representative's (RR's) clients:
- A margin account is two days past a call.
 - An advisory client has written uncovered index calls outside stated risk limits.
 - An account for an employee of a different Investment Dealer began trading without necessary supervisory approvals.

Which response of the Supervisor best meets CRO's post-opening supervision standards?

- A. Contact the RR to contact each client and propose self-correction within a 48 hour period, leave positions open meanwhile and note the exceptions for escalation only if breaches remain on the third day
- B. Suspend trading in all three accounts, and ensure the RR addresses the overdue margin, approaches the advisory client to conduct a suitability review and obtains authorization from the employer of the third client
- C. Enhance monitoring of the margin and advisory account, raise house margin on the margin account, email derivatives risk disclosures to the advisory client and plan the non-client account discussion for the next supervisory meeting
- D. Maintain all three accounts unchanged, but add all three accounts to a daily watch list while summarizing the open exceptions for inclusion in the routine month-end compliance reporting package

ITEM ID: SPRV_E_000173

40. Which Universal Market Integrity Rules (UMIR) order type lets a participant satisfy the best-price obligation while skipping hidden liquidity?
- A. Market-on-close order that executes at the consolidated closing price of the primary market
 - B. Special terms order requiring negotiated settlement outside normal marketplace clearing cycles
 - C. Volume-weighted average price (VWAP) order pegged to the day's calculated VWAP benchmark
 - D. Bypass order entered solely to meet best-price rules against displayed volume



The Investment Dealer's compliance department has recently identified several issues across various account types:

1. Clients with advisory accounts have been instructing trades that deviate significantly from their documented investment objectives.
2. The in-house managed accounts team has been allocating lucrative investment opportunities predominantly to high-net-worth clients.
3. An internal audit revealed some concerns about the improper execution of trades within discretionary (non-managed) accounts.
4. The Investment Dealer has observed that certain margin accounts are consistently operating near or at their margin limits.
5. A retired Registered Representative (RR) sold their book to a colleague, another RR at the firm. The retired RR was found to be continuing to provide advice and gathering know-your-client (KYC) information for several of their former clients. The clients only hold tax-deferred Registered Retirement Income Fund (RRIF) accounts, but it raises concerns about the integrity of the suitability determinations.

The Investment Dealer's Supervisor is tasked with addressing some of these issues to ensure regulatory compliance for each account type while maintaining an integrated, overall view of each client's situation and activity. The Supervisor must ensure that policies, procedures and risk-management tools are effectively implemented.

ITEM ID: SPRV_E_000452

- 41.** Which of the accounts described in the scenario carry the greatest risk of conflict of interest?
- A. Managed accounts
 - B. Tax-deferred accounts
 - C. Discretionary accounts
 - D. Advisory accounts

ITEM ID: SPRV_E_000453

- 42.** What is the primary supervisory obligation with respect to the Investment Dealer's advisory accounts?
- A. Allow clients autonomy in their trading decisions, as they are responsible for their own choices
 - B. Place temporary restrictions on the client's trading capabilities until a full review is conducted
 - C. Escalate the deviations for further investigation and consult with legal counsel
 - D. Conduct a suitability assessment for each trade, discussing any deviations with the RR



ITEM ID: SPRV_E_000454

- 43.** Which supervisory risk is most significant in the managed accounts?
- A. The risk that internal compliance may overlook small, client-initiated orders that accumulate to significant exposures
 - B. The risk that the account decisions may deviate from documented investment objectives and risk profile
 - C. The risk of excessive trade volume due to automated trading algorithms that reduce the need for human oversight
 - D. The risk of clients becoming uninformed once managed authority is granted, reducing overall transparency

ITEM ID: SPRV_E_000455

- 44.** Which of the following is the most appropriate supervisory response to address the concerns in the tax-deferred accounts?
- A. Immediately initiate a client contact campaign to re-verify KYC information and assess suitability of past transactions
 - B. Suspend the RR's trading authority until the clients agree to sign a waiver of responsibility
 - C. Replace the RR on affected accounts and instruct clients to resubmit KYC forms before making further transactions
 - D. File a report with CIRO's Enforcement Division and await formal instructions before taking any further internal action

ITEM ID: SPRV_E_000456

- 45.** Which account type carries the most significant supervisory risk related to client exposure to losses?
- A. Discretionary accounts
 - B. Advisory accounts
 - C. Margin accounts
 - D. Tax-deferred accounts



ITEM ID: SPRV_E_000186

- 46.** Late in a monthly desk review, the surveillance team notes that all afternoon a block of client limit orders was smart-routed only to one thin marketplace, even though better displayed prices were available elsewhere. Under CIRO's periodic compliance-testing obligations, which marketplace rule must the dealer review to address this routing concern?
- A. Examine the audit-trail records to ensure every routing decision is timestamped against market data and that the feed latency did not distort price comparisons
 - B. Reassess the best-execution policy and router logic to confirm they compare real-time prices on every protected marketplace and document why the selected marketplace was chosen
 - C. Test electronic-access controls to verify the router's marketplace filters, connectivity thresholds and default settings are correctly calibrated for current liquidity conditions across markets
 - D. Review manipulative-trading surveillance to determine whether concentrating orders on the quieter marketplace created artificial volume patterns that could advantage proprietary or affiliated accounts

ITEM ID: SPRV_E_000201

- 47.** Which of the following statements best describes the purpose of National Instruments (NI) and Multilateral Instruments (MI) issued by the Canadian Securities Administrators (CSA)?
- A. NIs are legally binding rules adopted across Canada, while MIs apply only in some jurisdictions
 - B. Both NIs and MIs are non-binding policy statements meant to provide general guidance
 - C. NIs are internal memoranda written and issued by CSA staff, while MIs are advisory opinions
 - D. NIs are instruments only applicable to individual investors, while MIs apply to institutions

ITEM ID: SPRV_E_000202

- 48.** Which of the following statements best describes the mandate and jurisdiction of the Canadian Investment Regulatory Organization (CIRO)?
- A. A federal government agency that regulates all financial institutions across Canadian provinces and territories
 - B. The administrator of Investment Dealers that provide trading activity on Canada's securities marketplace
 - C. The regulator responsible for overseeing Investment Dealers and their activities across Canada
 - D. A policy advisory group setting guidance and standards without any investigation or enforcement authority



ITEM ID: SPRV_E_000203

- 49.** Which of the following correctly outlines the regulatory framework the Canadian Investment Regulatory Organization (CIRO) applies to Investment Dealers and how it enforces compliance?
- A. CIRO identifies violations of securities laws and imposes appropriate sanctions, supporting investor confidence
 - B. CIRO applies the Investment Dealer and Partially Consolidated (IDPC) Rules to Investment Dealers, supported by guidance notes, forms and standards
 - C. CIRO provides coverage to eligible clients to refund losses suffered in the event of the insolvency of an Investment Dealer
 - D. CIRO has an enforcement framework that applies to Investment Dealers' internal operations, though not to client-facing activities

ITEM ID: SPRV_E_000205

- 50.** A Supervisor at a CIRO-regulated Investment Dealer has questions in relation to protection for clients of the firm in the event of the firm's insolvency. What is the primary purpose and objective of the Canadian Investor Protection Fund (CIPF)?
- A. To safeguard the financial viability, ongoing profitability and solvency of registered Investment Dealers
 - B. To protect eligible customers of insolvent Investment Dealers with compensation for losses, within limits
 - C. To ensure clients are protected from financial loss in relation to money laundering and terrorist financing
 - D. To provide financial assistance to Investment Dealers facing temporary liquidity or insolvency challenges

ITEM ID: SPRV_E_000206

- 51.** An Investment Dealer that is partially compliant with regulatory capital requirements is facing severe financial distress. While the firm has not yet declared insolvency, regulators anticipate a collapse and are evaluating potential investor protection measures. Which of the following statements best describes the role of the Canadian Investor Protection Fund (CIPF) in this situation?
- A. Preemptively transfer client assets to a more stable investment firm to prevent losses before insolvency
 - B. Assess the firm's financial condition and only intervene if client assets are deemed at risk under its coverage rules
 - C. Ensure that all client accounts are fully reimbursed, regardless of their classification or firm registration status
 - D. Coordinate with the Canadian Securities Administrators (CSA) to restructure the firm and prevent insolvency



ITEM ID: SPRV_E_000207

- 52.** Which of the following best describes the primary function and purpose of the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)?
- A. To directly investigate and prosecute individuals or entities suspected of money laundering and terrorist financing activities in Canada
 - B. To establish and enforce rules and regulations that Investment Dealers must follow to prevent money laundering and terrorist financing
 - C. To analyze and disclose details related to suspected money laundering and terrorist financing to law enforcement and intelligence agencies
 - D. To provide financial support and resources to Investment Dealers for anti-money laundering and counter-terrorist financing compliance

ITEM ID: SPRV_E_000210

- 53.** Which of the following statements best describes the fundamental relationship between an Investment Dealer's supervisory system and its internal controls?
- A. The supervisory system is a subset of the internal controls, primarily focused on monitoring employee activities, while internal controls encompass all policies and procedures
 - B. Internal controls are the Investment Dealer's established policies and procedures, while the supervisory system is the framework and processes for ensuring these controls are working as intended
 - C. The supervisory system and internal controls are distinct, with the supervisory system focusing on regulatory compliance and the internal controls focusing on financial reporting accuracy
 - D. Internal controls are primarily preventative measures designed to avoid errors and non-compliance, while the supervisory system acts as a detective control to identify issues after they have occurred

ITEM ID: SPRV_E_000212

- 54.** Which statement is true in relation to Associate Portfolio Managers (APMs) providing advice to clients?
- A. They are obliged to obtain preapproval for their advice from their Portfolio Manager
 - B. They may provide advice independently as long as they are audited quarterly
 - C. They must check that they have preapproval for their advice from their Supervisor
 - D. They can provide advice under direct supervision if in the role for at least one year



ITEM ID: SPRV_E_000220

- 55.** What is the Investment Dealer's obligation if a client imposes investment restrictions in their managed account?
- A. Incorporate the restrictions after they've been reviewed and approved by the compliance department
 - B. Decline to open the account unless the restrictions are consistent with internal asset allocation models
 - C. Document the restrictions in the managed account agreement, if the Investment Dealer permits them
 - D. Accept the restrictions if they are also reviewed and approved by the client's registered Financial Planner

ITEM ID: SPRV_E_000226

- 56.** Under a two-tier supervision framework, what is the primary distinction between Tier 1 and Tier 2 supervision?
- A. Tier 1 supervision is performed by internal compliance officers, while Tier 2 supervision is conducted by external auditors
 - B. Tier 1 supervision focuses on strategic oversight at the head office, whereas Tier 2 supervision handles day-to-day operations at business locations
 - C. Tier 1 supervision involves the primary oversight of daily and monthly trade reviews, while Tier 2 supervision is broader oversight
 - D. Tier 1 supervision pertains to client interactions and Tier 2 supervision relates to product development and marketing strategies

ITEM ID: SPRV_E_000228

- 57.** A new client wishes to open an account with an Investment Dealer. During the know-your-client (KYC) process, the Registered Representative discovers that the client is a Politically Exposed Person (PEP) from a jurisdiction with high levels of corruption. As a Supervisor, what is the most appropriate course of action?
- A. Proceed with account opening, as the client has provided all required documentation
 - B. Flag the client for appropriate review and approval by senior management
 - C. Decline the account opening on the basis of the client's PEP status and advise the client in writing
 - D. Treat the client as any other, since PEP status does not influence their entitlement to opening accounts



ITEM ID: SPRV_E_000229

- 58.** A client frequently places large orders in listed low-volume securities, which are then quickly cancelled or modified. This pattern has been observed across multiple trading days. What should the Supervisor do in response to this activity?
- A. Allow the activity, as order cancellations are common in trading, but send a written notice
 - B. Report the suspicious activity to the compliance department for further investigation
 - C. Continue to monitor client trading behaviour to detect any wrongdoing in the future
 - D. Suspend the client's trading privileges and ask the exchange to conduct an investigation

ITEM ID: SPRV_E_000234

- 59.** A Supervisor detects that a Registered Representative has executed a series of frequent buy and sell orders in a client's account over the past month, with little overall change in the account's holdings but generating significant commissions. What type of activity does this raise a red flag for?
- A. Insider trading
 - B. Churning
 - C. Undue concentration
 - D. Front running

ITEM ID: SPRV_E_000241

- 60.** Which of the following is a key element for compliance staff conducting business location audits?
- A. Being physically present at the business location for an extended period to observe day-to-day operations
 - B. Being trained in marketing and advertising policies to assess business location compliance
 - C. Following a risk-based approach that covers all regulatory areas relevant to the business location
 - D. Reviewing findings with the business location manager for review and comment before escalation



ITEM ID: SPRV_E_000245

- 61.** An Investment Dealer operates a very busy business location in a remote part of the country, which focuses on complex derivatives trading. All Registered Representatives (RRs) have the necessary proficiency requirements for derivatives and are supervised by appropriately qualified Supervisors. The business location Supervisor has a lengthy history of trading in derivatives and has spent more than a decade supervising this business location. RRs and Supervisors across the Investment Dealer are encouraged to consult the business location Supervisor as the in-house derivatives expert.

What is the most significant internal risk factor that head office should proactively address regarding this location?

- A. The lack of autonomy given to the Registered Representatives due to supervision
- B. The risk of relying on one person's knowledge and expertise for a complex business line
- C. The potential risk of manipulation of client accounts due to a centralized decision point
- D. The tenure and remoteness of the Supervisor risks lack of proper oversight

ITEM ID: SPRV_E_000249

- 62.** When evaluating the overall risk profile of its network of business locations, what is a fundamental principle that the head office should adhere to?

- A. Applying a uniform supervisory approach across all business locations to ensure consistency and fairness
- B. Focusing supervisory resources on the largest business locations due to their higher revenue and risk contribution
- C. Completing formal compliance training and ensuring audits cover all relevant regulatory areas
- D. Tailoring supervisory oversight and resource allocation to the specific risks of each business location

ITEM ID: SPRV_E_000252

- 63.** A Supervisor is reviewing their Investment Dealer's activity involving a series of customized over-the-counter (OTC) swap agreements, carried out for a range of different clients. The firm has limited internal documentation supporting the trades. What is the most significant supervisory risk this creates?

- A. The swaps may expose the firm to margin shortfalls due to incorrect collateral treatment
- B. The firm may lack sufficient records to assess suitability, pricing and counterparty exposure
- C. The swaps may require preapproval by a clearing agency before trade execution
- D. The client may trigger transaction reporting thresholds under public disclosure rules



A Supervisor at a national Investment Dealer is completing a mid-year compliance sweep. They must:

- review recent enforcement files involving Approved Persons (APs);
- confirm the compliance department's escalation logs;
- test that delegated business location reviews followed head office parameters;
- verify that all exception reports and supporting records met the required retention periods; and
- document if Supervisor approval was evidenced when client updates were performed.

The file will be provided to Directors with evidence that each CIRO requirement for supervision, record-keeping and delegation controls has been met.

ITEM ID: SPRV_E_000416

- 64.** During the mid-year sweep, which activity most directly demonstrates the compliance department's duty to identify and escalate regulatory concerns?
- A. Verifying that exception reports and supporting records met required CIRO retention timelines
 - B. Testing whether delegated business location reviews adhered to the parameters set by head office compliance
 - C. Confirming that the escalation log showed timely reporting and resolution of outstanding supervision issues
 - D. Documenting how supervision authority was exercised when client records were amended in business location systems

ITEM ID: SPRV_E_000417

- 65.** Which step in the mid-year sweep most clearly shows compliance monitoring that current business location practices followed the Investment Dealer's policies?
- A. Ensuring that enforcement files on APs addressed emerging conduct trends and systemic policy gaps
 - B. Testing that delegated business location reviews followed the parameters set by head office compliance guidelines
 - C. Verifying that retention periods for exception reports satisfied head office record-keeping and audit standards
 - D. Documenting supervisory sign-offs each time client information was modified in the account management system



ITEM ID: SPRV_E_000418

- 66.** Which action in the mid-year compliance sweep best demonstrates the compliance department met the obligation to monitor and enforce the firm's supervisory policies?
- A. Testing completed business location reviews against head office parameters to verify that the written policies were applied consistently
 - B. Reconciling recent enforcement outcomes with escalation matrices to confirm alignment with the firm's disciplinary policy framework
 - C. Sampling retained exception reports to ensure their data conformed to the statutory record-keeping format and retention timetable
 - D. Reviewing amended client files to confirm supervisory notes documented timely risk assessment under the account-change policy

ITEM ID: SPRV_E_000419

- 67.** In the mid-year compliance sweep, which task best fulfils the compliance department's duty to demonstrate the exercise of supervision to senior management?
- A. Preparing a narrative that shows how supervision was applied when client records were amended across business locations
 - B. Testing whether archived exception reports and back-up data satisfied every statutory and CISO record-retention requirement
 - C. Matching each recent enforcement outcome to the firm's disciplinary grid to confirm consistency with escalation protocols
 - D. Confirming that every delegated business location review used the sampling ratios prescribed in the head office supervision manual

ITEM ID: SPRV_E_000420

- 68.** During the sweep, which task best shows the compliance department's duty to advise and inform personnel about regulatory obligations?
- A. Reviewing enforcement files and issuing guidance memos to staff on recurring rule breaches uncovered this quarter
 - B. Preparing a memo for dissemination to all staff impacted by recent rule changes and sharing updated policies and procedures
 - C. Confirming escalation logs include timestamps and recipient names for every incident reported since the last inspection
 - D. Verifying archived exception reports include supporting documents and are stored in accordance with statutory schedules



ITEM ID: SPRV_E_000260

69. What action should be taken if a designated Supervisor does not approve an account within 24 hours of the client's initial trade?
- A. Notify the client in writing and request an updated application
 - B. Cancel any pending transactions and close the account
 - C. Document the reason for the delay and escalate
 - D. Restrict the account to performing liquidating transactions

ITEM ID: SPRV_E_000263

70. Under CIRO rules applicable to Investment Dealers, which of the following conditions must be satisfied for a client to be classified as an institutional client, assuming that they request and consent to the status?
- A. The client is an individual with securities and precious metal bullion totaling at least \$10 million
 - B. The client is registered with a securities commission and maintains an active margin account
 - C. The client is a corporation or partnership with a formal investment committee and advisory registration
 - D. The client is interviewed in person by the Investment Dealer and approved by the Risk Committee

ITEM ID: SPRV_E_000270

71. How often must an Investment Dealer reassess know-your-client (KYC) information for a managed or discretionary account?
- A. Once every 36 months
 - B. Once every 24 months
 - C. Once every 12 months
 - D. Only if there is a material change in KYC circumstances

ITEM ID: SPRV_E_000279

72. Which of the following best describes an Investment Dealer's responsibility regarding the retention of client account records?
- A. Keep client account documents in a central archive for at least three years after account closure
 - B. Keep client records and approvals for at least five years after account closure
 - C. Maintain client records and approvals for at least seven years after account closure
 - D. Maintain client records and approvals for at least ten years after account closure



ITEM ID: SPRV_E_000283

- 73.** When must an Investment Dealer provide an updated relationship disclosure document to a client?
- A. At least every 24 months
 - B. When the client switches to a new advisor or business location
 - C. If there is a material change from the last disclosure
 - D. At least every 36 months

ITEM ID: SPRV_E_000286

- 74.** Which of the following is a requirement under the Universal Market Integrity Rules (UMIR) for maintaining an effective audit trail for trading activity?
- A. Recording each client's margin utilization at the time of order entry
 - B. Timestamping each order event in accordance with the firm's internal system logs
 - C. Timestamping each order event in accordance with synchronized clocks
 - D. A record of the client's trade date and settlement date cash balances

ITEM ID: SPRV_E_000287

- 75.** When trading on behalf of a client, which of the following would most likely be considered a manipulative or deceptive trading practice under the Universal Market Integrity Rules (UMIR)?
- A. Placing a buy order on one marketplace and later placing a sell order on another marketplace
 - B. Publicly displaying only part of a large volume order to reduce visible liquidity
 - C. Entering off-market bid orders to make it look like there is more demand or liquidity
 - D. Routing a large order using an algorithm that breaks it into smaller trades

ITEM ID: SPRV_E_000291

- 76.** Under the Universal Market Integrity Rules (UMIR), an investment Dealer should review trading activity under a risk-based approach using the appropriate tests or technological support. Which of the following is a valid consideration for a Supervisor when determining how frequently these reviews should occur?
- A. Whether the Investment Dealer's clients use margin or cash accounts
 - B. The disciplinary history of the Investment Dealer's Approved Persons
 - C. If the Investment Dealer employs algorithmic order routing systems
 - D. The value of assets held by the Investment Dealer in client accounts



ITEM ID: SPRV_E_000293

- 77.** A new Supervisor is appointed to oversee a high-risk advisory team. Which of the following actions must the firm take to ensure the Supervisor fulfills their gatekeeping responsibilities?
- A. Assign the Supervisor a compliance officer for additional support
 - B. Provide documented training on regulatory reporting and misconduct detection
 - C. Require the Supervisor to complete weekly trade reviews for all registrants
 - D. Direct the Supervisor to conduct random interviews with clients each quarter

ITEM ID: SPRV_E_000296

- 78.** A Supervisor is reviewing a set of promotional materials submitted by different Registered Representatives. Which of the following items is most likely to be prohibited?
- A. An invitation to a seminar stating that a structured note offers guaranteed gains in most market conditions
 - B. A quarterly newsletter comparing a fund's five-year performance to its benchmark
 - C. A market blog post attributing a fund's strong returns to proprietary strategies not available elsewhere
 - D. A social media post quoting a fund's average annual return with a reference and link to the prospectus

ITEM ID: SPRV_E_000541

- 79.** A client wants to open a margin account and indicates that their initial deposit will come from a personal line of credit although they have available funds in their cash accounts. The client's Registered Representative believes the client has sufficient income to manage both interest payments.

What is the Supervisor's obligation in this case?

- A. Approve the margin account once the client acknowledges the debt source and risk in writing
- B. Require confirmation that the client understands leverage risks and verify the available cash
- C. Defer the account opening until the client demonstrates the ability to repay the line of credit
- D. Ensure the use of leverage is disclosed and a leverage risk disclosure document is signed



ITEM ID: SPRV_E_000544

- 80.** A Supervisor reviewing system-generated alerts notices that a client with an Order Execution Only (OEO) account has been placing frequent, small intraday trades in junior mining stocks. The trading activity is consistent with patterns typically associated with high-frequency speculative trading.

What is the Supervisor's most appropriate course of action?

- A. Escalate for a suitability review, as OEO clients must align trades with risk profiles
- B. Allow the account to proceed, as clients are permitted to trade actively in OEO accounts
- C. Suspend the account and request justification for the trading frequency
- D. Contact the client to review their investment objectives and risk profile

ITEM ID: SPRV_E_000547

- 81.** A Supervisor's monthly review of a client's leveraged advisory account shows a 30% drop in market value since the last review. The client has previously used borrowed funds to invest in high-yield products. The Registered Representative confirms that the know-your-client (KYC) information was updated three years ago when the account was opened.

What is the Supervisor's most appropriate action?

- A. Initiate a KYC update and reassess suitability of the leveraged strategy
- B. Place the client's account on an internal watch list for daily performance review
- C. Request the client provide written acknowledgement of the losses as within their stated KYC
- D. Recommend an internal policy requiring dual approval for leveraged account transactions

ITEM ID: SPRV_E_000550

- 82.** A group of experienced capital markets professionals plans to establish a new Investment Dealer in Alberta that will engage in underwriting and distributing securities to the public, as well as providing investment advice.

To lawfully operate as an Investment Dealer and commence these activities in Alberta, which core registration and membership requirements must the potential Investment Dealer satisfy?

- A. It must register as a federal corporation with Corporations Canada and obtain membership with the Canadian Investment Regulatory Organization (CIRO)
- B. It must become a member of the Alberta Securities Commission (ASC) and secure a listing on the Toronto Stock Exchange (TSX)
- C. It must secure a listing on the TSX and become a participant in the Canadian Depository for Securities (CDS)
- D. It must register with the ASC and obtain membership with CIRO



ITEM ID: SPRV_E_000553

83. A Supervisor at an Investment Dealer discovers that a Portfolio Manager (PM) placed shares of a microcap company into several managed accounts. The Supervisor later learns the PM's spouse owns a company that recently received shares in the same issuer under a consulting agreement. This relationship was not disclosed to the Investment Dealer or to the clients in writing.

The PM says the agreement wasn't disclosed because the shares were never paid for, and the clients were told verbally that the spouse was connected to the issuer.

What is the Supervisor's most appropriate action?

- A. Require the PM to immediately provide written disclosure of the relationship to all affected clients and obtain their written consent to hold the shares
- B. Instruct the PM to reverse all trades of the microcap company shares, update their conflict of interest disclosure and provide the PM with a written warning
- C. Escalate the PM's conduct for a compliance investigation, suspend further trading in the issuer in managed accounts and issue a formal written warning
- D. Implement an immediate block on the PM's ability to place any new trades in microcap companies, pending a review of the conflict of interest policy

ITEM ID: SPRV_E_000556

84. A Supervisor is reviewing the transaction activity of a high-risk Politically Exposed Person (PEP) client. The review identifies multiple, large, round-sum deposits into the account, followed by immediate outward transfers to third-party accounts in jurisdictions known for higher money laundering risk.

What is the Supervisor's most appropriate action regarding this transaction pattern?

- A. Inform the client that all future transfers to third parties will be subject to a 72-hour hold period and enhanced due diligence scrutiny
- B. Require the client's Registered Representative to obtain detailed written explanations for each transaction from the client
- C. Recommend to compliance that the client's account be closed due to the transactions and the inherent risk of the PEP designation
- D. Increase the frequency and depth of ongoing monitoring for the account, and assess if a suspicious transaction report is required



ITEM ID: SPRV_E_000559

85. A Supervisor identifies that a Registered Representative (RR) has advised several retired clients, all with conservative risk profiles, to heavily concentrate their portfolios (over 50%) in a single sector-specific exchange-traded fund (ETF). The ETF invests in emerging market debt, and the RR cites its high yield as the rationale. The know-your-client (KYC) information for these clients reflects moderate income and a reliance on fixed income.

What is the Supervisor's most appropriate action concerning the suitability of these client portfolios?

- A. Instruct the RR to have the clients sign a specific risk acknowledgement form regarding the concentration risk
- B. Conduct an internal review of the ETF to confirm its listed risk rating aligns with the Investment Dealer's product shelf guidelines
- C. Place a temporary hold on the RR's ability to recommend or trade the specific emerging markets debt ETF products
- D. Review the affected clients' KYC and portfolio, requiring the RR to justify the suitability, and require remediation if unsuitable

The daily trade supervision system flagged several accounts under a Registered Representative (RR) of a Canadian Investment Dealer. The alerts included:

- high-frequency trading in small-cap securities;
- multiple same-day buy and sell transactions ("in-and-out" trading);
- significant commissions generated relative to account sizes; and
- trading in securities under regulatory investigation.

Upon review, the Supervisor noted that these accounts belonged to elderly clients with low to moderate risk tolerances.

ITEM ID: SPRV_E_000482

86. What is the primary concern with the trading pattern observed in the client accounts?

- A. Potential insider trading
- B. Excessive trading
- C. Lack of diversification
- D. Trading in foreign securities



ITEM ID: SPRV_E_000483

- 87.** What potential compliance concern arises when high-frequency trading generates significant commissions in accounts with conservative investment profiles?
- A. It may reduce client engagement with the RR, affecting suitability
 - B. It indicates the RR is placing client returns ahead of risk management
 - C. It shows inefficiency in trading procedures by the RR
 - D. It could be interpreted as churning, violating suitability obligations

ITEM ID: SPRV_E_000484

- 88.** What action should the Supervisor take upon identifying these trading patterns?
- A. Utilize monthly reviews to assess the situation
 - B. Immediately suspend the RR's trading privileges
 - C. Conduct a prompt review of impacted accounts and document findings
 - D. Monitor the alerts and keep track of any client complaints

ITEM ID: SPRV_E_000485

- 89.** If the Supervisor fails to act on these red flags, what potential consequences could arise?
- A. No consequences, if clients are not financially impacted
 - B. The Investment Dealer will receive a warning letter from CIRO
 - C. The RR would be held wholly accountable with fines
 - D. Regulatory sanctions against the RR, the firm and the Supervisor

ITEM ID: SPRV_E_000486

- 90.** What is the most appropriate supervisory action to ensure ongoing suitability is maintained?
- A. Escalate the account activity for compliance review and initiate a periodic suitability reassessment schedule for the affected accounts
 - B. Direct the RR to cease all trading in flagged accounts until the clients submit updated know-your-client documentation
 - C. Require the RR to provide and document an explanation of their trading strategy for each flagged transaction
 - D. Recommend that the accounts be reviewed for potential reassignment pending the outcome of a suitability investigation



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1.

ITEM ID: SPRV_E_000007

KEY: A

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ITEM ID: SPRV_E_000008

KEY: D

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ITEM ID: SPRV_E_000428

KEY: B

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ITEM ID: SPRV_E_000429

KEY: C

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ITEM ID: SPRV_E_000430

KEY: A

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KEY: D



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ITEM ID: SPRV_E_000432

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ITEM ID: SPRV_E_000009

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ITEM ID: SPRV_E_000023

KEY: C

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KEY: B

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ITEM ID: SPRV_E_000054

KEY: D



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ITEM ID: SPRV_E_000059

KEY: A

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ITEM ID: SPRV_E_000060

KEY: C

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ITEM ID: SPRV_E_000063

KEY: C

16.

ITEM ID: SPRV_E_000072

KEY: B

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ITEM ID: SPRV_E_000086

KEY: C

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ITEM ID: SPRV_E_000386

KEY: D



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ITEM ID: SPRV_E_000387

KEY: C

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ITEM ID: SPRV_E_000388

KEY: A

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ITEM ID: SPRV_E_000389

KEY: B

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ITEM ID: SPRV_E_000390

KEY: A

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ITEM ID: SPRV_E_000098

KEY: B

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ITEM ID: SPRV_E_000106

KEY: A



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ITEM ID: SPRV_E_000120

KEY: A

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ITEM ID: SPRV_E_000124

KEY: A

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ITEM ID: SPRV_E_000129

KEY: B

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ITEM ID: SPRV_E_000137

KEY: B

29.

ITEM ID: SPRV_E_000141

KEY: C

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ITEM ID: SPRV_E_000476

KEY: B



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ITEM ID: SPRV_E_000477

KEY: D

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ITEM ID: SPRV_E_000478

KEY: B

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ITEM ID: SPRV_E_000479

KEY: A

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ITEM ID: SPRV_E_000480

KEY: C

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ITEM ID: SPRV_E_000147

KEY: A

36.

ITEM ID: SPRV_E_000158

KEY: D



37.

ITEM ID: SPRV_E_000543

KEY: C

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ITEM ID: SPRV_E_000165

KEY: C

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KEY: B

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ITEM ID: SPRV_E_000173

KEY: D

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ITEM ID: SPRV_E_000452

KEY: C

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ITEM ID: SPRV_E_000453

KEY: D



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ITEM ID: SPRV_E_000454

KEY: B

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KEY: A

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ITEM ID: SPRV_E_000456

KEY: C

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ITEM ID: SPRV_E_000186

KEY: B

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ITEM ID: SPRV_E_000201

KEY: A

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ITEM ID: SPRV_E_000202

KEY: C



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ITEM ID: SPRV_E_000203

KEY: B

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KEY: B

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KEY: B

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ITEM ID: SPRV_E_000207

KEY: C

53.

ITEM ID: SPRV_E_000210

KEY: B

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ITEM ID: SPRV_E_000212

KEY: A



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ITEM ID: SPRV_E_000220

KEY: C

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ITEM ID: SPRV_E_000226

KEY: C

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ITEM ID: SPRV_E_000228

KEY: B

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ITEM ID: SPRV_E_000241

KEY: C



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ITEM ID: SPRV_E_000245

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ITEM ID: SPRV_E_000249

KEY: D

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ITEM ID: SPRV_E_000252

KEY: B

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ITEM ID: SPRV_E_000416

KEY: C

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ITEM ID: SPRV_E_000417

KEY: B

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ITEM ID: SPRV_E_000418

KEY: A



67.

ITEM ID: SPRV_E_000419

KEY: A

68.

ITEM ID: SPRV_E_000420

KEY: B

69.

ITEM ID: SPRV_E_000260

KEY: D

70.

ITEM ID: SPRV_E_000263

KEY: A

71.

ITEM ID: SPRV_E_000270

KEY: C

72.

ITEM ID: SPRV_E_000279

KEY: C



73.

ITEM ID: SPRV_E_000283

KEY: C

74.

ITEM ID: SPRV_E_000286

KEY: C

75.

ITEM ID: SPRV_E_000287

KEY: C

76.

ITEM ID: SPRV_E_000291

KEY: B

77.

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KEY: B

78.

ITEM ID: SPRV_E_000296

KEY: A



79.

ITEM ID: SPRV_E_000541

KEY: D

80.

ITEM ID: SPRV_E_000544

KEY: B

81.

ITEM ID: SPRV_E_000547

KEY: A

82.

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KEY: D

83.

ITEM ID: SPRV_E_000553

KEY: C

84.

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KEY: D



85.

ITEM ID: SPRV_E_000559

KEY: D

86.

ITEM ID: SPRV_E_000482

KEY: B

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KEY: D

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ITEM ID: SPRV_E_000484

KEY: C

89.

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KEY: D

90.

ITEM ID: SPRV_E_000486

KEY: A
