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| 09 | A | B | C | D | E |
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| 19 | A | B | C | D | E |
| 20 | A | B | C | D | E |
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| 23 | A | B | C | D | E |
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| 25 | A | B | C | D | E |
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| 27 | A | B | C | D | E |
| 28 | A | B | C | D | E |
| 29 | A | B | C | D | E |
| 30 | A | B | C | D | E |
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| 32 | A | B | C | D | E |
| 33 | A | B | C | D | E |
| 34 | A | B | C | D | E |
| 35 | A | B | C | D | E |
| 36 | A | B | C | D | E |
| 37 | A | B | C | D | E |
| 38 | A | B | C | D | E |
| 39 | A | B | C | D | E |

## PRACTICE QUESTIONS

Canadian Investment Regulatory Organization (CIRO)

# CIR1E

Canadian Investment Regulatory Exam (CIRE)

EDITION

Demo

QUESTIONS

9

FORMAT

Limited Edition PDF

# Before you begin

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## What this is

9 practice questions for Canadian Investment Regulatory Organization (CIRO) CIR1E , each with its answer key and an explanation. Answer a question before you read its key — the explanation is worth more once you have committed.

## If something looks wrong

Send us three things and we will check it:

- the exam code, CIR1E
- the question number
- the email address on your order

Write to **support@mometrix.net**. We reply within one business day.

**QUESTION 1**

SINGLE CHOICE

A registered representative is preparing a trade recommendation for a new client. Under CRO suitability requirements, what must the representative determine BEFORE recommending the trade?

- ☒ **A** The client's risk tolerance, investment objectives, and financial circumstances
- ☐ **B** The client's preferred broker-dealer for execution
- ☐ **C** The client's past trading history with other firms
- ☐ **D** The client's tax bracket for the current year

**ANSWER A**

**WHY** Under the Know-Your-Client (KYC) and suitability obligations, a registered representative must gather and assess information about the client's investment objectives, risk tolerance, time horizon, financial circumstances, and investment knowledge before making a recommendation. Options B, C, and D are either irrelevant or insufficient on their own for suitability.

**QUESTION 2**

SINGLE CHOICE

Under CRO rules, an account that is opened without completing the required KYC information is classified as:

- ☐ **A** An active account
- ☐ **B** A dormant account
- ☒ **C** An incomplete account, which cannot be traded until the required information is obtained
- ☐ **D** A discretionary account

**ANSWER C**

**WHY** CRO rules require that KYC information be collected before trading can take place in an account. Until the required information is obtained, the account is considered incomplete and trading must not be permitted on a recommended basis.

**QUESTION 3**

MULTIPLE CHOICE

Under CRO rules, which of the following are required disclosures a registered representative must make to a client? (Choose two.)

- ☒ **A** Any direct or indirect ownership interest in the security being recommended
- ☒ **B** Any compensation arrangements related to the recommended transaction
- ☐ **C** The personal political affiliations of the representative
- ☐ **D** The representative's home address

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**ANSWER A • B**

**WHY** Registered representatives must disclose material information that could affect a client's decision, including beneficial ownership in recommended securities and any compensation arrangements connected with the trade. Personal political affiliations and home addresses are not required disclosures.

**QUESTION 4**

SINGLE CHOICE

Which of the following best describes the supervisor's role at a CRO-regulated dealer member?

- ☐ **A** Personally approve every trade placed by every registered representative
- ☒ **B** Establish and maintain a supervisory system that ensures compliance with applicable rules and securities legislation
- ☐ **C** Execute trades on behalf of clients
- ☐ **D** Replace the compliance department's responsibilities

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**ANSWER B**

**WHY** Supervisors are responsible for establishing and maintaining an appropriate supervisory system — including written procedures, training, and review processes — to ensure the firm and its representatives comply with CRO rules and applicable securities legislation. They are not required to personally approve every trade, do not execute client trades, and do not replace the compliance department.

**QUESTION 5**

SINGLE CHOICE

Under CIRO Universal Market Integrity Rules (UMIR), a trade that is entered with no intention of executing — designed instead to influence market price or create a misleading appearance of trading activity — is known as:

- ☐ A A negotiated trade
- ☒ B A wash trade
- ☐ C A pre-arranged trade
- ☐ D A bulletin board trade

**ANSWER B**

**WHY** Under UMIR, a wash trade is an entered trade that involves no change of beneficial ownership and is intended to create a misleading appearance of trading activity or to influence price. Such trades are prohibited.

**QUESTION 6**

SINGLE CHOICE

Under CIRO rules, which practice is prohibited because it involves a representative trading for their own account ahead of a pending client order that is expected to affect the market price?

- ☒ A Trading ahead
- ☐ B Hedging
- ☐ C Cross-trading
- ☐ D Dollar-cost averaging

**ANSWER A**

**WHY** Trading ahead (also known as front running) occurs when a registered representative trades in a security for their own account ahead of a pending client order in the same security, taking advantage of the expected price impact of the client order. This is prohibited under CIRO rules.

**QUESTION 7**

SINGLE CHOICE

Under the duty of best execution, a dealer member must take reasonable steps to obtain the most favorable execution terms available for a client order. Which of the following is NOT a factor typically considered when assessing best execution?

- ☐ A Price
- ☐ B Speed of execution
- ☒ C The representative's personal preference for a particular marketplace
- ☐ D Certainty of execution

**ANSWER C**

**WHY** Factors considered in best execution include price, speed, certainty of execution, and overall cost. The representative's personal preference for a particular marketplace is not a valid factor and does not override the duty to obtain the most favorable terms for the client.

**QUESTION 8**

MULTIPLE CHOICE

Which of the following statements about discretionary trading authority under CRO rules are correct? (Choose two.)

- ☒ A Discretionary authority allows a representative to trade without obtaining the client's specific prior consent for each trade
- ☒ B Written authorization from the client is required before discretionary trading can occur
- ☐ C Discretionary authority permits the representative to withdraw client funds without notice
- ☐ D Discretionary authority is granted verbally only and never recorded

**ANSWER A - B**

**WHY** Discretionary trading authority allows the representative to make trades without prior client approval for each transaction, but CRO rules require written authorization from the client, and the supervisor must approve the account before discretionary trading can begin. Funds cannot be withdrawn under discretionary authority, and verbal-only authorization is insufficient.

**QUESTION 9**

SINGLE CHOICE

Under CISO prudential requirements, what is the primary purpose of the minimum free capital and excess working capital requirements for dealer members?

- ☐ A To maximize returns on the firm's invested capital
- ☒ B To ensure the firm has sufficient liquid resources to meet obligations and protect client assets
- ☐ C To determine the firm's tax obligations
- ☐ D To set the commissions charged to clients

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**ANSWER B**

**WHY** CISO's minimum capital and excess working capital requirements are prudential safeguards designed to ensure that dealer members maintain sufficient liquid resources to meet their financial obligations and protect client assets. They are not intended to maximize returns, set taxes, or determine commission rates.