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PRACTICE QUESTIONS

Canadian Investment Regulatory Organization (CIRO)

DEMEN

Demo Exam - English

EDITION	QUESTIONS	FORMAT
Demo	9	Limited Edition PDF

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Before you begin

What this is

9 practice questions for Canadian Investment Regulatory Organization (CIRO) `DEMEN`, 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, `DEMEN`
- the question number
- the email address on your order

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

QUESTION 1 SINGLE CHOICE

Which organization was formed on January 1, 2023, through the merger of the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA)?

- A Canadian Securities Administrators (CSA)
- B **Canadian Investment Regulatory Organization (CIRO)**
- C Office of the Superintendent of Financial Institutions (OSFI)
- D Financial Services Regulatory Authority of Ontario (FSRA)

ANSWER **B**

WHY CIRO was created on January 1, 2023, through the merger of IIROC and the MFDA to consolidate investment dealer and mutual fund dealer regulation in Canada under a single SRO. The CSA is the umbrella of provincial securities regulators, OSFI regulates federally regulated financial institutions, and FSRA is Ontario's insurance and pensions regulator.

QUESTION 2 SINGLE CHOICE

Under CIRO's registration framework, an individual who is registered to trade securities on behalf of, or provide advice to, a dealer member firm is classified as a:

- A **Dealing representative**
- B Ultimate designated person
- C Chief compliance officer
- D Branch manager

ANSWER **A**

WHY CIRO uses the term 'dealing representative' for an individual registered to trade or advise on behalf of a dealer member. The Ultimate Designated Person (UDP) and Chief Compliance Officer (CCO) are specific registered positions with firm-level compliance responsibilities, while a branch manager supervises a branch office; these are distinct categories from a front-line dealing representative.

QUESTION 3 SINGLE CHOICE

When assessing suitability under CIRO Rule 3200, a dealing representative must consider which of the following client factors?

A Only the client's net worth and annual income

B The client's investment objectives, risk tolerance, time horizon, investment knowledge and financial circumstances

C The marketing materials used to promote the security

D The dealing representative's compensation arrangement with the firm

ANSWER B

WHY CIRO Rule 3200 requires that a dealing representative gather and assess client information covering investment objectives, risk tolerance, time horizon, investment knowledge and financial circumstances before recommending a security or strategy. Income and net worth alone are insufficient, and the representative's compensation or marketing materials are not suitability factors.

QUESTION 4 SINGLE CHOICE

Under CIRO rules, a dealing representative must disclose a conflict of interest that arises between:

A The client and the representative's spouse, but not between two unrelated clients

B The client and the dealer member, the client and the representative personally, or between clients of the dealer member

C The dealing representative and a competing dealer firm

D Only conflicts that have been pre-approved by CIRO

ANSWER B

WHY CIRO's conflict-of-interest rules require disclosure whenever a conflict exists between the client and the dealer member, between the client and the registered individual personally, or between clients of the firm. Conflicts are disclosed to the client (and addressed by the firm), not only those pre-approved by CIRO, and inter-client conflicts are specifically captured.

QUESTION 5 SINGLE CHOICE

Under Dealer Member Rule 2200, the ultimate designated person (UDP) and the chief compliance officer (CCO) are jointly responsible for:

A Setting the firm's trading commissions for retail clients

B **Establishing, maintaining and applying supervisory procedures and a system of controls for the firm's securities activities**

C Approving each individual trade made by every dealing representative

D Marketing the firm's products to the public

ANSWER **B**

WHY Rule 2200 assigns the UDP and CCO joint responsibility for establishing, maintaining and applying supervisory procedures, internal controls and compliance systems for the firm's regulated activities. They do not personally set commission rates or approve every trade, and marketing is a separate business function overseen under other rules.

QUESTION 6 SINGLE CHOICE

When a client makes a written complaint to a CIRO dealer member, the firm is required to:

A Send the complaint directly to CIRO for investigation without further action

B **Acknowledge receipt promptly, conduct a reasonable investigation, and provide a written response to the client**

C Resolve all complaints through binding arbitration only

D Ignore the complaint unless the client initiates a lawsuit

ANSWER **B**

WHY CIRO's complaint-handling rules require a member firm to acknowledge receipt of a written complaint in a timely manner, investigate it fairly, and provide a substantive written response to the complainant. Complaints are not simply forwarded to CIRO, do not require arbitration as the exclusive remedy, and must be addressed when received regardless of any litigation step.

QUESTION 7 SINGLE CHOICE

Under CIRO's best execution obligation, a dealer member must take reasonable steps to obtain the most favourable execution terms for a client order, considering factors such as:

- **A** **Price, speed of execution, certainty of execution and total cost to the client**
- B Only the posted price of the security
- C The dealing representative's preference for a particular marketplace
- D Whether the security is being traded on a foreign exchange

ANSWER **A**

WHY CIRO's best execution requirement obliges dealer members to use reasonable diligence to obtain the best terms reasonably available, weighing price, speed, certainty of execution and overall cost to the client. Best execution is not satisfied by posted price alone, by venue preference of the representative, or by the simple fact of cross-border trading.

QUESTION 8 SINGLE CHOICE

CIRO dealer members are required to maintain books and records of their securities activities for a minimum period of:

- A One year from the date the record was created
- B Two years from the date the record was created
- **C** **Five years from the date the record was created (and certain records for longer periods)**
- D Ten years from the date the record was created

ANSWER **C**

WHY CIRO's record-keeping requirements prescribe retention of books and records for a minimum of five years from the date of creation, with certain records (such as client account opening records and specific transaction records) required to be retained for longer periods and in readily accessible form. One- and two-year retention periods do not meet the rule's minimum standard.

QUESTION 9 SINGLE CHOICE

CIRO was formed on January 1, 2023, through the merger of two predecessor self-regulatory organizations. Which of the following organizations were the two founding members of CIRO?

- A **Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA)**
- B Investment Industry Regulatory Organization of Canada (IIROC) and the Canadian Securities Administrators (CSA)
- C Mutual Fund Dealers Association of Canada (MFDA) and the Financial Services Regulatory Authority of Ontario (FSRA)
- D Investment Industry Regulatory Organization of Canada (IIROC) and the Office of the Superintendent of Financial Institutions (OSFI)

ANSWER **A**

WHY CIRO was created by the merger of IIROC and the MFDA, the two former SROs that previously oversaw investment dealers and mutual fund dealers respectively. The CSA, FSRA, and OSFI are not SROs and were not part of the merger that formed CIRO.