RDRE Exam Handbook

Checked November 2026 · facts from official pages only · questions and explanations are our own

What the exam looks like

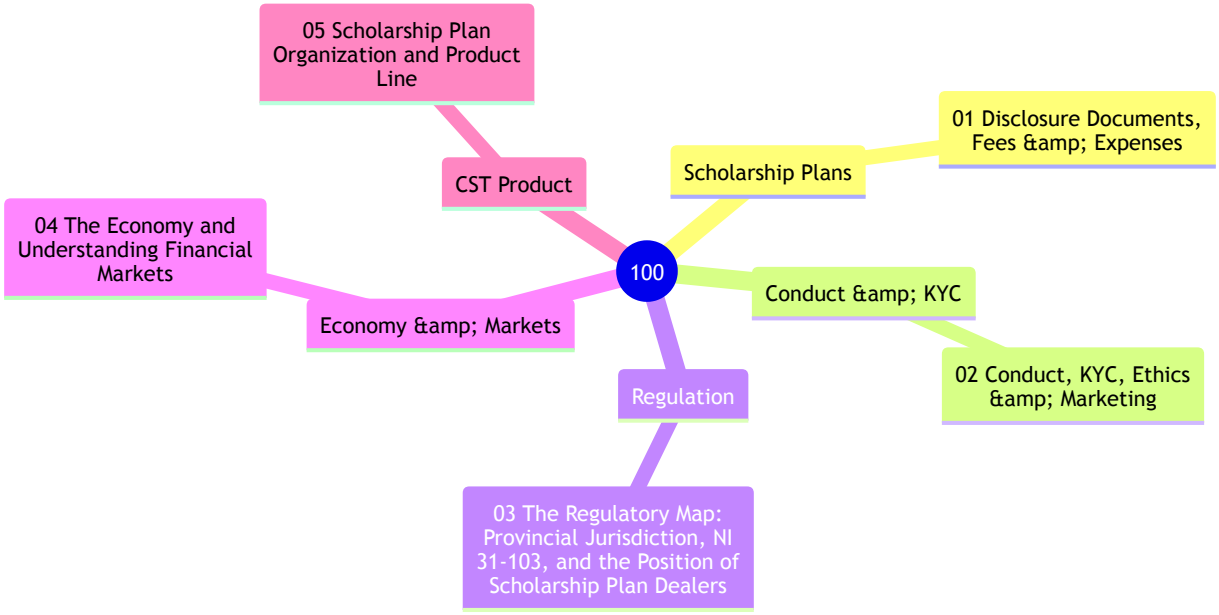
Item	Current rule	Checked
Course and exam	RESPDAC's Dealing Representative Proficiency Course, taken online on RESPDAC's learning platform, ends with an exam.	2026–11–15
Questions, time, pass mark	Not published (the course page needs a login; the public part shows none of the three). Our self–test of 100 questions, 120 minutes and 70% is a practice format only.	2026–11–15

Where the marks are

RESPDAC does not publish chapter weights, the number of questions or the pass mark for the RDRE. Our mix is estimated from the number of practice questions per chapter: conduct (KYC, suitability, code of ethics) and scholarship plan disclosure and fees make up over 60%. CST product knowledge is a separate exam and is not in this paper.

Ch	Topic	Section	Priority	Mock
01	Disclosure Documents, Fees & Expenses	Scholarship Plans	P1 Must score	31
02	Conduct, KYC, Ethics & Marketing	Conduct & KYC	P1 Must score	32
03	The Regulatory Map: Provincial Jurisdiction, NI 31–103, and the Position of Scholarship Plan Dealers	Regulation	P1 Must score	23
04	The Economy and Understanding Financial Markets	Economy & Markets	P2 Hold steady	14
05	Scholarship Plan Organization and Product Line	CST Product	P3 Skim	0

The whole exam on one map



How to use this handbook

1. Start with the 5-question diagnostic on the site to find your red chapters.
2. Before reading each chapter, answer its starter questions on instinct, then check them as you read.
3. Each chapter is two sides of one sheet: front = how it is tested, traps, mind map; back = key points and self-test cues (cover the right two columns).
4. Do this chapter's questions in the question book; for misses, do the variants.
5. The night before, read only the final review sheet.

Chapter 1 · Disclosure Documents, Fees & Expenses

Scholarship Plans | P1 Must score | Disclosure Documents & Fees · 31 mock questions

Read with these questions: What are the two parts of the prospectus, and does a receipt signify government endorsement?; In the Statement of Changes in Net Assets, do EAPs paid to students count as inflows or outflows?; For per-unit sales charges, how are initial monthly contributions deducted at 100% and 50%?; How does the refunded amount differ between withdrawing within 60 days versus cancelling after two years due to job loss?

How it is tested

- Distinguishing disclosure document attributes: You are given four statements concerning the Prospectus, Plan Summary, or continuous disclosure documents and asked which statement is true or false. Key tested concepts include renewal frequency (renewed annually, not monthly), delivery obligations (both parts must be delivered; documents incorporated by reference are not printed and enclosed), and length and language constraints (Plan Summary must not exceed four pages and must use plain language).
- Regulatory approvals and platform functions: Questions test your understanding of prospectus receipts, CRA approval, and SEDAR+. They assess whether you can distinguish compliance thresholds for permitted distribution and free public filing databases from government endorsements, recommendations, or regulatory overseers, specifically catching non-compliant sales pitches that misrepresent regulatory receipt as an endorsement.
- Financial statements and cash flow classification: Given the four statutory financial statements or specific line items in the Statement of Changes in Net Assets, questions test whether you can identify inflows (subscriber deposits, CESG received, plan transfers-in) versus outflows (EAPs, refunded fees, returned grants), as well as the revenue sources and purposes of the General Fund.
- Sales charge deduction schedules and cancellation consequences calculation/scenario questions: Given monthly contribution amounts and total sales charges, you calculate the time required to pay off the charges or the amount credited to principal under the rule of deducting 100% of contributions until half the sales charge is paid, followed by 50% until fully paid. Alternatively, given the elapsed days since signing (within 60 days vs. after 60 days), questions test the refund scope and the fate of government grant room.
- Fee ranges and responsible entities: Questions test standard RDRE percentage ranges for administration fees, investment management fees, and custodial fees, as well as the covered party under completion insurance (insuring the subscriber against death or disability, not

Traps (watch for the signal)

Government Endorsement Trap: Look for words like endorse, recommend, guarantee, prudent investment, or government approved in the question stem or options.

EAP Cash Flow Direction Reversal: Questions asking about inflows or outflows in the Statement of Changes in Net Assets where EAPs appear as an option.

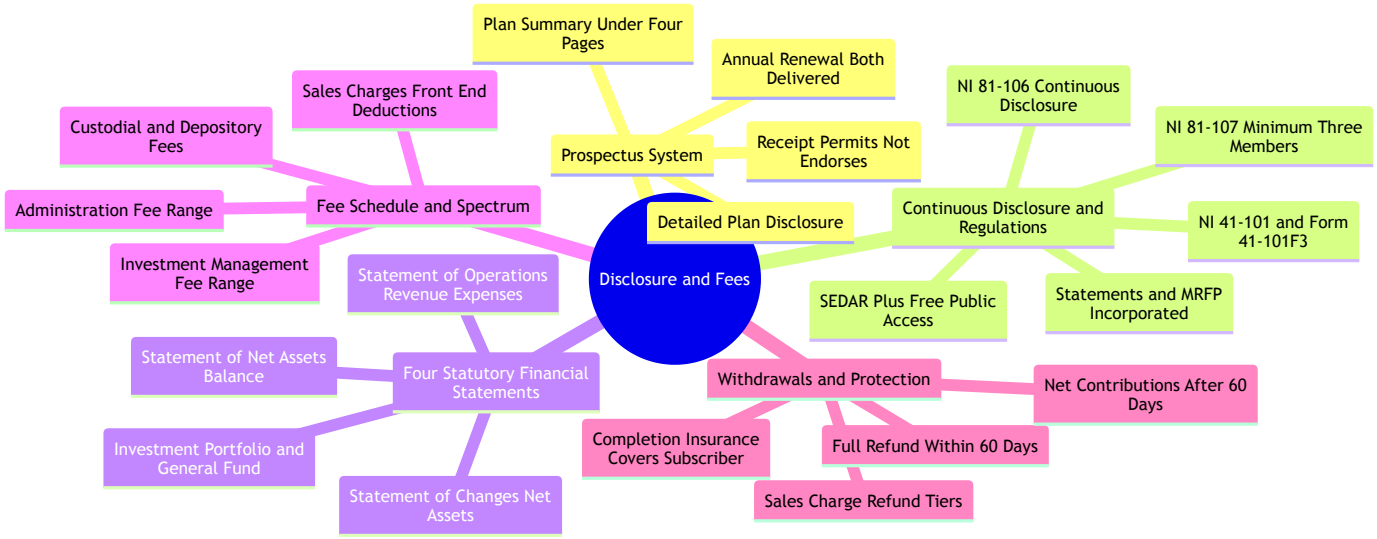
Sales Charge Equal Deduction Illusion: Calculation questions providing monthly contributions and total sales charges, asking how much principal is credited in early months or how many months are needed to pay off sales charges.

Completion Insurance Coverage Misconception: Options listing trigger conditions such as beneficiary dies, fails to complete post-secondary education, or graduates.

Direct Representative Fee and Monthly Delivery Trap: Options stating dealing representative charges the client directly or that the prospectus or Statement of Net Assets is updated or mailed monthly.

the beneficiary's academic completion or life) and the strict rule that dealing representatives never charge fees directly to clients.

Mind map



Chapter 1Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Two-Part Prospectus Delivery and Plan Summary Length	Plan Summary & Detailed Plan Disclosure	The prospectus adheres to the full, true and plain disclosure standard, consisting of a plain-language Plan Summary of no more than four pages and a Detailed Plan Disclosure in legal language. It is renewed annually, and both parts must be delivered to the subscriber.
Legal Nature of Prospectus Receipt	Receipt for Prospectus	Distribution to the public in a province is prohibited without a receipt issued by that provincial securities commission. However, a receipt and CRA approval only signify compliance with specific regulatory requirements and never constitute an endorsement or recommendation of the plan's merits or management.
Continuous Disclosure and Incorporated by Reference	Continuous Disclosure & Incorporated by Reference	After filing a prospectus, a plan becomes a reporting issuer whose audited annual financial statements, MRFP, and IRC annual report are incorporated by reference into the prospectus and made available for free inspection on SEDAR+, rather than printed and delivered with the prospectus.
Four Statutory Financial Statements and Net Asset Cash Flows	Statement of Changes in Net Assets	The Statement of Net Assets is a point-in-time balance sheet. In the Statement of Changes in Net Assets, subscriber deposits, CESG received, and plan transfers-in represent inflows, whereas EAPs paid, refunded fees, and grants returned to the government represent outflows.
Revenue Sources and Purposes of the General Fund	General Fund	All investment income earned by the plan after the maturity date of a specific beneficiary group pool is credited to the General Fund, which may be used to offset certain plan expenses and supplement EAP payout levels.
Three Core National Instruments and the Independent Review Committee	NI 41-101, NI 81-106 & NI 81-107 (IRC)	NI 41-101 (including Form 41-101F3) governs the prospectus and Plan Summary; NI 81-106 governs continuous disclosure; and NI 81-107 requires an Independent Review Committee (IRC) of at least three independent members to review conflict of interest matters and report at least annually to subscribers.
Front-End Sales Charge Deduction Schedule	Sales Charge Deduction Schedule	When priced per unit, most scholarship plans deduct 100% of a subscriber's initial contributions toward the sales charge until half of it is paid, after which 50% of each subsequent contribution is deducted until the sales charge is fully paid.
Administration and Operating Fee Ranges	Administration, Investment Management & Custodial Fees	For exam purposes, the administration fee is typically around 0.5% per year in group plans and 0.5% to 1.5% per year in individual and family plans; the investment management fee is typically 0.10% to 0.33% per year; custodial and trustee fees are usually less than 1% of assets per year; and dealing representatives never collect fees directly from clients.
60-Day Unconditional Full Withdrawal Right	60-Day Withdrawal Right	A subscriber who withdraws within 60 days of signing receives a 100% refund of all funds paid, including sales charges and insurance premiums. Cancelling after 60 days refunds only net contributions; all investment earnings are forfeited, government grants are returned, and grant contribution room other than the CLB is permanently lost.
Scope of Completion Insurance Coverage	Completion Insurance	Completion insurance covers the subscriber in the event of death or disability by making the remaining scheduled contributions on their behalf. If the plan is cancelled within 60 days, premiums are refunded in full; if terminated after 60 days, all paid premiums are forfeited.

Self-test cues (Cornell left column)

1. What are the two parts of the prospectus called, and what are their respective length, language, and delivery requirements?
2. What do a securities commission receipt and CRA approval actually signify and not signify, and what is the role of SEDAR+?
3. What does each of the four statutory financial statements reflect, and which specific items constitute inflows versus outflows in the Statement of Changes in Net Assets?
4. How is a per-unit sales charge deducted in two stages from contributions, and what are the standard exam ranges for administration, investment management, and custodial fees?
5. What are the stark differences between cancelling a plan within 60 days versus after 60 days regarding fee refunds, investment earnings, insurance premiums, and government grant room?

Summary: Summarize in three sentences: why the front-end sales charge deduction structure of scholarship plans mandates the two-part prospectus and 60-day unconditional withdrawal right disclosure framework, and which strict compliance red lines a dealing representative must never cross during a client presentation.

Chapter 2 · Conduct, KYC, Ethics & Marketing

Conduct & KYC | P1 Must score | Conduct, KYC & Ethics · 32 mock questions

Read with these questions: If a client facing tight finances wants to make large contributions, which requirement is violated if the representative simply processes the enrollment?; Can a representative open an account if the client refuses to provide income information and offers to sign a waiver?; Why are transfers of group plans from other dealers discouraged, and which three actions must the receiving representative take?; Are scholarship plan dealers regulated by provincial securities commissions or CIRO, and how do you distinguish the two timelines?

How it is tested

- Concept distinction questions: Specifically differentiating Know Your Client (KYC) from Suitability Assessment, testing whether candidates understand that collecting and recording client facts versus using those facts to judge whether a recommendation is suitable represent two distinct regulatory obligations.
- Scenario–based compliance questions: Presenting day–to–day practice scenarios such as a client refusing to provide information, requesting a partial commission rebate, or intending to transfer a plan from another dealer, testing whether candidates can follow statutory procedures to reject non–compliant requests and execute required disclosures.
- Timeline and numerical boundary questions: Focusing on reporting registration information changes (10 days), the prospectus unconditional withdrawal period (60 days), complaint–handling timelines (5 business days / 90 days / 180 days), the maximum performance data lag (180 days), and the exemption windows under telemarketing rules (18 months) versus anti–spam legislation (2 years).
- Definition exclusion and classification questions: Testing the broad scope of sales communications (including oral solicitations) versus statutory exclusions (prospectus, account statement, trade confirmation), as well as the principles of disclosure, management, and avoidance for material conflicts of interest.
- Regulatory authority and jurisdictional questions: Testing the mandatory requirement for dealing representatives to be registered in every operating jurisdiction, the current rule that scholarship plan dealers are directly regulated by provincial securities commissions rather than self–regulatory organizations (CIRO), and the specific dispute resolution body for Quebec residents (AMF vs. OBSI).

Traps (watch for the signal)

KYC Versus Suitability Concept Substitution: Look for phrasing describing evaluative judgment, such as 'recommend only those investments that match client needs, objectives, and risk tolerance' or 'assessing whether an investment action is appropriate based on collected information.'

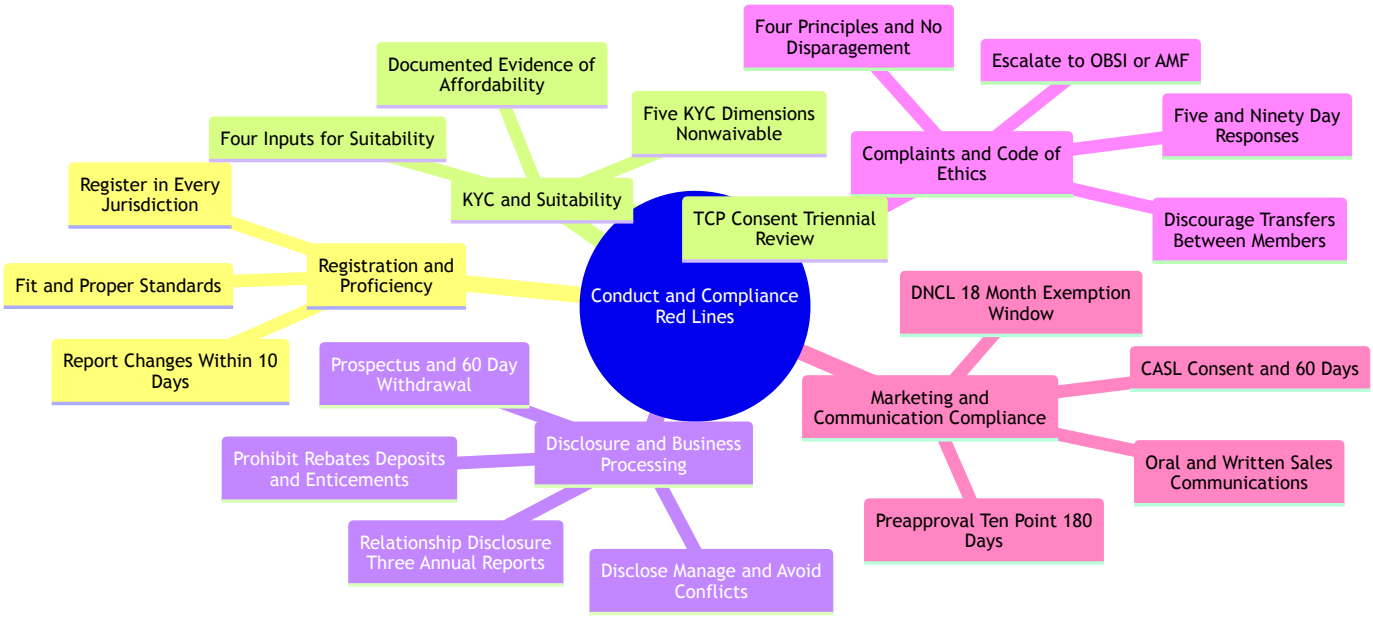
Client Voluntary Waiver and Personal Enticements: The stem mentions a client refusing to provide income or SIN citing privacy, requesting a written waiver, or a representative offering to pay deposits, split sales charges, or provide gifts to close an enrollment.

Oral Communications Exempt from Advertising Rules: The stem describes a representative verbally quoting past returns, guaranteeing future earnings, or comparing competitor plans during an in–person meeting or phone call with a prospect.

National DNCL and CASL Time Window Confusion: The stem mentions former clients who purchased a product at some point in the past alongside calling them or sending commercial electronic messages (CEMs) to solicit a new plan.

Misinterpreting Rationale Against Inter–Dealer Group Plan Transfers: The stem asks why the Code of Ethics discourages clients from transferring a scholarship plan from one member to another, or how a receiving representative must proceed.

Mind map


Conduct and Compliance Red Lines
KYC and Suitability
Documented Evidence of Affordability
Four Inputs for Suitability
Five KYC Dimensions Nonwaivable
Registration and Proficiency
Register in Every Jurisdiction
Fit and Proper Standards
Report Changes Within 10 Days
TCP Consent Triennial Review
Complaints and Code of Ethics
Four Principles and No Disparagement
Escalate to OBSI or AMF
Five and Ninety Day Responses
Discourage Transfers Between Members
Marketing and Communication Compliance
DNCL 18 Month Exemption Window
CASL Consent and 60 Days
Oral and Written Sales Communications
Preapproval Ten Point 180 Days
Disclosure and Business Processing
Prospectus and 60 Day Withdrawal
Prohibit Rebates Deposits and Enticements
Relationship Disclosure Three Annual Reports
Disclose Manage and Avoid Conflicts

Chapter 2Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Three Elements of Registration and Fit and Proper Standards	Fit and Proper (Proficiency, Integrity, Solvency)	A dealing representative must obtain approved registration in every operating jurisdiction and satisfy the proficiency, integrity, and solvency requirements. Changes to information on the registration application form (Form 33-109F4) must generally be reported within 10 days.
Five KYC Dimensions and Non-Waivable Obligation	Know Your Client (KYC)	Representatives must gather five categories of information: personal circumstances, financial circumstances, investment knowledge, risk profile, and investment time horizon, with reviews recommended at least every three years. KYC is a statutory obligation that clients have no legal power to waive, and reassigned accounts are subject to the exact same standard.
Trusted Contact Person Safeguard Mechanism	Trusted Contact Person (TCP)	Representatives must take reasonable steps to obtain Trusted Contact Person (TCP) information and written consent from all clients. The TCP may only be contacted in specific circumstances, such as suspected financial exploitation or diminished mental capacity, in accordance with the client's written consent.
Suitability Assessment and Documented Affordability Evidence	Suitability Assessment & Affordability	Representatives must judge whether a recommendation is appropriate based on client KYC, dealer KYP, the impact of investment costs, and a reasonable range of investment options. For scholarship plans, the client file must also contain sufficient evidence demonstrating that the client can reasonably afford continuous scheduled contributions.
Two-Tier Disclosure and Mandatory Annual Reports	Plan Summary & Relationship Disclosure	Prior to enrollment, the representative must walk the client through the Plan Summary, deliver the two-part prospectus (informing them of the 60-day unconditional full withdrawal right), and provide the relationship disclosure document. Annually, the dealer must provide a statement of account specifying any outstanding sales charge balance, a Cost and Compensation Report, and an Investment Performance Report.
Three Principles for Handling Material Conflicts of Interest	Conflict of Interest (Avoidance, Control, Disclosure)	All material conflicts of interest must be disclosed to clients and managed in the client's best interest; conflicts that cannot be managed in the client's best interest must be avoided. A representative must first report conflicts to the dealer and await formal approval before implementing any proposed handling arrangement.
Four Prohibitions on Commission Rebates and Financial Enticements	Commission Rebate & Enticements Prohibition	Dealing representatives are strictly prohibited from negotiating reduced sales charges, paying sales charges or contribution deposits on behalf of clients, offering to rebate part of their commission, or providing gifts or other financial enticements to induce enrollment.
Complaint Handling Timelines and Escalation Channels	Complaint Handling & OBSI / AMF	Oral and written complaints must be treated with equal seriousness. Dealers must send an initial written response within 5 business days and provide a substantive response within 90 days. Dissatisfied clients may escalate their complaint within 180 days to the Ombudsman for Banking Services and Investments (OBSI, or the AMF for Quebec residents).
Code of Ethics and Restrictions on Inter-Member Plan Transfers	RESPDAC Code of Ethics & Plan Transfer Disclosure Form	Because clients may forfeit paid fees and accumulated earnings, representatives must not encourage clients to transfer business between members. If a client initiates a transfer on their own, the receiving representative must obtain written confirmation using an approved Plan Transfer Disclosure Form and deliver a signed copy to the relinquishing member.
Compliance Standards for Sales Communications, Telemarketing, and Anti-Spam	Sales Communication, National DNCL & CASL	Both oral and written solicitations constitute sales communications (excluding the prospectus, account statements, and trade confirmations). Advertisements require pre-approval, must state key information is in the prospectus in at least 10-point type, and performance data end dates cannot exceed 180 days. National DNCL exempts clients dealt with in the past 18 months, whereas CASL implied consent requires a purchase within the past 2 years and is strictly limited to existing product communications, with confirmation emails upon unsubscribing explicitly prohibited.

Self-test cues (Cornell left column)

1. Why does the Suitability Assessment for scholarship plans emphasize affordability more heavily than general securities, and how must a representative handle a client facing a tight budget?
2. When a client refuses to provide financial information or a Social Insurance Number (SIN) citing privacy, which three points must the representative explain, and can the representative open the account with a signed waiver?
3. What is the three-step framework for handling material conflicts of interest, and how must a representative choose when a higher-commission plan and a lower-cost plan are equally suitable for a client?
4. Which actions correspond to the 5-business-day, 90-day, and 180-day complaint timelines, and which two situations exempt a dispute from the OBSI escalation process?
5. Which three documents are excluded from the definition of a sales communication, and what is the fundamental difference between the 18-month DNCL exemption and CASL's 2-year implied consent regarding applicable conditions?

Summary: In your own words, connect the complete compliance action chain from 'Registration and Fit & Proper -> KYC Collection -> KYP and Suitability Judgment (including affordability) -> Two-Tier Disclosure and Conflict Management -> Business Processing and Recordkeeping -> Complaints and Marketing Red Lines', highlighting the three critical high-voltage red lines most likely to result in registration revocation.

Chapter 3 · The Regulatory Map: Provincial Jurisdiction, NI 31–103, and the Position of Scholarship Plan Dealers

Regulation | P1 Must score | Regulatory Map · 23 mock questions

Read with these questions: Is there a federal securities commission in Canada, and can the CSA directly issue registrations or levy fines?; Can a representative negotiate purchases with prospective clients before receiving official registration confirmation?; Can you sell a plan to an out–of–province client if you are registered only locally, and within how many days must changes be reported?; Are scholarship plan dealers regulated by CIRO following the merger of IIROC and the MFDA?; On what date does the 60–day scholarship plan withdrawal period begin, and what happens if the prospectus is never delivered?

How it is tested

- Institutional roles and jurisdictional boundaries: Given a specific regulatory action (licensing, levying fines, approving specimen plans, administering grants, or receiving anti–money laundering reports), questions test your ability to distinguish the statutory boundaries of provincial and territorial securities commissions, the Canadian Securities Administrators (CSA), the Canadian Investment Regulatory Organization (CIRO), the Canada Revenue Agency (CRA), Employment and Social Development Canada (ESDC), and the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).
- Registration lifecycle and timeline scenarios: Scenario questions test client residency as the jurisdictional criterion, submission of applications by the Authorized Firm Representative (AFR) through the National Registration Database (NRD), the strict prohibition against trading before registration approval is confirmed, and the 10–day versus 30–day reporting deadlines for changes in registration information.
- Prospectus receipt legal status and withdrawal right triggers: Questions test that a prospectus receipt indicates only compliance with form and content standards rather than regulatory endorsement of investment merit, when the 60–day withdrawal right granted to scholarship plan subscribers under National Policy 15 (NP 15) begins, and the legal consequences of failing to deliver a prospectus.
- Cross–jurisdictional overlap and priority traps: Questions highlight conflicts and dual layers of regulation, most notably the overlap where anti–money laundering legislation exempts registered plans from identity verification while securities legislation independently mandates client identity verification, as well as numerical contrasts between the 2–year implied consent window under anti–spam legislation (CASL) and the 18–month exemption window under the National Do Not Call List (DNCL).

Traps (watch for the signal)

Mistaking Coordinating Associations or SROs for Direct Regulatory Authorities: Look for phrasing in question stems or options such as national regulator, federal securities commission, CSA fining a dealer, or CIRO registering a scholarship plan dealing representative.

Using Representative Office Location Instead of Client Residency to Determine Registration Jurisdiction: The question stem describes a representative registered in Province A while a prospective subscriber resides in Province B, or depicts cross–provincial prospecting via phone, video call, or personal family visits.

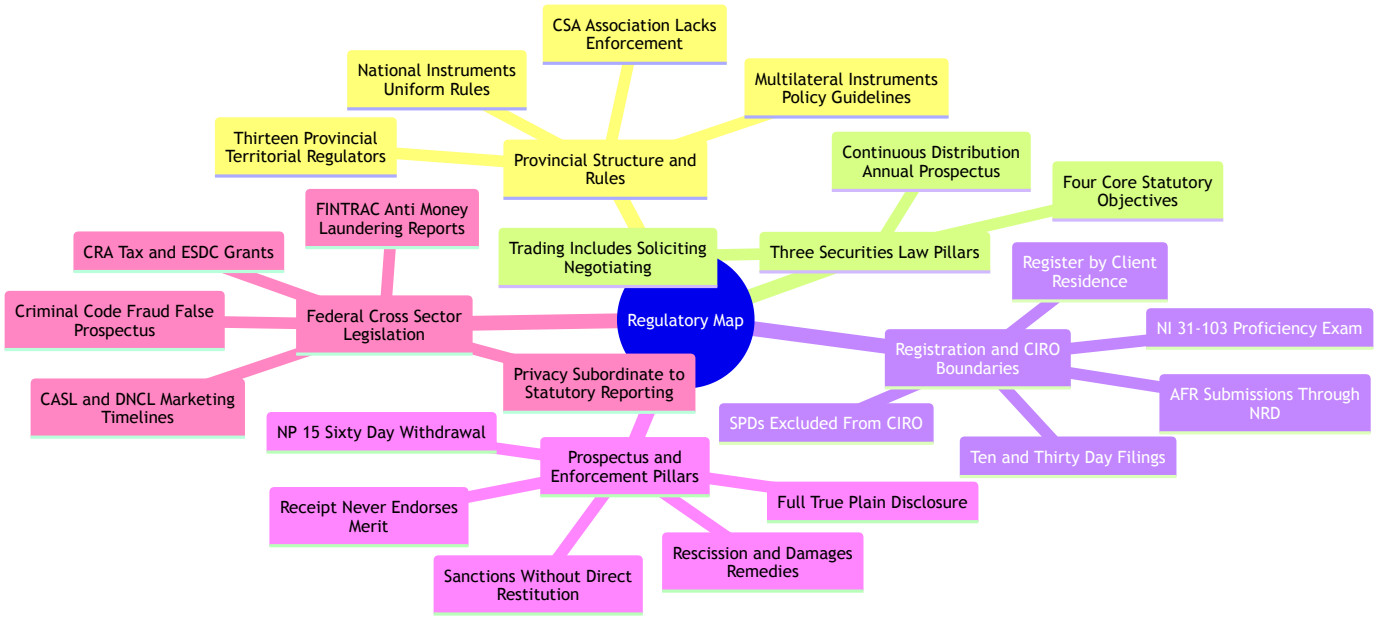
Mistaking a Prospectus Receipt for Government Endorsement or Approval of Investment Merits: Look for options containing phrases such as approved the merits, endorsed as a prudent investment, or guaranteed by the commission evaluating product quality.

Relying on Anti–Money Laundering Exemptions While Overlooking Mandatory Securities Identity Verification: The stem mentions the PCMLTFA exemption alongside opening a scholarship plan account and asks whether subscriber identity must still be verified and under what legal authority.

Confusing Timelines Across Dual Marketing Rules and Registration Reporting Clocks: The question stem cites numbers of days, months, or years while combining information updates, cancellation rights, civil lawsuits, or contacting past clients via email or telephone.

- Enforcement powers versus civil remedies: Questions test the distinction between administrative penalties that securities commissions can directly impose (suspensions, cease–trade orders, administrative penalties) and statutory civil remedies that investors must pursue through the courts (an action for rescission within 180 days or an action for damages within 3 years), emphasizing that regulators generally lack the authority to order direct restitution to investors or compel clients to honour subscription contracts.

Mind map



Chapter 3Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Provincial/Territorial Jurisdiction and Nature of the CSA	Provincial/Territorial Jurisdiction & Canadian Securities Administrators (CSA)	Canada has no federal securities act or federal securities commission; regulation is conducted by 13 independent provincial and territorial regulatory authorities that enforce laws independently and fund operations through fees collected from registrants and issuers. The Canadian Securities Administrators (CSA) is an informal national association with no authority to register market participants or levy penalties.
Hierarchy of National Instruments and Policy Instruments	National Instrument (NI), Multilateral Instrument (MI) & National Policy (NP)	A National Instrument (NI) is a legally binding uniform rule adopted in the same form by all 13 provincial and territorial jurisdictions as a local rule. A Multilateral Instrument (MI) applies in only some jurisdictions, while a National Policy (NP) reflects regulatory interpretation and expectations (though NP 15 serves as a prerequisite standard for scholarship plans to obtain a prospectus receipt).
Definition of Trading and Prohibition Against Pre-Registration Trading	Definition of Trading & Pre-Registration Prohibition	Trading includes not only the actual sale of securities, but also any act, solicitation, or negotiation in furtherance of a trade. Until written confirmation is received from the dealer that registration approval has been granted, an individual must not engage in any trading or solicitation activities.
Proficiency Requirements Under NI 31-103 s.3.7 and the Client Residency Rule	NI 31-103 s.3.7 Proficiency & Client Residency Rule	Under NI 31-103 s.3.7, individuals acting as scholarship plan dealing representatives must satisfy proficiency requirements by passing the proficiency exam (unless grandfathered through continuous registration since September 28, 2009) and completing dealer product training, and must be registered in every province or territory where their clients reside.
NRD Submission Process and Form 33-109 Continuous Reporting Timelines	National Registration Database (NRD), Form 33-109 & 10/30-Day Timelines	Individual registration applications (Form 33-109F4) may only be submitted through the National Registration Database (NRD) by a dealer's Authorized Firm Representative (AFR). Material changes, such as changes in residential address, outside business activities, litigation, or bankruptcy, must be reported on Form 33-109F5 within 10 days, whereas changes in citizenship or past employment history must be reported within 30 days.
Scholarship Plan Dealers Excluded from CIRO Oversight	Direct Oversight by Securities Commissions vs. CIRO	The Canadian Investment Regulatory Organization (CIRO), formed on January 1, 2023, through the merger of IIROC and the MFDA, oversees only investment dealers and mutual fund dealers. Firms registered solely as scholarship plan dealers and their dealing representatives remain directly registered with and regulated by provincial and territorial securities commissions.
Prospectus Disclosure Standards, Delivery Deadlines, and the 60-Day Withdrawal Right	Full, True and Plain Disclosure, Lapse Date & 60-Day Withdrawal Right	A prospectus must provide full, true, and plain disclosure of all material facts and be delivered no later than midnight on the second business day after entering into a purchase agreement. Under National Policy 15 (NP 15), the unconditional withdrawal right for scholarship plan subscribers is extended from the general two business days to 60 days following receipt of the prospectus; if never delivered, the right to cancel continues indefinitely.
Civil Liability Limitation Periods for Prospectus Misrepresentation and the Due Diligence Defence	Rescission (180 Days), Damages (3 Years) & Due Diligence Defence	When a prospectus contains a misrepresentation, purchasers are deemed to have relied upon it and may bring an action for rescission within 180 days or an action for damages within three years. Parties other than the issuer may raise a due diligence defence, but the issuer itself cannot use this defence.
Anti-Money Laundering Reporting Duties and Dual	FINTRAC STR/LCTR & NI 31-103 s.13.2 Identity Verification	Large Cash Transaction Reports (LCTRs) for $10,000 or more in cash must be filed with FINTRAC within 15 calendar days, while Suspicious Transaction Reports (STRs) have no minimum dollar threshold. Although

Identity Verification Framework		federal AML legislation exempts registered plan accounts from identity verification, NI 31–103 s.13.2 independently requires registrants to take reasonable steps to verify the identity of every client.
Electronic and Telemarketing Compliance Rules and Criminal Code Fraud Penalties	CASL, Unsolicited Telecommunications Rules (DNCL) & Criminal Code s.380/s.400	Under Canada's Anti–Spam Legislation (CASL), implied consent from a purchase lasts up to two years, whereas the existing business relationship exemption under the National Do Not Call List (DNCL) rules lasts up to 18 months. Under Criminal Code s.380, fraud over $5,000 carries a maximum penalty of 14 years imprisonment with abuse of community trust as a statutory aggravating factor, while publishing a false prospectus under s.400 carries up to 10 years.

Self–test cues (Cornell left column)

1. Why is there no federal securities commission in Canada, and what are the respective legal natures of the CSA and National Instruments?
2. What proficiency requirements are established under NI 31–103 s.3.7, and how do cross–provincial registration, NRD submissions, and 10/30–day reporting deadlines operate?
3. Why are scholarship plan dealers excluded from CIRO oversight, and does regulatory jurisdiction depend on corporate brand name or registration category?
4. What does a prospectus receipt signify, and how do delivery deadlines, withdrawal right periods, and civil limitation periods differ between general securities and scholarship plans?
5. What are the distinct mandates of federal bodies (CRA, ESDC, FINTRAC, CRTC), and why must client identity still be verified for registered education savings plans?

Summary: Summarize in three sentences: how a scholarship plan dealing representative is governed across licensing, prospectus delivery, anti–money laundering, and marketing practices by the dual layers of provincial securities commission direct oversight and federal cross–sector legislation.

Chapter 4 · The Economy and Understanding Financial Markets

Economy & Markets | P2 Hold steady | Economy & Markets · 14 mock questions

Read with these questions: When calculating Canada's GDP, which two common types of financial transactions are explicitly excluded?; After the Bank of Canada takes monetary policy action, how many months does it typically take to see its full effect in the economy?; What unique and significant risk do securities regulators consider scholarship plan subscribers to face?; Treasury bills (T–bills) do not pay interest; through what mechanism do investors earn a return?; When an investment incurs a capital loss, which category of income does tax law permit it to offset?

How it is tested

- Definition and exclusion questions: Most frequently tests what Gross Domestic Product (GDP) excludes (transfer payments, raw materials purchased by businesses, and homemaker productivity are all excluded), as well as the standard definitions of a recession (at least six consecutive months of economic contraction) and the business cycle (typically fluctuating over 4 to 7 years).
- Inverse and transmission direction questions: Tests the impact of high inflation on consumer behavior (encouraging spending now rather than saving), the four transmission directions of interest rate changes on domestic spending/saving and the Canadian dollar exchange rate/trade (exports vs. imports), and the inverse relationship between market interest rates and the market value of existing fixed–income securities.
- Policy tool classification and comparison questions: Tests the distinction between government fiscal policy (taxation and government spending, with unpredictable time lags) and Bank of Canada monetary policy (regulating money supply and short–term interest rates, maintaining a 1% to 3% inflation–control target, with an 18 to 24 month time lag) by mixing their tools and characteristics across the four options.
- Security attributes and risk spectrum ranking questions: Tests the relationship among the three core security attributes (liquidity, expected return, and risk—noting that exchange listing aids but never guarantees liquidity, and absolute wording is always incorrect), eight risk components (especially the affordability risk unique to scholarship plans), and the risk tiers and characteristics spanning from Treasury bills to common shares and derivatives.
- Tax treatment and registered account comparison questions: Tests the relative tax burdens of interest, Canadian corporate dividends, and capital gains, along with capital loss offset rules (capital losses can only offset capital gains), as well as the key differences among RESPs, RRSPs, and TFSAs regarding contribution tax deductibility, sheltered growth, withdrawal taxation, and eligibility for government grants.

Traps (watch for the signal)

GDP Double–Counting and Transfer Payment Trap: The question stem asks which item is included in or excluded from GDP, with options featuring transfer payments, raw materials, or homemaker productivity.

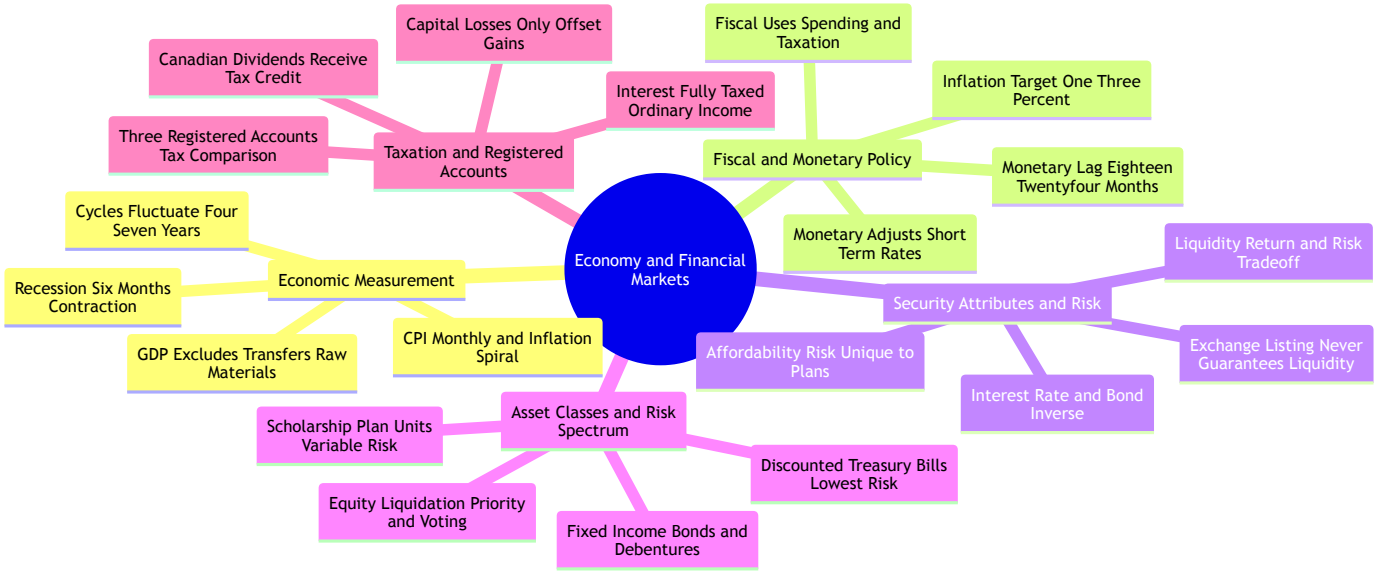
Inflation and Interest Rate Direction Reversal Trap: The question stem contains high inflation, interest rates rise or fall, or long–term bond prices, with options describing saving vs. spending, exports vs. imports, or bond market value.

Fiscal vs. Monetary Policy Confusion Trap: The question stem asks about fiscal policy, monetary policy, or the responsibilities, tools, or time lag (18 to 24 months) of the Bank of Canada.

Absolute Wording and Capital Preservation Illusion Trap: Options contain words like always, guarantees liquidity, pays high interest, or equate low risk of capital loss with guaranteed returns.

Improper Capital Loss Offset and Competitor Disparagement Trap: The question stem involves the eligible offset targets for capital losses, the tax burden ranking among the three types of investment income, or client comparisons between TFSAs or GICs and scholarship plans.

Mind map


Economy and Financial Markets
Taxation and Registered Accounts
Capital Losses Only Offset Gains
Canadian Dividends Receive Tax Credit
Interest Fully Taxed Ordinary Income
Three Registered Accounts Tax Comparison
Fiscal and Monetary Policy
Fiscal Uses Spending and Taxation
Inflation Target One Three Percent
Monetary Lag Eighteen Twentyfour Months
Monetary Adjusts Short Term Rates
Economic Measurement
Cycles Fluctuate Four Seven Years
Recession Six Months Contraction
GDP Excludes Transfers Raw Materials
CPI Monthly and Inflation Spiral
Security Attributes and Risk
Liquidity Return and Risk Tradeoff
Exchange Listing Never Guarantees Liquidity
Interest Rate and Bond Inverse
Affordability Risk Unique to Plans
Asset Classes and Risk Spectrum
Scholarship Plan Units Variable Risk
Discounted Treasury Bills Lowest Risk
Equity Liquidation Priority and Voting
Fixed Income Bonds and Debentures

Chapter 4Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Definition of Recession and Business Cycle	Recession and Business Cycle	A recession is defined as at least six consecutive months of economic contraction; the business cycle typically fluctuates over four to seven years and is difficult to predict and even harder to control.
Calculation Scope and Exclusions of Gross Domestic Product	Gross Domestic Product (GDP)	GDP is calculated by Statistics Canada and includes consumer spending, government expenditures, business investment, and net exports, but excludes transfer payments (pensions, employment insurance, and welfare benefits), raw materials purchased by businesses to avoid double counting, and homemaker productivity.
Consumer Price Index, Inflationary Spiral, and Central Bank Target	Consumer Price Index (CPI) and Inflationary Spiral	The CPI measures the monthly cost of a fixed basket of consumer products; high inflation encourages consumers to spend more now rather than save, potentially triggering an inflationary spiral; the Bank of Canada sets its inflation-control target between 1% and 3%.
Comparison Between Fiscal Policy and Monetary Policy	Fiscal Policy vs. Monetary Policy	The government conducts fiscal policy by adjusting government spending and taxation (with uncertain time lags); the Bank of Canada conducts monetary policy by regulating the money supply and influencing short-term interest rates, with a typical time lag of 18 to 24 months.
Two-Way Transmission Mechanisms of Interest Rate Changes	Interest Rate Transmission	Lower interest rates increase domestic spending, reduce saving, and weaken the Canadian dollar (stimulating exports and dampening imports); higher interest rates dampen domestic spending and strengthen the Canadian dollar (dampening exports and encouraging imports).
Three Security Attributes and Liquidity Constraints	Liquidity, Expected Return, and Risk	A higher expected return entails greater risk; listing securities on an exchange aids liquidity or marketability, but never guarantees liquidity.
Affordability Risk and Dual Dimensions of Risk Tolerance	Affordability Risk and Risk Tolerance	Affordability risk is a major risk unique to scholarship plans (the inability to sustain contributions leading to premature cancellation and financial losses); risk tolerance is determined by both financial capacity to absorb losses and psychological willingness to accept risk.
Inverse Bond Pricing Dynamics and Treasury Bill Characteristics	Yield, Bond Prices, and Treasury Bills (T-bills)	When market interest rates rise, the market value of existing bonds falls (having the greatest impact on long-term bonds); Treasury bills (T-bills) carry very low risk, mature in under a year, pay no interest, and are sold at a discount below their face value.
Attributes and Positioning of Scholarship Plan Units	Scholarship Plan Units and Pooled Investment	Scholarship plans are pooled investments classified as having variable risk: while the risk of capital loss is low, actual returns depend on portfolio performance, whether beneficiaries qualify for post-secondary education, and whether subscribers sustain contributions, with enrolment fees non-refundable upon cancellation after the 60-day cooling-off period.
Tax Treatment of Three Investment Incomes and Three Registered Accounts	Interest, Dividends, Capital Gains, and Registered Accounts	Interest is fully taxed as ordinary income (carrying the heaviest tax burden), Canadian dividends receive a dividend tax credit, and capital gains are partially exempt with capital losses only deductible against capital gains; RESP contributions are not tax-deductible but attract government grants with earnings taxed to the beneficiary, and the TFSA must be discussed objectively with clients.

Self-test cues (Cornell left column)

1. What three common items are excluded from GDP, and what is the strict chronological definition of a recession?
2. How do government fiscal policy and central bank monetary policy differ in their tools and time lags (in months)?
3. When interest rates rise or fall, how do domestic spending, the Canadian dollar exchange rate, exports/imports, and long-term bond prices change?
4. Why are scholarship plan units classified as having variable risk despite having a low risk of capital loss, and what is affordability risk?
5. Among interest, Canadian dividends, and capital gains, which leaves the lowest after-tax retention, and can capital losses offset employment income?

Summary: In three sentences, summarize: how macro interest rates and inflation transmit to household finances, how the three security attributes dictate the asset risk spectrum, and why affordability risk and time horizons are central when presenting scholarship plans.

Chapter 5 · Scholarship Plan Organization and Product Line

CST Product | P3 Skim | CST Product Line · 0 mock questions

Read with these questions: Are dealing representative commissions paid from plan administration fees or from subscriber–paid sales charges?; How are the two types of attrition handled when a subscriber cancels mid–stream versus when a beneficiary fails to attend university after maturity?; Among the three active plan types, which fee is charged exclusively by the group scholarship plan and not by self–determined plans?; If a child is approaching age 20 and post–secondary plans remain uncertain, how much sales charge is refunded upon transferring to a family plan after 13 years in the beneficiary group?; Which three industry–shaping milestones occurred in 1967, 1972, and 1974 respectively?

How it is tested

- Role and cash–flow distinction questions: Presents the non–profit foundation, the for–profit distributor and investment fund manager subsidiary, the dual–registered sister dealer, and the independent trustee and custodian to test who signs contracts with subscribers, who collects administration fees, and which fee pays dealing representative commissions.
- Group plan core mechanics and calculation questions: Provides the beneficiary's age, monthly contribution amount, and per–unit contribution price to test how to calculate the number of subscribed units, total contributions, and the different destinations of pre–maturity attrition versus post–maturity attrition.
- Comparative analysis of the three active plans: Compares the group scholarship plan, individual self–determined plan, and family self–determined plan side by side to test minimum contribution thresholds, beneficiary age and relationship requirements, sales charge schedules, and which plan exclusively charges an account maintenance fee.
- Plan transfer and sales charge refund scenario questions: Presents a family deciding whether to transfer mid–stream from a group plan to a self–determined plan or complete the plan to maturity, testing the age 21 transfer cut–off deadline, the scope of 100% transferability, the forfeiture of attrition sharing rights, and the distinction between the 50% full–maturity refund and the 0% to 25% tenure–based refund schedule.
- Historical milestones and syllabus versus current practice dual–track questions: Tests key milestone years including 1960, 1967, 1972, 1974, 1988, 1996, and 2010, as well as the boundaries between the 2020 training manual exam syllabus and 2026 active prospectus rules (such as the cessation of new unit sales in Quebec by 2027 and the integration of discontinued numbered plans into mutual fund product lines).

Traps (watch for the signal)

Commission Source Confusion Trap: The question stem connects management fees or account maintenance fees to representative compensation or dealer commissions as funding sources.

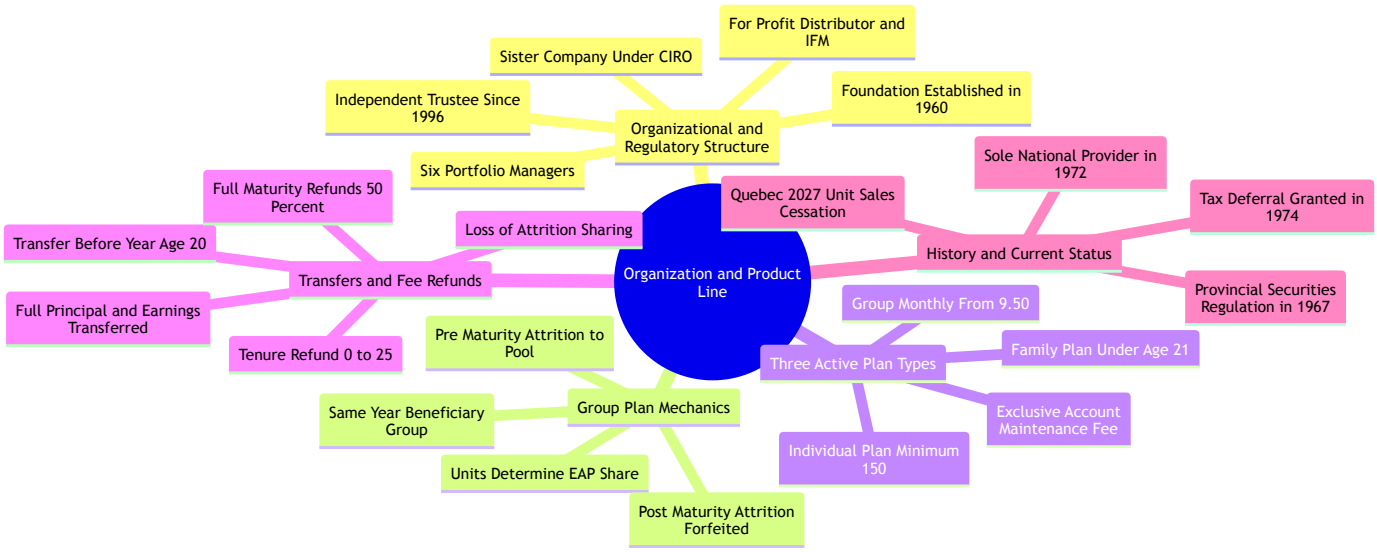
Pre–maturity vs. Post–maturity Attrition Confusion Trap: The question stem describes subscriber cancels before maturity or beneficiary does not enrol in eligible post–secondary studies after maturity.

Plan Fee Misattribution Trap: The question stem asks which fee applies exclusively to the group scholarship plan or compares fee differences between the group plan and self–determined plans.

Cost–Free Transfer Assumption Trap: The question stem mentions transferring from the group plan to an individual or family self–determined plan prior to age 21.

Exam Syllabus vs. Current Rules Misalignment Trap: The question stem involves 2020 manual vs. current prospectus, Quebec 2027 unit sales cessation, or sales charge refund percentages for historical discontinued plans.

Mind map


Organization and Product Line
Organizational and Regulatory Structure
For Profit Distributor and IFM
Sister Company Under CIRO
Independent Trustee Since 1996
Foundation Established in 1960
Six Portfolio Managers
History and Current Status
Quebec 2027 Unit Sales Cessation
Sole National Provider in 1972
Tax Deferral Granted in 1974
Provincial Securities Regulation in 1967
Transfers and Fee Refunds
Full Maturity Refunds 50 Percent
Loss of Attrition Sharing
Transfer Before Year Age 20
Full Principal and Earnings Transferred
Tenure Refund 0 to 25
Three Active Plan Types
Group Monthly From 9.50
Family Plan Under Age 21
Exclusive Account Maintenance Fee
Individual Plan Minimum 150
Group Plan Mechanics
Pre Maturity Attrition to Pool
Same Year Beneficiary Group
Units Determine EAP Share
Post Maturity Attrition Forfeited

Chapter 5Key points (cover the right two columns to self-test)

Key points	Exam term	Rule / number
Roles and Fee Separation Between Plan Sponsor and Distributor	Plan Sponsor vs. Principal Distributor & Investment Fund Manager (IFM)	The non-profit foundation acts as plan sponsor, signing contracts with subscribers and collecting administration and account maintenance fees; the wholly owned for-profit subsidiary acts as investment fund manager and principal distributor, whose dealing representative commissions are paid entirely from subscriber-paid sales charges ($200 per unit) and never from plan administration fees.
Regulatory Jurisdiction Differences Between Sister Dealers	Scholarship Plan Dealer (SPD) vs. Mutual Fund Dealer (MFD)	The distribution subsidiary dedicated to group and self-determined scholarship plans is registered as a scholarship plan dealer (SPD), directly regulated by provincial securities commissions and not a member of CIRO; the sister dealer distributing mutual fund portfolios holds dual registration as an SPD and a mutual fund dealer, and is a member of CIRO and CIPF.
Units, Beneficiary Groups, and Two Attrition Mechanisms	Unit, Beneficiary Group & Pre-/Post-maturity Attrition	The number of units is determined by the contribution amount, contribution frequency, and entry age (units = periodic contribution divided by unit price), with all units in the same beneficiary group (sharing the same year of eligibility) receiving equal earnings per unit at maturity; pre-maturity attrition is triggered upon cancellation or transfer, forfeiting earnings to the group EAP account, while post-maturity attrition is triggered when a beneficiary does not enrol or fails to collect all four EAPs.
Core Organizational Roles and Key Milestone Dates	Trustee and Custodian, Depository Bank & Standing Committees	The non-profit foundation was incorporated on December 15, 1960 (with three standing committees: Governance and Human Resources, Audit, and Investment, and serving as its own transfer agent and registrar); the distributor subsidiary was incorporated on September 1, 1988 and appointed investment fund manager (IFM) on September 28, 2010; the independent trustee and custodian has served continuously since March 1, 1996 (with a Canadian chartered bank serving as depository bank under the exam syllabus).
Thresholds and Fee Comparison Across Three Active Plans	Group Scholarship Plan vs. Individual & Family Self-determined Plans	The group plan requires beneficiaries to be under age 13 at enrolment, has a minimum monthly contribution of $9.50 or 1/10 unit (whichever is greater), charges a $200 per unit sales charge, and exclusively levies an account maintenance fee; individual and family self-determined plans require a $150 minimum subscription and charge a $50 per plan sales charge (waived for CLB-only plans); the family plan requires beneficiaries to be under age 21 and related to the subscriber by blood or adoption as children, grandchildren, or great-grandchildren, permitting allocation of earnings and grants among beneficiaries.
Cessation of New Group Plan Unit Sales in Quebec by 2027	Cessation of New Group Plan Unit Sales in Quebec	Effective January 1, 2027, the sale of new units of the active group plan will cease in Quebec and existing plans may not add units; however, units may still be purchased through December 31, 2026, existing plans will continue to collect scheduled contributions and be administered normally after 2027, and the plan remains on sale in all other provinces.
Terms and Identification of Discontinued Group Plans	Discontinued Plans (P3 & P4) vs. Renamed Active Group Plan	The third-generation plan sold from 1988 to 2000 offered no sales charge refund; the fourth-generation group savings plan sold from 1992 to 2001 refunded 100% of sales charges with the first EAP and required an initial monthly payment of $25 per unit; the fifth-generation plan launched on May 1, 2001 was renamed as the current active group scholarship plan on January 20, 2020.
Time Limits and Trade-offs of Transferring to Self-determined Plans	Transfer to Self-determined Plan	Subscribers may transfer 100% of net contributions, government grants, and accumulated earnings into a self-determined plan without transfer fees before December 31 of the year the beneficiary reaches age 20 (closing on January 1 of the year turning 21; non-relatives may only transfer to an individual plan), but they immediately forfeit all plan units and attrition sharing rights.
Dual Standards for Sales Charge Refunds and Loyalty Bonuses	Refund of Sales Charges (SCR) / Loyalty Bonus	Completing the full group plan term and collecting all four EAPs entitles the subscriber to a tax-free refund of 50% of sales charges (12.5% per EAP, or 100% for plans entered prior to October 2007); transferring mid-stream to a self-determined plan provides a tenure-based refund of 0% to 25% (0% for 0—3 years, 5% for 3—6 years, 10% for 6—9 years, 15% for 9—12 years, 20% for 12—15 years, 25% for 15+ years); voluntarily reducing units forfeits refund eligibility on cancelled units.

Three Major Historical Turning Points: 1967, 1972, and 1974	Provincial Securities Regulation, Sole National Provider & Tax Deferral	In 1967, a warning letter from the foundation's president to provincial attorneys general regarding inadequate competitor reserves led to scholarship plans being placed under provincial securities regulation; in 1972, the organization became the sole national provider of scholarship agreements; in 1974, it secured tax deferral on plan earnings until EAP distribution from the tax authority, retroactive to 1972.

Self-test cues (Cornell left column)

1. Why are the non-profit foundation and the for-profit distributor subsidiary separated, and which fee pays dealing representative commissions?
2. How do the scholarship plan dealer (SPD) and the dual-registered sister dealer under the same foundation differ regarding CIRO regulatory oversight?
3. Which three variables determine group plan units, and how do the consequences of pre-maturity attrition differ from post-maturity attrition?
4. How do the active group plan, individual self-determined plan, and family self-determined plan differ in beneficiary age, relationship requirements, minimum subscription, and account maintenance fees?
5. What is the deadline for transferring from a group plan to a self-determined plan, and what are the rules for tenure-based partial sales charge refunds (0% to 25%) versus full-maturity refunds (50%)?

Summary: In three sentences, summarize: the fee separation logic between the non-profit foundation and the for-profit subsidiary, the key structural differences between group and self-determined plans, and the trade-off between individualized flexibility and attrition sharing rights upon mid-stream transfer.