RDRE Question Book

35 main questions plus 35 variants, all our own, none official. Every option has a reason.

How to use

1. Work chapter by chapter at real exam pace (100 questions in 120 minutes = about 72 seconds each).
2. When marking, read the reason for all four options: why the wrong ones are wrong is tested more often than why the right one is right.
3. For every miss, do its variant the same day and again three days later.

Chapter 1 · Disclosure Documents, Fees & Expenses Scholarship Plans

Items marked ′ are variants on the same point: do one when you miss the main question.

1. Which of the following statements regarding a scholarship plan prospectus and its delivery to subscribers is correct?

a. It is updated monthly to reflect recent portfolio returns and only the four-page Plan Summary must be delivered to the subscriber.
b. It has a plain-language Plan Summary of up to four pages plus a Detailed Plan Disclosure, is renewed each year, and both parts go to every subscriber.
c. It includes the audited annual financial statements and MRFP printed inside the enrollment package handed to every subscriber.
d. A single generic Plan Summary covers all plans offered by the same investment fund manager, so the representative may hand out any version.

1′. A dealing representative is preparing the enrollment package for a client who is purchasing units in one of three scholarship plans managed by the same foundation. Which document delivery rule applies?

a. Deliver the Detailed Plan Disclosure together with the Plan Summary (four pages or fewer, in plain language) for the specific plan the client is buying.
b. The representative only needs to email a link to SEDAR+ because both parts of the prospectus are incorporated by reference.
c. The representative must deliver the Plan Summary at signing and mail the monthly updated Detailed Plan Disclosure every 30 days.
d. The representative may skip the Plan Summary if the client signs a written waiver confirming he has read the 70-page Detailed Plan Disclosure.

2. During a sales meeting, a prospective subscriber asks what it means that the provincial securities commission has issued a receipt for the scholarship plan's prospectus and the CRA has approved the plan. How must the dealing representative respond?

a. It means both agencies have checked the accuracy of the plan's financial projections and recommend it to families as a prudent, low-risk investment.
b. It means the plan is guaranteed by a federal crown corporation on the same basis as a bank deposit covered by CDIC.
c. It shows only that set requirements for sale in the province and for RESP registration were met; neither agency endorses, recommends or guarantees the plan.
d. It means the securities commission drafted the prospectus and supervises the daily portfolio trades through the SEDAR+ regulator portal.

2′. Which statement regarding SEDAR+ and regulatory oversight of scholarship plans is true?

a. SEDAR+ is the federal regulatory agency that audits scholarship plans and issues receipts approving them as safe investments.

b. Distribution in a province requires that province's receipt first, and anyone can view the filed disclosure documents free of charge on SEDAR+.

c. SEDAR+ administers the Canada Education Savings Grant (CESG) and restricts document access to registered dealing representatives only.

d. Once a plan is uploaded to SEDAR+, the representative may tell clients that the government has endorsed the plan's expected EAP payouts.

3. When reviewing a scholarship plan's audited annual financial statements, which item is recorded as an outflow (rather than an inflow) on the Statement of Changes in Net Assets?

a. Educational Assistance Payments (EAPs) paid to qualified students and government grants returned to the government.

b. Subscriber deposits received by the plan under each subscriber's contribution schedule during the fiscal year.

c. Canada Education Savings Grants (CESG) and other government grants received by the plan during the year.

d. Amounts transferred into the scholarship plan from another registered education savings plan during the year.

3′. A subscriber asks which part of the annual financial statements shows the scholarship plan's assets minus liabilities at a specific point in time, and where post-maturity pool earnings used to supplement EAPs are explained. Which answer is correct?

a. The Statement of Operations shows assets minus liabilities, and the Statement of Investment Portfolio explains the General Fund.

b. The Statement of Changes in Net Assets shows the point-in-time balance sheet, and the IRC Annual Report manages the General Fund.

c. The Statement of Net Assets is mailed monthly to show assets minus liabilities, while the Plan Summary audits the General Fund.

d. The Statement of Net Assets shows assets minus liabilities at a point in time; the Notes to the Financial Statements explain the General Fund.

4. Which of the following statements correctly describes both the administration fee and completion insurance in a scholarship plan?

a. The administration fee is a $50 annual fee paid directly to the dealing representative, and completion insurance pays out if the beneficiary drops out of university.
b. The administration fee usually runs 0.5% to 1.5% of plan assets a year, and completion insurance finishes the scheduled contributions if the subscriber dies or is disabled.
c. The administration fee is capped at 0.10% to 0.33% per year for all plans, and completion insurance insures the life of the student beneficiary until graduation.
d. The administration fee is only charged when a cheque is returned NSF, and completion insurance premiums are non-refundable even if the plan is cancelled within 60 days.

4′. A subscriber purchases optional completion insurance when enrolling in a group scholarship plan, then decides to cancel the plan on day 120. What happens to the completion insurance policy and the premiums already paid?

a. All insurance premiums paid are refunded in full because completion insurance is held in a segregated account.
b. The policy automatically converts into a permanent life insurance policy on the beneficiary's life.
c. Because cancellation came after the 60-day window, the insurance premiums already paid are lost along with any investment income.
d. The dealing representative must personally refund 50% of the insurance premiums from the representative's annual administration fee.

5. Under the standard unit-based sales charge schedule used by most scholarship plan foundations, a subscriber contributes $200 per month toward units that carry a total sales charge of $1,600. After the first 8 months of contributions (totalling $1,600), how much of the sales charge has been paid and how much has been credited to the subscriber's principal?

a. $1,600 has been paid toward the sales charge and $0 has been credited to principal.
b. $800 has been paid toward the sales charge and $800 has been credited to principal, because 50% of every contribution goes to each from month one.
c. $400 has been paid toward the sales charge and $1,200 has been credited to principal, because sales charges are capped at 25% of contributions.
d. $1,200 has been paid toward the sales charge and $400 has been credited to principal, with 4 more months of 50% deductions remaining to finish paying the sales charge.

5′. A subscriber enrols in a group scholarship plan with a monthly contribution of $250 and a total unit-based sales charge of $1,500. Under the standard foundation deduction schedule, how many total months will it take to pay off the entire $1,500 sales charge?

a. 6 months, because 100% of every $250 monthly contribution is applied to the sales charge until the full $1,500 is paid.

b. 9 months: 3 months at the full $250 to cover the first $750, then 6 months at $125 (half of each contribution) for the remaining $750.

c. 12 months, because exactly 50% of every contribution ($125/month) is applied to the sales charge from the very first month.

d. 15 months, because only $100 per month can legally be deducted toward sales charges under NI 41-101.

6. Compare two subscribers who cancel their group scholarship plans: Subscriber X cancels 40 days after signing, while Subscriber Y cancels 14 months after signing. Which statement accurately contrasts their outcomes?

a. X gets back everything paid, fees and premiums included; Y gets only net contributions, loses the investment income, and loses grant room tied to returned grants (other than CLB).

b. Both subscribers get back 100% of their contributions and the accumulated investment income, but Subscriber Y must also pay a 50% sales charge penalty.

c. Subscriber X forfeits half of the sales charge because the cancellation came after 30 days, while Subscriber Y keeps all of the CESG grants inside the plan.

d. Subscriber X must wait until day 61 to request a withdrawal, while Subscriber Y automatically recovers 25% of sales charges upon cancellation.

6′. A client calls her dealing representative on day 48 after signing a scholarship plan contract and says she wants to withdraw from the plan. What must the dealing representative do?

a. Schedule a follow-up meeting two weeks later (on day 62) to review the Plan Summary again before accepting the withdrawal form.

b. Warn the client that withdrawing on day 48 will permanently destroy the child's CESG grant contribution room.

c. Process the withdrawal promptly, without stalling, so the client gets a full refund, including sales charges and any insurance premiums paid.

d. Deduct the first month's sales charge and depository fee, then refund the remaining net contribution.

7. In a group scholarship plan that offers a refund of sales charges, how does the refund work when a subscriber stays in the group plan through maturity versus transferring to an individual or family plan?

a. Staying to maturity refunds 100% of sales charges plus investment income earned on those charges in a single lump sum at age 18.
b. Maturity with all four EAPs refunds 50% (12.5% per EAP); transferring to an individual or family plan refunds 0% to 25% by years in the group plan; the two cannot be combined.
c. A subscriber who stays in the group plan for 16 years and then transfers to a family plan receives both the 50% maturity refund and the 25% transfer refund for a total of 75%.
d. If the beneficiary completes a two-year college diploma and collects two of the four EAPs in the group plan, the subscriber still receives the full 50% sales charge refund.

7′. A subscriber stays in the group scholarship plan until maturity and makes all scheduled contributions, but her child enrolls in a two-year program and collects only two of the four available EAPs. How much of the sales charge is refunded, and how is the refund taxed?

a. 50% of the sales charge is refunded because all contributions were paid to maturity, and the refund is taxed in the subscriber's hands.
b. 0% is refunded because all four EAPs must be collected to receive any refund at all, and the forfeited amount is taxed as an AIP.
c. 25% (12.5% with each of the two EAPs collected), and the refund is not taxable income to either the subscriber or the beneficiary.
d. 25% of the sales charge plus all compound interest earned on the sales charge in the segregated account is refunded and taxed in the student's hands.

Chapter 2 · Conduct, KYC, Ethics & Marketing Conduct & KYC

Items marked ′ are variants on the same point: do one when you miss the main question.

8. Which regulatory obligation specifically requires a dealing representative to recommend only those investment actions that match a client's needs, objectives, risk profile, and ability to afford ongoing contributions?

a. The Know Your Client (KYC) obligation, because gathering and verifying personal and financial facts automatically determines which plan is appropriate.

b. The Fit and Proper standard, which evaluates whether the representative possesses the proficiency, integrity, and solvency needed to advise subscribers.

c. The Suitability Assessment obligation, which uses client facts, product knowledge, cost impact, and a reasonable range of options to judge whether an action is appropriate.

d. The Relationship Disclosure obligation, which requires delivering a brochure at account opening that explains all fees, risks, and product restrictions.

8′. During a compliance audit, a supervisor notes that a dealing representative accurately recorded a subscriber's income, net worth, investment knowledge, risk profile, and time horizon on the application form, but recommended a contribution schedule that consumes most of the family's disposable income. Which specific obligation did the representative fail to fulfill properly?

a. The Suitability Assessment obligation, including the requirement to ensure and document that the subscriber can reasonably afford continuous scheduled contributions.

b. The Know Your Client (KYC) obligation, because recording accurate financial facts is the same legal step as deciding which product to recommend.

c. The Trusted Contact Person (TCP) obligation, because the representative should have contacted a family member before finalizing a high contribution amount.

d. The Know Your Product (KYP) obligation, which requires the dealer to monitor changes in the scholarship plan's underlying portfolio holdings.

9. A prospective subscriber wants to open a scholarship plan but refuses to disclose her household income and net worth, offering instead to sign a written waiver releasing the dealer from liability. How must the dealing representative respond?

a. Explain that KYC is a legal duty needed to advise her properly and that her information stays confidential, and decline to open the account if she still refuses.
b. Accept the signed waiver, attach it to the Enrolment Application Form, and submit the file to the local supervisor for special approval.
c. Open the account at a minimal contribution level for now and collect the missing financial details during the mandatory three-year KYC review.
d. Obtain the subscriber's financial details indirectly by contacting her designated Trusted Contact Person without requiring further input from the subscriber.

9′. When an existing scholarship plan account is reassigned to a dealing representative from a colleague who recently left the dealer, what KYC standard applies to the receiving representative?

a. No KYC review is required until three years have elapsed from the date the former representative originally opened the account.
b. A simplified standard applies where the representative only needs to verify that the subscriber's banking transit and account numbers remain active.
c. The representative may rely entirely on the former colleague's handwritten notes as long as the subscriber signs a waiver of re-verification.
d. The same KYC standard as for a new client: review the data, discuss it with the client, and learn why the account moved and what service is expected.

10. A dealing representative notices that a prospective subscriber is hesitating because of the upfront sales charge. To help close the enrolment, the representative offers to rebate half of his sales commission directly to the subscriber after the 60-day withdrawal period. Which statement accurately describes this offer?

a. It is permissible as long as the rebate is documented in writing and disclosed to the local branch supervisor before the trade confirmation is issued.
b. It is strictly prohibited because representatives are not authorized to negotiate lower sales charges, pay fees or deposits for clients, rebate commissions, or offer financial enticements to enrol.
c. It is allowed under the Conflict of Interest rules because reducing the subscriber's net cost places the client's financial interest ahead of the representative's own compensation.
d. It is acceptable provided the total value of the commission rebate is nominal and fits within the dealer's referral fee threshold.

10′. A dealing representative is authorized to offer two scholarship plan options that are equally suitable for a client's objectives and risk profile, but one plan pays the representative a higher commission while charging the client higher fees. How must the representative handle this conflict of interest?

a. Recommend the lower-cost plan, since the conflict must be managed in the client's best interest regardless of the representative's own pay.

b. Recommend the higher-commission plan as long as the commission rate is printed inside the standard account opening form signed by the client.

c. Recommend the higher-commission plan and offset the difference by paying the client's first monthly deposit out of the representative's own pocket.

d. Implement a personal fee-splitting arrangement immediately and notify the dealer's compliance officer during the annual account review.

11. A subscriber residing in Ontario lodges a complaint alleging that her dealing representative misrepresented the conditions for early withdrawal. Under the complaint-handling rules for scholarship plan dealers, what are the timelines for the dealer's initial written response, the substantive response, and the subscriber's escalation to the Ombudsman for Banking Services and Investments (OBSI)?

a. Initial written response within 10 days, substantive response within 60 days, and escalation to OBSI within 90 days.

b. Initial written response within 5 business days, substantive response within 180 days, and escalation to OBSI within 2 years.

c. Initial written response within 15 business days, substantive response within 90 days, and escalation to the Autorité des marchés financiers (AMF) within 180 days.

d. Initial written response within 5 business days, substantive response within 90 days, and escalation to OBSI within 180 days if the subscriber remains dissatisfied.

11′. Which of the following statements accurately describes how customer complaints and third-party dispute resolution work for a scholarship plan dealer?

a. Only written complaints must be logged and addressed, whereas oral complaints made by telephone can be resolved informally without documentation.

b. Independent dispute resolution is provided at the dealer's expense, and for a subscriber living in Quebec the third-party body is the AMF, not OBSI.

c. A subscriber who accepts a settlement offer from the dealer retains the right to escalate the same complaint to OBSI within 180 days for additional compensation.

d. Complaints regarding personal financial dealings between a representative and a client do not require a written substantive response from the dealer.

12. Why does the RESPDAC Code of Ethics state that dealing representatives must not encourage subscribers to transfer their scholarship plan business from one member to another, and what must happen if a subscriber initiates a transfer on their own?

a. The client may lose fees paid and earnings built up; if she still moves, the receiving side gets her written acknowledgment on the Plan Transfer Disclosure Form and gives a signed copy to the relinquishing member.

b. Because transfers create excessive administrative paperwork between dealers; if the client insists, the relinquishing member must first approve the transfer before any of the forms are signed.

c. Because the Code of Ethics prohibits competition among members; if the client insists, the representative must refer the client to the securities commission for an independent review.

d. Because transferred plans lose their registration status with the Canada Revenue Agency; if the client insists, the representative need only obtain an oral confirmation during the meeting.

12′. During a presentation to a prospective subscriber who holds a scholarship plan with a competing dealer, how must a dealing representative conduct any discussion regarding the competitor's plan under the RESPDAC Code of Ethics?

a. The representative may use self-prepared comparison charts as long as the calculations are explained orally to the subscriber.

b. The representative is grandfathered from the Code of Ethics restrictions if they have been continuously registered since September 28, 2009.

c. Stay objective and fair, never disparage the competitor, and use only written product material published or approved by his own member firm.

d. The representative should highlight only the competitor's early termination penalties while omitting the sales charges of the representative's own plan.

13. Which of the following practices complies with the regulatory standards governing sales communications, advertisements, and the presentation of performance data for scholarship plans?

a. Making an informal oral promise to a client during a home visit that unit values will match last year's return, since oral remarks are not treated as sales communications.

b. Publishing a pre-approved ad that names the dealer, says in 10-point or larger type that key information is in the prospectus, and shows 1-, 3-, 5- and 10-year returns ended within 180 days.

c. Distributing a performance flyer within 30 days of the fiscal year-end that quotes an internal credit rating prepared by the dealer's own marketing team.

d. Comparing the dealer's 5-year return against a competing scholarship plan's 3-year return without obtaining the competitor's permission to list its corporate name.

13′. A dealing representative wants to order new business cards and stationery to promote his scholarship plan practice. Which of the following is required under the standards for business cards and stationery?

a. The representative may print a self–created trade name on the cards without prior permission as long as his personal phone number is active for 60 days.
b. The cards may be used for both the representative's scholarship plan business and an unrelated side business to save printing costs.
c. The representative may adopt an executive title that sounds more senior than his registration category to build trust with prospective subscribers.
d. They must disclose the dealer's full legal name alongside the representative's name, authorized title, and business address, and follow the dealer's policies.

14. How does the existing client exemption under the National Do Not Call List (National DNCL) telemarketing rules differ from implied consent for an existing business relationship under Canada's Anti–Spam Legislation (CASL)?

a. Under National DNCL rules, a representative may call a consumer on the list if they had business dealings within the past 2 years; under CASL, implied consent lasts for 18 months and permits soliciting any new product.
b. Under National DNCL rules, calling is permitted only between 10:00 and 18:00 on weekdays; under CASL, the maximum penalty for a violation is $10,000 for corporations.
c. DNCL lets you call a listed consumer you dealt with in the past 18 months; CASL implied consent from a purchase in the past 2 years covers existing products or services, not new solicitations.
d. Under both National DNCL and CASL, representatives must immediately send a confirmation email to the client after processing an opt–out or do–not–call request.

14′. A dealing representative is planning a telemarketing campaign to contact prospective subscribers who have no prior relationship with the dealer, and also plans to send commercial electronic messages (CEMs) to prospects who gave express consent. Which set of rules must the representative follow?

a. Call only 9:00—21:30 weekdays or 10:00—18:00 weekends (local time), skip National and internal DNCL numbers, and give each CEM contact details valid 60 days plus an immediate unsubscribe.
b. Disguise the telemarketing calls as an educational survey to get around the National DNCL restrictions, and keep the CEM contact details active for at least 10 days.
c. Call prospects between 9:00 and 21:30 on Saturdays and Sundays, and send a follow–up email confirming whenever a recipient clicks the unsubscribe link in a CEM.
d. Obtain express consent only in writing because oral opt–in is invalid under CASL, and note that CRTC penalties apply only to corporations and never to individual representatives.

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

Items marked ′ are variants on the same point: do one when you miss the main question.

15. Marcus is preparing for his registration exam and reads that his dealing representative proficiency requirement is set out in National Instrument 31–103, developed through the Canadian Securities Administrators (CSA). Which statement accurately describes the legal status of the CSA and National Instruments?

a. The CSA is an informal association of the 13 provincial and territorial regulators with no enforcement power, and an NI is a rule each local regulator adopts in the same form.

b. The CSA is a federal crown corporation established by Parliament, and a National Instrument is a federal statute that overrides provincial securities laws.

c. The CSA is a self–regulatory organization that directly registers scholarship plan dealing representatives, and a National Instrument is a non–binding guideline.

d. The CSA is a division of the federal tax authority, and a National Instrument only applies in provinces that have signed a multilateral exemption agreement.

15′. During a team study session, a trainee claims that the Canadian Securities Administrators (CSA) fined an unlicensed representative last month under a federal securities act. Why is the trainee's statement incorrect?

a. Because only the Canadian Investment Regulatory Organization (CIRO) can levy fines against scholarship plan dealing representatives under federal law.

b. Because the CSA only prosecutes criminal fraud in federal court and delegates administrative fines to municipal authorities.

c. Canada has no federal securities act or regulator; only a provincial or territorial commission can register or penalize market participants.

d. Because the CSA can only suspend registrations in the three territories, while the ten provinces enforce rules through the federal Department of Finance.

16. Elena has passed her proficiency exam and her dealer's Authorized Firm Representative submitted her Form 33–109F4 through the National Registration Database yesterday. While waiting for confirmation, Elena meets young parents at a community centre to explain plan features and persuade them to enrol next week. How does securities legislation treat Elena's conduct?

a. It is permissible educational outreach because no subscription contract was signed and no money changed hands between Elena and the parents during the meeting.
b. It is unregistered trading: soliciting or negotiating toward a sale already counts as trading, and her registration is not in effect until approved and confirmed by the dealer.
c. It is allowed under a temporary 10–day grace period that begins as soon as Form 33–109F4 is uploaded to the National Registration Database.
d. It is a minor internal compliance breach that only requires Elena to file a Form 33–109F5 update within 30 days.

16′. Which of the following activities falls within the statutory definition of 'trading' under Canadian provincial securities legislation, thereby requiring prior registration?

a. An administrative clerk mailing an annual cost report to existing subscribers without discussing account changes.
b. An information technology contractor updating the dealer's internal server security software.
c. A subscriber transferring personal funds between their own chequing and savings accounts at a bank.
d. Meeting prospective subscribers at a café to compare scholarship plan options and encourage them to open an account.

17. David is registered as a scholarship plan dealing representative solely in Ontario. This month, he moved to a new residential apartment in Toronto, started working weekend shifts as a paid real estate photography contractor, and received a call from his cousin living in British Columbia who wants David to open a scholarship plan for her newborn. What must David do to remain compliant?

a. He may enrol his cousin because the call was received at his Ontario office, and he has 30 days to report his new residential address and weekend job.
b. He may enrol his cousin under a family–member registration exemption as long as he waives his commission, and he only needs to report his weekend job at year–end renewal.
c. He must register in B.C. or refer his cousin to a rep registered there, and must report his new address and outside activity on Form 33–109F5 within 10 days.
d. He must file Form 33–109F1 within 10 days to report his new apartment, and his Ontario registration automatically grants a 60–day mobility pass to sell in British Columbia.

17′. Under National Instrument 33-109, which of the following changes to a dealing representative's registration information is subject to a 30-day reporting deadline rather than the standard 10-day deadline?

a. A change in citizenship or updates to previous employment history.

b. Filing a consumer proposal or declaring personal bankruptcy.

c. Taking on an unpaid volunteer treasurer role at a local community association.

d. A change in personal hair colour or body weight.

18. A new dealing representative at a scholarship plan dealer reads that IIROC and the MFDA combined on January 1, 2023, creating the Canadian Investment Regulatory Organization (CIRO). How does this affect a firm registered only as a scholarship plan dealer and its representatives?

a. All scholarship plan dealers automatically became CIRO Dealer Members on January 1, 2023, and must follow CIRO's continuing education rules.

b. CIRO handles initial registration approvals for scholarship plan dealing representatives, while provincial commissions retain only enforcement powers.

c. Scholarship plan dealers are regulated by the Canadian Investor Protection Fund (CIPF), which absorbed the oversight functions of both IIROC and MFDA.

d. They are not CIRO members; the firm and its representatives stay registered with, and directly regulated by, the provincial and territorial securities commissions.

18′. An education savings group operates two separate subsidiary corporations in the same building: Firm X is registered solely as a Scholarship Plan Dealer, while Firm Y holds dual registration as both a Scholarship Plan Dealer and a Mutual Fund Dealer. Which regulator(s) oversee Firm X and Firm Y?

a. Both Firm X and Firm Y are regulated exclusively by CIRO because they share the same corporate parent.

b. Firm X is overseen directly by the provincial and territorial commissions, while Firm Y is a CIRO Dealer Member because of its mutual fund dealer registration.

c. Firm X is regulated by FINTRAC as its primary securities regulator, while Firm Y is regulated by the Canada Revenue Agency.

d. Neither firm is subject to CIRO oversight because any firm offering Registered Education Savings Plans is exempt from self-regulatory organizations.

19. Sophia signed a scholarship plan application on May 1, but her dealing representative forgot to provide the current Plan Summary and Plan Prospectus until May 20, when Sophia received them in person. Under National Policy 15 and provincial securities legislation, what does the regulator's receipt for the prospectus signify, and when does Sophia's statutory withdrawal period expire?

a. The receipt shows only that the documents meet legal form and content standards, not that the plan has investment merit, and Sophia's 60 days run from May 20, when she got the prospectus.

b. The receipt confirms that the securities commission guarantees the plan's investment safety, and Sophia's 60-day withdrawal period runs from May 1 when she signed the contract.

c. The receipt means the plan is exempt from continuous distribution rules, and Sophia has only 2 business days from May 20 to cancel without penalty.

d. The receipt validates the dealer's sales projections, and because the dealer missed the midnight second-business-day delivery deadline, Sophia must wait 180 days before requesting a refund.

19′. A scholarship plan dealer mails the current prospectus to a new subscriber by regular mail (not registered mail). Under the prospectus delivery rules, when must the prospectus be sent, when is the subscriber deemed to have received it, and what happens if the dealer never delivers it?

a. Sent within 10 days of signing; deemed received on the 15th day; failure to deliver results only in a minor administrative warning.

b. Sent before midnight on the fifth business day after signing; deemed received immediately upon mailing; and failure to deliver simply extends the withdrawal period to 90 days.

c. Sent within 60 days of the lapse date; deemed received on the 30th day; failure to deliver transfers liability solely to the plan promoter.

d. Within two business days (by midnight); deemed received on day 7 after mailing; if never delivered, an ongoing right to cancel plus a right of action against the dealer.

20. Following an investigation into a scholarship plan dealer's branch office, a provincial securities commission finds evidence of deceptive sales practices. Which of the following actions is generally BEYOND the direct statutory powers of the securities commission?

a. Suspending or revoking the dealing representative's registration and issuing a cease-trade order after providing an opportunity for a hearing.

b. Ordering the dealer to pay direct restitution to compensate the affected subscribers, or ordering a subscriber to honour the terms of their subscription agreement.

c. Entering the business premises of the registrant to conduct a compliance examination and compelling witnesses to produce records.

d. Prohibiting a culpable individual from acting as a director or officer of any securities issuer and imposing an administrative financial penalty.

20′. Which statement correctly distinguishes administrative enforcement by a provincial securities commission from criminal or quasi-criminal prosecution in court?

a. Administrative enforcement can impose prison sentences of up to 14 years without any court trial, whereas the courts are limited to issuing cease-trade orders.
b. Only the Canadian Securities Administrators can initiate court prosecutions, while provincial commissions are limited to issuing private reprimands.
c. The commission itself can suspend registration and levy penalties after a hearing chance; offences like unregistered trading are prosecuted in court and can bring fines and prison.
d. Court prosecutions require no proof of wrongdoing whenever a subscriber has lost money, whereas administrative hearings need unanimous approval from all 13 provinces.

21. Liam is opening a Registered Education Savings Plan (RESP) for a new client and also reviewing his list of past clients to send commercial electronic messages (emails) and make telemarketing calls to individuals registered on the National Do Not Call List (DNCL). Which combination of rules regarding client identity verification and existing-client marketing windows is accurate?

a. He does not need to verify the new client's identity because RESPs are exempt under federal anti-money laundering laws; implied consent for emails lasts 18 months, and the DNCL telemarketing exemption lasts 2 years.
b. He must verify the new client's identity only because federal anti-money laundering law (PCMLTFA) requires it; both email implied consent and the DNCL telemarketing exemption expire after 12 months.
c. AML law exempts registered plan accounts, but NI 31-103 s.13.2 still requires reasonable steps to confirm every client's identity; CASL implied consent from a purchase lasts 2 years and the DNCL exemption 18 months.
d. He only needs to verify identity if the client contributes $10,000 or more in cash; CASL allows unlimited emails without an unsubscribe link to past clients, and telemarketing calls are permitted until 23:00 on Sundays.

21′. Which statement accurately describes the statutory penalties and offences under federal marketing and criminal legislation applicable to securities sales practices?

a. CASL penalties reach $1,000,000 (individuals) and $10,000,000 (corporations); fraud over $5,000 carries up to 14 years, aggravated by abuse of community trust; a false prospectus, up to 10 years.
b. Competition Act s.52 only prohibits a dealing representative from working part-time for two competing scholarship plan dealers at the same time.
c. Criminal Code s.380 fraud over $5,000 carries a maximum sentence of only 2 years, while publishing a false prospectus under s.400 is treated as a civil matter with no prison term.
d. Under the Unsolicited Telecommunications Rules, telemarketing calls may be placed between 8:00 and 22:00 seven days a week without maintaining an internal Do Not Call List.

Chapter 4 · The Economy and Understanding Financial Markets

Economy & Markets

Items marked ′ are variants on the same point: do one when you miss the main question.

22. Statistics Canada is compiling the national Gross Domestic Product (GDP) figures for the period. Which of the following items is included in the calculation of Canada's GDP?

a. Government transfer payments such as employment insurance benefits and old age pensions.
b. The cost of raw materials purchased by a manufacturer to produce finished goods.
c. Capital spending by a business to construct a new factory building in Canada.
d. The estimated market value of unpaid household work and homemaker productivity.

22′. An analyst reviewing Canadian economic indicators notes that the economy has been contracting for several months and checks the composition of GDP. Which statement is correct?

a. A recession means at least six consecutive months of contraction, and GDP leaves out transfer payments and raw materials bought for production.
b. A recession is defined as two consecutive years of declining exports, and GDP includes employment insurance payments made to households.
c. The business cycle typically fluctuates every 18 to 24 months, and GDP includes raw materials bought by factories.
d. The Bank of Canada calculates GDP monthly using a fixed basket of consumer products.

23. How does monetary policy differ from fiscal policy in managing the Canadian economy?

a. Monetary policy is conducted by the Bank of Canada through short-term interest rates and typically takes 18 to 24 months to take full effect.
b. Monetary policy is conducted by the federal government through taxation and infrastructure spending with an immediate, predictable effect.
c. Monetary policy requires the Bank of Canada to set the actual monthly Consumer Price Index rate between 4% and 7%.
d. Monetary policy pulls money out of the economy by raising personal income tax rates when capacity utilization is low.

23′. When inflation rises above the Bank of Canada's target range of 1% to 3% because strong demand is pushing industries near their capacity limits, what policy action and time lag apply?

a. The federal government lowers taxes to increase disposable income, with the effect showing up fully within six months.
b. The Bank of Canada lowers short-term interest rates to encourage borrowing, with an uncertain lag.
c. Statistics Canada restricts bank note supply, taking effect immediately in the next monthly CPI report.
d. The Bank of Canada raises short-term rates to cool demand, acting ahead of time since monetary policy needs 18 to 24 months.

24. An investor holds a long-term bond with a face value of $1,000 and a fixed coupon rate of 7% that pays $70 per year. If market interest rates rise significantly, what happens to the bond's market value and why?

a. Its market value rises because the bond's issuer must increase the annual coupon payment above $70 to match market rates.
b. Its value falls, because its fixed $70 is less attractive than coupons on new higher-rate bonds, so it must sell below face value to compete.
c. Its market value remains at $1,000 at all times because bonds are traded on public stock exchanges with guaranteed price stability.
d. Its market value rises because higher interest rates strengthen the domestic currency and reduce inflation risk.

24′. A client purchases an existing $1,000 face-value debenture carrying a 7% coupon rate in the secondary market for $950. Which statement correctly describes the yield and interest rate environment?

a. The investor's actual yield is lower than 7% because the debenture was bought at a price below its face value.
b. The investor receives no annual interest because debentures, like treasury bills, only pay at maturity.
c. Yield is above 7%, since the fixed $70 a year is earned on a $950 price, which reflects market rates having risen.
d. The debenture's price dropped to $950 because prevailing market interest rates fell below 7%.

25. Securities regulators require scholarship plan dealers to address a specific risk in both the relationship disclosure document and the Plan Summary before a client makes a decision. What is this risk, and what is the representative's duty?

a. Currency risk; the representative must hedge foreign exchange fluctuations for the subscriber's contributions.
b. Market risk; the representative must guarantee that the scholarship plan's pooled investments will never experience a loss.
c. Political risk; the representative must predict future statutory changes to tax credits over the next 18 to 24 months.
d. Affordability risk; explain what early cancellation costs and the prospectus options for avoiding a forced cancellation.

25′. A prospective subscriber has a high net worth and strong income, giving them the financial capacity to absorb investment losses, but they state that any drop in account value would keep them awake at night. How should the representative assess their risk tolerance?

a. Classify the client as having high risk tolerance because net worth and income override emotional reactions.
b. Risk tolerance needs both the financial ability and the willingness to bear risk, so the client's discomfort with losses lowers it.
c. Advise the client to cancel their existing scholarship plan immediately because cancellation is always in the subscriber's best interest.
d. Place the client's funds into futures contracts to lock in a guaranteed return without volatility.

26. Which of the following accurately describes a Treasury bill (T-bill) and its position on the investment risk spectrum?

a. A government debt security maturing in under a year; very low risk; pays no interest and is sold below its maturity value.
b. It is a short-term deposit certificate insured by CDIC that pays a high fixed monthly interest rate.
c. It is an insurance contract that guarantees 75% to 100% of the original investment at maturity.
d. It carries higher risk than common shares and futures contracts because it cannot be redeemed before maturity.

26′. If an investor compares a Government Savings Bond, a Treasury Bill, a Guaranteed Investment Certificate (GIC), and a Futures Contract, which instrument carries the highest level of risk?

a. A Government Savings Bond, because it is generally non-transferable.
b. A Treasury Bill, because it does not pay periodic interest.
c. A Guaranteed Investment Certificate (GIC), because most must be held until maturity.
d. A Futures Contract, because derivatives sit above the standard asset risk spectrum.

27. How are scholarship plan units classified on the investment risk spectrum, and what determines the return an investor actually receives?

a. Very low risk; returns are guaranteed by the trustee regardless of whether the beneficiary attends post–secondary education.
b. Low to very high risk; units can be redeemed at any time at Net Asset Value Per Share (NAVPS) with full refund of sales charges after 60 days.
c. Variable risk; capital–loss risk is low, but returns depend on portfolio yield, whether the beneficiary studies, and whether contributions are kept up.
d. Moderate to high risk; holders receive fixed dividends ahead of common shareholders upon corporate liquidation.

27′. Scholarship plans, mutual funds, and segregated funds are all forms of pooled investments. How do their legal structures and redemption rules differ?

a. Segregated funds are insurance contracts that usually guarantee 75% to 100% of principal; scholarship plan assets sit with a trustee, and redeeming means cancelling the plan.
b. Mutual funds are insurance contracts that give holders no voting rights, whereas scholarship plan units trade daily on public stock exchanges like shares.
c. Scholarship plans allow investors to select individual stocks in the pool without paying management fees.
d. Segregated funds cannot lose money even when redeemed early, and mutual funds forfeit all of the principal invested if they are cancelled after 60 days.

28. An investor earns equal dollar amounts of interest income, eligible dividends from Canadian corporations, and capital gains outside a registered plan, and also realizes a capital loss on another stock. Which tax rule applies?

a. Interest income enjoys the lightest tax burden due to the interest tax credit, and capital losses can offset employment income.
b. Interest is taxed like employment income and leaves the least after tax, and capital losses may be applied only against capital gains.
c. Canadian dividends are completely exempt from tax at all times, and capital losses can be deducted against interest income.
d. Capital gains are taxed more heavily than interest income, and capital losses expire unless transferred into an RRSP.

28′. How do an RESP, an RRSP, and a TFSA compare with respect to tax deductibility of contributions and taxation of withdrawals?

a. Both RESP and RRSP contributions are tax–deductible, and withdrawals from all three accounts are tax–free.
b. TFSA contributions are tax–deductible, and RESP investment earnings are taxed in the subscriber's hands when they are withdrawn for the child's school.
c. Only RRSP contributions are deductible; EAPs are taxed to the beneficiary, RRSP withdrawals to the holder as income, and TFSA withdrawals not at all.
d. RESP and TFSA accounts both receive Canada Education Savings Grants, and RRSP funds can remain untouched indefinitely after age 71.

Chapter 5 · Scholarship Plan Organization and Product Line CST Product

Items marked ′ are variants on the same point: do one when you miss the main question.

29. A prospective subscriber reviewing the plan disclosure document asks how the non-profit foundation and its wholly owned for-profit distributor subsidiary divide their roles, and whether the annual management fees deducted from the plan are used to pay the dealing representative's commission. Which explanation is accurate?

a. The non-profit foundation signs the contract and collects the administration and account maintenance fees; representative commissions come only from subscriber sales charges, not plan management fees.

b. The for-profit subsidiary is the legal counterparty to the subscriber's contract and funds representative commissions by taking a fixed percentage of the plan's annual administration fees.

c. Both the non-profit foundation and the for-profit scholarship plan dealer are regulated as Dealer Members of the Canadian Investment Regulatory Organization (CIRO), which sets their commission split.

d. The independent trustee and custodian collects the $200 per-unit sales charge and distributes half of it to the dealing representative and half to the six portfolio managers.

29′. Two sister dealers operate under the same non-profit foundation: Dealer X distributes only group and self-determined scholarship plans, while Dealer Y distributes mutual fund education portfolios alongside scholarship plans. How does regulatory oversight differ between Dealer X and Dealer Y?

a. Both Dealer X and Dealer Y are directly supervised by the Canadian Investment Regulatory Organization (CIRO) because all securities dealer registrations were delegated to CIRO nationwide.

b. Dealer X answers directly to the provincial commissions and is outside CIRO; Dealer Y, dual-registered as a scholarship plan and mutual fund dealer, is a CIRO Dealer Member and CIPF member.

c. Dealer X is a member of the Canadian Investor Protection Fund (CIPF), whereas Dealer Y is exempt from self-regulatory organization oversight because its portfolios are offered online.

d. Dealer X is regulated by the federal banking regulator through its depository bank, whereas Dealer Y is regulated solely by the non-profit foundation's audit committee.

30. In a group scholarship plan, Subscriber Lin cancels her plan six years before the maturity date and withdraws her net contributions, while Subscriber Okafor keeps his plan to maturity, but his beneficiary decides never to enrol in any post-secondary education program. How are the investment earnings on their contributions treated under the two types of attrition?

a. Lin's cancellation triggers post-maturity attrition where earnings are returned to the foundation's general operating account, whereas Okafor's case triggers pre-maturity attrition and allows an Accumulated Income Payment (AIP).
b. Lin's cancellation is pre-maturity attrition and Okafor's case is post-maturity attrition; in both, the forfeited earnings stay in the beneficiary group's EAP account for the remaining beneficiaries.
c. Both Lin and Okafor receive 100% of their accumulated investment earnings in cash as long as they forfeit 50% of their initial sales charges to the beneficiary group.
d. Lin's forfeited earnings are transferred to the government grant pool, whereas Okafor's forfeited earnings are paid to the dealing representative as a group plan bonus.

30′. During a sales presentation for a group scholarship plan, a dealing representative highlights the Group Plan Bonus and attrition sharing as a guaranteed way to boost payouts without mentioning cancellation statistics or forfeiture conditions. Why does this presentation break the conduct rules?

a. Representatives are strictly prohibited from ever mentioning the Group Plan Bonus or the concept of attrition to prospective subscribers under any circumstances.
b. Attrition is solely a post-maturity mechanism and never occurs before maturity, because 100% of subscribers in the last five maturing groups completed their schedules.
c. Promoting the Group Plan Bonus without fairly disclosing forfeiture risks and limits, such as the 17% average cancellation rate in recent maturing groups, is a misleading sales communication.
d. The Group Plan Bonus can only be paid to subscribers in the individual self-determined plan who hold more than 20 units.

31. A client wants to compare the fee structures and eligibility rules of the dealer's three active plans: the group scholarship plan, the individual self-determined plan, and the family self-determined plan. Which statement is correct?

a. All three plans charge an annual Account Maintenance Fee, but only the family self-determined plan charges a $200 per-unit sales charge.
b. The individual self-determined plan requires the beneficiary to be under age 13 and related to the subscriber by blood or adoption, with a minimum monthly contribution of $9.50.
c. Only the group plan charges the Account Maintenance Fee (plus $200 per unit, beneficiaries under 13 at entry); both self-determined plans need $150 minimum and charge $50 per plan, waived for CLB-only plans.
d. The family self-determined plan allows unrelated beneficiaries of any age, whereas the group scholarship plan permits sharing of earnings and grants among multiple siblings under one contract.

31′. A grandparent wishes to open a single self–determined plan for her two grandchildren (ages 8 and 14) and her neighbour's 10–year–old daughter so that investment earnings and government grants can be shared among whichever children attend university. Why can this request not be fulfilled under one family self–determined plan?

a. A family self–determined plan requires every beneficiary to be under age 13 at enrollment, so the 14–year–old grandchild would be ineligible to join the plan.
b. A family self–determined plan does not permit any sharing of investment earnings or government grants among its multiple beneficiaries, even siblings.
c. Grandparents are prohibited from acting as subscribers of a family self–determined plan; only the children's legal parents are allowed to open one.
d. Every family plan beneficiary must be under 21 and a child, grandchild or great–grandchild of the subscriber by blood or adoption; the neighbour's child needs an individual plan.

32. A subscriber has held 10 units in the group scholarship plan for 13 years ($2,000 total sales charges paid). Her beneficiary is now age 19 and is considering taking a shorter 13–week full–time vocational program or possibly not attending post–secondary school at all. If the subscriber transfers the plan to a family self–determined plan today, what are the financial and contractual consequences?

a. 100% of net contributions, government grants, and accumulated income transfer with no transfer fee, and she qualifies for a 50% sales charge refund ($1,000) while keeping her units and attrition sharing rights.
b. Everything transfers with no fee, she gets a 20% sales charge refund ($400) paid in proportion to EAPs, and she gives up her units and her share of group attrition.
c. She cannot transfer the plan because the transfer window permanently closes on January 1 of the calendar year in which the beneficiary turns 18.
d. A $50 transfer fee is deducted from her contributions, all accumulated investment income is forfeited to the beneficiary group, and no sales charges are refunded.

32′. A subscriber enrolled in the active group scholarship plan in 2012 with 8 units ($1,600 in total sales charges). If the subscriber completes all scheduled contributions, the plan reaches maturity, and the beneficiary collects all four Educational Assistance Payments (EAPs), how is the Refund of Sales Charges (Loyalty Bonus) paid and taxed?

a. 50% of the sales charges ($800) is refunded across the four EAPs at 12.5% ($200) per EAP, excluding any earnings on the sales charges, and the refund is tax–free to both the subscriber and the beneficiary.
b. 100% of the sales charges ($1,600) is refunded in a single lump sum with the first EAP and is taxed as regular income in the beneficiary's hands.
c. 75% of the sales charges ($1,200) is refunded by combining the 50% full–term completion bonus with the 25% maximum tenure–based transfer refund.
d. 50% of the sales charges ($800) is refunded, plus if the subscriber previously reduced 2 units, the sales charges on those cancelled units are credited against the remaining 6 units.

33. In November 2026, a client residing in Quebec meets with a dealing representative to purchase units of the group scholarship plan and also asks about a news article mentioning a Quebec class action lawsuit over scholarship plan sales charges. Under the current prospectus disclosures, what must the representative tell the client?

a. The group scholarship plan has already been discontinued nationwide across all Canadian provinces, and the dealer settled the Quebec class action lawsuit in July 2025 for $634,072.
b. The client can still purchase units in Quebec until December 31, 2026, and may continue adding new units to that existing plan after January 1, 2027, because the class action was dismissed by the court.
c. She can buy until December 31, 2026; after that no new or added units in Quebec, though existing plans carry on, and a certified class action over Quebec sales charges is still pending with no predictable outcome.
d. The representative can guarantee that the dealer will win the Quebec lawsuit and therefore waive the $200 per–unit sales charge for all Quebec residents enrolling before 2027.

33′. A dealing representative registered in Ontario hears a rumour that group scholarship plans are completely dead across Canada starting January 1, 2027, and tells an Ontario client that she can no longer buy or add units to a group scholarship plan. Why is the representative's statement inaccurate?

a. The 2027 stop covers only new and added group plan units in Quebec; every other province keeps selling the group plan, and existing Quebec plans continue under their agreements.

b. The January 1, 2027 cessation applies only to the individual and family self-determined plans, while the group plan remains open for new sales in every province including Quebec.

c. The cessation took effect on January 20, 2020, when the fifth group plan was renamed, so no group plans have been sold anywhere in Canada since 2020.

d. Ontario clients can only buy the group plan through the sister mutual fund dealer's self-directed mobile application.

34. When answering an exam question based on the 2020 training manual versus verifying facts in the 2026 prospectus, which set of organizational facts has remained UNCHANGED across both sources?

a. The corporate legal name of the distributor subsidiary, the identity of the President and CEO, and the inclusion of the legacy digital plan in the Independent Review Committee fee allocation.

b. The foundation's 1960 founding, the subsidiary's 1988 start and 2010 IFM appointment, the unrelated trustee and custodian in place since 1996, and the external auditor.

c. The requirement that all six external portfolio managers must be wholly owned subsidiaries of the non-profit foundation.

d. The appointment of the external trustee company as the foundation's Transfer Agent and Registrar and the creation of seven standing board committees.

34′. According to the 2020 training manual used for the product knowledge exam, how many standing committees does the non-profit foundation's board of directors maintain, and what are their functions?

a. Two standing committees: the Sales Charge Refund Committee and the Provincial Regulatory Liaison Committee.

b. Four standing committees: the Underwriting Committee, the Marketing Committee, the Actuarial Committee, and the Litigation Committee.

c. Three standing committees: the Governance and Human Resources Committee, the Audit Committee, and the Investment Committee.

d. Six standing committees, with one committee assigned to supervise each of the six portfolio managers.

35. Three closely spaced historical milestones shaped the scholarship plan industry in Canada: 1967, 1972, and 1974. Which option correctly matches each year with the event tested on the exam?

a. 1967: the organization became the sole national provider; 1972: scholarship plans were brought under provincial securities regulation; 1974: the first Educational Assistance Payments were distributed.

b. 1967: tax deferral was granted by the tax authority; 1972: community colleges became eligible institutions; 1974: the for-profit distributor subsidiary was incorporated.

c. 1967: the foundation was incorporated by Letters Patent; 1972: tax deferral was enacted; 1974: the third plan raised the maximum entry age from 10 to 13.

d. 1967: a letter from the foundation's president to provincial attorneys general led to provincial securities regulation; 1972: sole national provider; 1974: tax deferral on earnings, retroactive to 1972.

35′. Which historical milestone occurred in 1988 in the evolution of the scholarship plan organization and its product line?

a. The foundation set up its wholly owned for-profit distributor, and a third plan was launched that raised the maximum entry age from 10 to 13.

b. The fourth plan was launched in March 1988 as the first plan to offer a 100% refund of sales charges upon the first EAP.

c. The second plan was launched in December 1988 to expand eligible post-secondary institutions to include community colleges and technical schools.

d. The fifth group plan was launched in May 1988 and immediately introduced the 0% to 25% tenure-based partial sales charge refund schedule.

Answers and option–by–option reasons

Chapter 1 answers and reasons

1 answer b

a. ✗ Incorrect renewal frequency and delivery scope: The prospectus is renewed annually rather than updated monthly. Furthermore, both the Plan Summary and the Detailed Plan Disclosure must be delivered to the subscriber; handing out only the summary is not permitted.

b. ✓ Correct. The prospectus is mandatory two–part disclosure: a plain–language Plan Summary of no more than four pages, and a Detailed Plan Disclosure spanning dozens of pages in legal language. The prospectus is renewed annually, and both parts must be delivered to every subscriber.

c. ✗ Confuses direct delivery with incorporation by reference: Audited annual financial statements, Management Reports of Fund Performance (MRFPs), and IRC annual reports are incorporated by reference into the prospectus and made available on SEDAR+ or the official website; they are not printed and handed to subscribers.

d. ✗ Plan substitution trap: Each plan offered has its own distinct Plan Summary. The representative must deliver the specific Plan Summary corresponding to the exact plan the subscriber is purchasing; using a generic or mismatched version is not allowed.

1′ answer a

a. ✓ Correct. The subscriber must receive both the Detailed Plan Disclosure and the specific Plan Summary (four pages or fewer, written in plain language) for the plan being purchased. Both parts are mandatory, and delivering the wrong plan version is a violation.

b. ✗ Incorrect delivery obligation: Both parts of the prospectus (the Plan Summary and the Detailed Plan Disclosure) must be physically delivered to every subscriber. Only financial statements, MRFPs, and IRC annual reports are incorporated by reference.

c. ✗ Incorrect update frequency and delivery timing: Both parts of the prospectus are delivered at the time of enrollment. The prospectus is renewed annually; there is no requirement or practice to update and mail the Detailed Plan Disclosure every 30 days.

d. ✗ Mandatory disclosure cannot be waived: National Instrument 41–101 legally mandates delivery of the Plan Summary, and the representative must review it with the client prior to signing. A client's written waiver cannot exempt the representative from this obligation.

2 answer c

a. ✗ Government endorsement trap: A securities commission receipt and CRA approval do not verify the accuracy of disclosure contents or projections, nor do they recommend the plan as a prudent investment. Stating that regulators have passed judgment on the merits of a security is an offense.

b. ✗ Government guarantee and CDIC trap: Scholarship plans carry no government guarantee, and scholarship plan dealers are not members of the Canada Deposit Insurance Corporation (CDIC). A representative must never lead clients to believe their deposits are CDIC–insured.

c. ✓ Correct. A prospectus receipt issued by a provincial securities commission is a prerequisite for public distribution in that province, and CRA approval confirms registered status as an RESP. Both simply establish regulatory compliance and never constitute an endorsement, recommendation, or guarantee.

d. ✗ Role confusion trap: The prospectus is authored and filed by the plan manager, not drafted by the securities commission. Furthermore, SEDAR+ is merely a public electronic filing and retrieval system, not a regulatory body supervising day–to–day trades.

2′ answer b

a. ✗ Dual error regarding platform role and endorsement: SEDAR+ is an electronic filing and retrieval system, not a regulatory agency. Prospectus receipts are issued by provincial securities commissions, and receipts never serve as an endorsement of safety.

b. ✓ Correct. A plan cannot be distributed to the public in a province without obtaining a prospectus receipt from that province's securities commission. Once filed, disclosure documents such as prospectuses, annual reports, and financial statements can be accessed by the public free of charge on SEDAR+.

c. ✗ Misattributed entity: SEDAR+ does not administer the Canada Education Savings Grant (CESG) program, nor is it restricted to dealing representatives; it is completely open to the general public.

d. ✗ Government endorsement trap: Regardless of filing on SEDAR+ or receipt issuance, any sales pitch claiming government or regulatory endorsement or guarantee of EAP payouts is a direct violation of securities legislation.

3 answer a

a. ✓ Correct. In the Statement of Changes in Net Assets, funds paid out to subscribers and students (including EAPs and refunded fees) as well as grants returned to the government represent cash outflows.

b. ✗ Opposite flow direction: Subscriber contribution deposits received under contribution schedules increase the plan's net assets and are recorded as inflows in the Statement of Changes in Net Assets.

c. ✗ Opposite flow direction: CESG and other government incentives received by the plan add to the pool of assets and represent inflows; only grants refunded or returned to the government are classified as outflows.

d. ✗ Opposite flow direction: Amounts transferred into the scholarship plan from other registered education savings plans increase plan net assets and represent inflows.

3′ answer d

a. ✗ Confusion of financial statement functions: The Statement of Operations displays investment income and operating expenses over a period, while the Statement of Investment Portfolio lists the detailed breakdown of individual portfolio holdings.

b. ✗ Confusion of statements and governance: The Statement of Changes in Net Assets reports fund inflows and outflows over a fiscal period, not a point-in-time balance sheet. Furthermore, the IRC reviews conflict of interest matters and does not manage the General Fund.

c. ✗ Incorrect mailing frequency: Although the Statement of Net Assets functions as a balance sheet, it is part of the audited annual financial statements (incorporated by reference into the prospectus) and is never mailed monthly to subscribers.

d. ✓ Correct. The Statement of Net Assets is essentially the plan's balance sheet at a point in time (Net Assets = Assets minus Liabilities). The Notes to the Financial Statements explain the General Fund, where all investment income earned after a cohort pool matures is credited to offset plan expenses and supplement EAPs.

4 answer b

a. ✗ Dual trap: Dealing representatives never collect administration fees directly from clients. Moreover, completion insurance covers subscriber death or disability; it does not pay out if a beneficiary drops out of university.

b. ✓ Correct. For exam purposes, the administration fee covers general plan and account administration as well as EAP processing, typically ranging from 0.5% to 1.5% of plan assets annually (around 0.5% in group plans and 0.5% to 1.5% in individual and family plans). Completion insurance completes remaining scheduled contributions if the subscriber dies or becomes disabled.

c. ✗ Mismatched fee range and wrong insured party: 0.10% to 0.33% per year is the standard range for investment management fees, not administration fees. Furthermore, completion insurance protects the contributing subscriber, not the life of the student beneficiary.

d. ✗ Incorrect fee category and refund rule: NSF charges belong to other administrative fees, not the annual administration fee. In addition, if a plan is cancelled within 60 days of signing, all insurance premiums paid are fully refunded.

4′ answer c

a. ✗ Time window and account confusion: Paid premiums are refundable only within the 60–day window following enrollment. Day 120 is past this deadline, and the segregated account is dedicated to sales charge refund obligations, not insurance premium refunds.

b. ✗ Incorrect insured party and policy nature: Completion insurance covers scheduled contributions upon the subscriber's death or disability. It does not insure the life of the beneficiary, nor does it convert into permanent life insurance.

c. ✓ Correct. Within 60 days of signing, all insurance premiums paid are refunded in full. However, when cancelling after 60 days (such as on day 120), all completion insurance premiums paid are forfeited along with investment earnings, and only net contributions are returned.

d. ✗ Fabricated obligation: Dealing representatives do not collect annual administration fees from clients, nor do they bear any personal liability to refund client insurance premiums.

5 answer d

a. ✗ Overlooking the 50% shift rule: Contributions are not deducted at 100% until the entire sales charge is paid. Only the first half of the sales charge ($800) is deducted at 100% of contributions; the remaining half is deducted at 50% of each contribution.

b. ✗ Equal deduction illusion: The first half of the sales charge ($800, covering the first 4 months) is deducted at 100% of contributions, crediting $0 to principal during that period. It is not split 50/50 from month one.

c. ✗ Confusing refund tiers with deduction schedules: The 25% figure is the maximum refund tier when transferring to an individual or family plan after 15 or more years, not a cap on sales charge deductions from monthly contributions.

d. ✓ Correct. Under the rule deducting 100% until half is paid and 50% thereafter: Total sales charges are $1,600, so the first half is $800. For the first 4 months (4 x $200 = $800), 100% goes to sales charges, resulting in $800 sales charges paid and $0 principal. In months 5 through 8 (4 months), 50% ($100) goes to sales charges and 50% ($100) to principal each month, adding $400 to sales charges and $400 to principal. At 8 months, total sales charges paid equal $1,200, principal equals $400, and $400 in sales charges remains to be deducted over the next 4 months.

5′ answer b

a. ✗ Confusing two–stage deduction rules: The 100% deduction applies only until half the sales charge ($750, the first 3 months) is paid. The remaining $750 must be deducted at 50% of each contribution ($125 per month).

b. ✓ Correct. Half of the $1,500 total sales charge is $750. In Stage 1, 100% of each $250 monthly contribution is deducted, requiring $750 / $250 = 3 months (crediting $0 to principal). In Stage 2, 50% of each contribution ($125 per month) is deducted toward the remaining $750, requiring $750 / $125 = 6 months. Combined, it takes 3 + 6 = 9 months to finish paying the sales charge.

c. ✗ Equal deduction illusion: The first half of the sales charge is deducted at 100% ($250 per month) for the first 3 months, not at 50% starting from month one.

d. ✗ Fabricated regulatory cap: National Instrument 41–101 regulates disclosure formats for prospectuses and Plan Summaries; it does not impose a statutory cap of $100 per month on sales charge deductions.

6 answer a

a. ✓ Correct. Withdrawing within 60 days of signing (such as on day 40) entitles the subscriber to an unconditional 100% refund of all funds paid, including sales charges and insurance premiums. Cancelling after 60 days (such as at 14 months) refunds only net contributions (contributions minus sales charges and fees); all investment income is forfeited to the cohort pool, government grants are returned, and grant contribution room other than the CLB is permanently lost.

b. ✗ Incorrect earnings and deduction concept: Subscriber Y receives no investment income whatsoever after cancelling past 60 days. The reduced refund reflects front-end sales charges already deducted, not an additional 50% penalty.

c. ✗ Incorrect withdrawal window and grant rules: The unconditional full refund window is 60 days, not 30 days, so Subscriber X incurs no deduction on day 40. Furthermore, when a plan is cancelled, government grants like the CESG must be repaid to the government and cannot remain in the plan.

d. ✗ Prohibited stalling and wrong refund criteria: A representative must never stall a client past the 60-day mark. Additionally, the 0% to 25% refund schedule applies only when transferring to an individual or family plan and collecting future EAPs (requiring at least 3 years for 5%); outright cancellation refunds no sales charges.

6′ answer c

a. ✗ Severe compliance violation: Stalling or delaying a client's request to exhaust the 60-day withdrawal window (pushing them past day 60 to day 61 or later) is a serious regulatory offense.

b. ✗ Confusing consequences inside versus outside 60 days: Cancelling within 60 days rescinds the contract unconditionally in full. Only terminating after 60 days results in the permanent loss of grant contribution room (other than the CLB).

c. ✓ Correct. Day 48 falls squarely within the statutory 60-day unconditional withdrawal window. The client is entitled to a 100% refund of all funds paid, including deducted sales charges and insurance premiums. The representative must process the request promptly without dissuading or delaying the client.

d. ✗ Unauthorized deduction: Withdrawals within 60 days require a 100% full refund of all amounts paid, including sales charges and all ancillary fees; deducting initial sales charges or depository fees is strictly prohibited.

7 answer b

a. ✗ Triple error regarding percentage, interest, and payment method: For contracts entered into after October 2007, completing the plan refunds 50% (not 100%, which applied only to pre-October 2007 contracts). The refund is paid across four installments at 12.5% per EAP rather than a lump sum, and it explicitly excludes income earned on sales charges.

b. ✓ Correct. The refund of sales charges operates via two mutually exclusive pathways: Pathway 1 requires remaining in the group plan to maturity and collecting all four EAPs, refunding 50% in total (12.5% alongside each EAP; missed EAPs forfeit that portion, and refunds are non-taxable and exclude income earned on the sales charges). Pathway 2 applies upon transferring to an individual or family plan, refunding 0% to 25% based on years in the group plan (0% for 0–3 years, up to 25% for 15 or more years).

c. ✗ Double-counting trap: Receiving the 50% maturity refund by staying in the group plan and receiving 0% to 25% based on years upon transferring to an individual or family plan are mutually exclusive alternatives; they cannot be stacked to total 75%.

d. ✗ Incorrect EAP linkage rule: The number of sales charge refund installments cannot exceed the number of EAPs collected (12.5% per EAP). If the student completes only a two-year program and qualifies for two of the four EAPs, the subscriber receives only two refund installments totaling 25% (12.5% x 2), permanently forfeiting the remainder.

7′ answer c

a. ✗ Incorrect percentage and tax treatment: The number of refund installments cannot exceed the number of EAPs actually collected, so collecting two EAPs yields only a 25% refund (not 50%). Furthermore, sales charge refunds do not constitute taxable income to either subscriber or beneficiary.

b. ✗ All–or–nothing misconception: Failing to collect all four EAPs does not wipe out the refund for the installments already qualified. Each qualifying EAP triggers a 12.5% sales charge refund, so two EAPs qualify for 25%. A complete forfeiture occurs only if zero EAPs are collected.

c. ✓ Correct. Each EAP payout triggers a refund of 12.5% of the sales charges paid per unit, and the total refund installments cannot exceed the number of EAPs collected. Collecting two out of four EAPs yields two refund payments totaling 25% (12.5% x 2). In addition, the refund is not taxable income to either the subscriber or the beneficiary.

d. ✗ Incorrect interest entitlement and taxation: Although the segregated account is actuarially valued biennially and backstopped by the foundation, the refund paid to the subscriber excludes any income earned on the sales charges. Moreover, the refund itself is non–taxable.

Chapter 2 answers and reasons

8 answer c

a. ✗ Incorrect. This is the 'KYC Versus Suitability Concept Substitution' trap. Know Your Client (KYC) involves collecting and documenting facts regarding the client's personal circumstances, financial circumstances, investment knowledge, risk profile, and investment time horizon. Using those facts to judge whether a recommendation is appropriate is an entirely separate legal obligation.

b. ✗ Incorrect. The Fit and Proper standard is evaluated by regulators and sponsoring dealers during registration to assess whether the representative possesses proficiency, integrity, and solvency; it does not govern evaluating specific investment recommendations for clients.

c. ✓ Correct. The Suitability Assessment obligation requires the representative to determine on a reasonable basis that every recommended investment action is suitable for the client. The evaluation must consider client KYC, dealer KYP, the impact of investment costs, a reasonable range of investment options, and documented evidence of affordability for scholarship plans.

d. ✗ Incorrect. Relationship Disclosure requires delivering and explaining important information regarding the client's relationship with the dealer at the outset (such as proprietary product restrictions, fees, dispute resolution, etc.); it is an informational disclosure duty rather than an obligation to evaluate recommendations.

8′ answer a

a. ✓ Correct. The representative properly completed the Know Your Client (KYC) step of collecting and documenting facts, but failed in the Suitability Assessment step of using those facts to make an appropriate recommendation, specifically violating the duty to ensure and document client affordability.

b. ✗ Incorrect. This is the 'KYC Versus Suitability Concept Substitution' trap. KYC is responsible for collecting and recording facts across five dimensions. The stem explicitly notes that the representative accurately recorded these facts; the violation occurred during the subsequent suitability assessment stage where those facts must be evaluated.

c. ✗ Incorrect. A Trusted Contact Person (TCP) may only be contacted with written consent under specific circumstances, such as suspected financial exploitation or diminished mental capacity; the TCP is never contacted for standard affordability reviews during account opening.

d. ✗ Incorrect. Know Your Product (KYP) requires understanding product structures and costs and offering only dealer–approved products. The core failure here was not evaluating affordability in light of the client's financial circumstances, which constitutes a failure of Suitability Assessment.

9 answer a

a. ✓ Correct. Know Your Client (KYC) is a statutory obligation of both representative and dealer, and securities law gives clients no right to waive this requirement. The representative must explain three points (it is a statutory duty; it is a prerequisite for proper advice and verifying contribution eligibility; and information is kept strictly confidential under securities and privacy laws). If the client still refuses, the representative cannot open the account. Note: This question reflects exam specifications; Joint Notice 31–368 issued in December 2025 further reinforced KYC practice standards but does not alter this exam conclusion.

b. ✗ Incorrect. This is the 'Client Voluntary Waiver and Personal Enticements' trap. The law does not grant clients the authority to waive KYC requirements, rendering any written liability waiver null and void. A branch supervisor cannot approve an enrollment application lacking core KYC and affordability documentation.

c. ✗ Incorrect. Gathering complete five–dimensional KYC information and verifying affordability is a strict prerequisite before opening an account or recommending a plan; it cannot be postponed until the mandatory triennial review.

d. ✗ Incorrect. The Trusted Contact Person (TCP) mechanism exists solely to protect clients when financial exploitation or diminished mental capacity is suspected; it cannot be used to bypass the prospective subscriber to gather routine onboarding financial data.

9′ answer d

a. ✗ Incorrect. When an account is reassigned to you from a departing colleague, you cannot passively wait for the original three–year review cycle; you must fulfill your verification obligations immediately upon taking over the account.

b. ✗ Incorrect. There is no simplified KYC standard for reassigned accounts. Merely checking bank account numbers falls far short of satisfying Know Your Client (KYC) and ongoing suitability requirements.

c. ✗ Incorrect. This is the 'Client Voluntary Waiver and Personal Enticements' trap. Clients cannot waive KYC obligations, and the receiving representative cannot blindly rely on a former colleague's notes without conducting meaningful client interaction.

d. ✓ Correct. Exam specifications explicitly dictate that when an account is reassigned to you from a colleague, you must apply the exact same Know Your Client (KYC) standard as for a brand–new client: review the data, hold a meaningful discussion with the client, and understand why the account was moved and what service the client expects.

10 answer b

a. ✗ Incorrect. This is the 'Client Voluntary Waiver and Personal Enticements' trap. Sales charges are established by the dealer and set out in the prospectus. Dealers strictly prohibit representatives from offering commission rebates, and disclosing the arrangement to a branch supervisor cannot legitimize an illegal enticement.

b. ✓ Correct. There are four strict prohibitions regarding commission rebates and enticements: dealing representatives must not negotiate lower sales charges, must not pay any part of the sales charges or deposits on behalf of clients, must not offer to rebate their own commissions, and must not offer gifts or other financial enticements to induce enrollment.

c. ✗ Incorrect. This confuses conflict of interest management with prohibited sales enticements. Placing the client's best interest first requires recommending lower–cost compliant products when equally suitable, not using prohibited rebates or private subsidies to induce an enrollment.

d. ✗ Incorrect. Thank–you gifts of nominal value or referral fees under $15 apply strictly to disclosed arrangements with unregistered referral sources; they never permit rebating commissions to clients or providing financial enticements to induce account opening.

10′ answer a

a. ✓ Correct. Under Conflict of Interest rules and Principle 1 of the Code of Ethics, representatives must provide objective and impartial information without regard to their own compensation. If two products are equally suitable but one charges lower fees to the client, the representative must recommend the lower-cost product.

b. ✗ Incorrect. Regulators explicitly emphasize that disclosing a conflict of interest means more than simply printing details on an account opening form or other paperwork. Crucially, the conflict must be managed in the client's best interest; a representative cannot push a higher-cost disadvantageous product merely by relying on boilerplate disclosure.

c. ✗ Incorrect. This is the 'Client Voluntary Waiver and Personal Enticements' trap. Paying part or all of a client's sales charges or monthly deposits violates one of the four absolute regulatory prohibitions.

d. ✗ Incorrect. The three standard actions for handling conflicts of interest are: identify and report to the dealer, evaluate and manage in the client's best interest, and await dealer approval before implementing any proposed arrangement. Representatives must never unilaterally arrange private fee-splitting.

11 answer d

a. ✗ Incorrect. This is a timeline confusion trap. 10 days is the reporting deadline for changes to registration Form 33-109F4, 60 days is the prospectus full refund withdrawal window or CASL contact validity period, and 90 days is the deadline for the substantive response, not for escalation to OBSI.

b. ✗ Incorrect. 180 days is the timeframe for a dissatisfied client to escalate a complaint to OBSI (and the maximum lag for performance data), not the deadline for the dealer's substantive response, which is 90 days.

c. ✗ Incorrect. The initial written response must be sent within 5 business days, not 15 business days. Furthermore, only clients residing in Quebec escalate third-party disputes to the AMF; Ontario residents must escalate to OBSI.

d. ✓ Correct. For complaints alleging misconduct such as misrepresentation (one of six categories requiring formal written responses), standard regulatory timelines dictate: send an initial written response within 5 business days, provide a substantive written response within 90 days, and inform the client of their right to escalate to OBSI within 180 days if they remain dissatisfied.

11′ answer b

a. ✗ Incorrect. Under National Instrument 31-103 (NI 31-103 s.13.15), both oral and written complaints must be documented and handled promptly and professionally; oral complaints must be treated with the exact same seriousness as written complaints.

b. ✓ Correct. Relationship disclosure explicitly states that independent dispute resolution services are provided at the dealer's expense. Furthermore, under the two statutory exceptions to complaint handling, clients residing in Quebec must bring their third-party disputes to the AMF rather than OBSI.

c. ✗ Incorrect. Complaint handling rules explicitly establish one of two exceptions: once a subscriber accepts a settlement offer from the dealer, the OBSI dispute resolution process no longer applies.

d. ✗ Incorrect. Personal financial dealings between a representative and a client constitute one of the six core complaint categories that strictly mandate an initial written response and a substantive written response from the dealer (the other five being trading/advising conduct, breach of confidentiality, theft/fraud/misappropriation/forgery, misrepresentation, and undisclosed or prohibited conflicts of interest).

12 answer a

a. ✓ Correct. The substantive reason inter-dealer transfers between group plans are discouraged is that clients may forfeit already-paid fees and accumulated earnings, which is rarely in their best interest. When a client initiates a transfer independently, the receiving representative must use an approved Plan Transfer Disclosure Form to obtain the client's written acknowledgment of financial impacts, deliver a signed copy to the relinquishing member, and ensure the client fully understands the implications before signing.

b. ✗ Incorrect. This is the 'Misinterpreting Rationale Against Inter-Dealer Group Plan Transfers' trap. The core rationale is safeguarding clients from losing sales charges and accumulated earnings, not minimizing paperwork. Additionally, the receiving representative is only required to send a signed copy of the disclosure form to the relinquishing dealer, not await their prior approval.

c. ✗ Incorrect. This is the 'Misinterpreting Rationale Against Inter-Dealer Group Plan Transfers' trap. The Code of Ethics promotes compliance and fair competition rather than barring competitive activity, and client-initiated transfers do not require referral to a securities commission.

d. ✗ Incorrect. The rationale stated in the Code of Ethics is that the client risks losing paid fees and accumulated earnings, not that the plan loses its registered tax status. Furthermore, the receiving representative must obtain the client's written acknowledgment on a Plan Transfer Disclosure Form; oral confirmation is strictly insufficient.

12′ answer c

a. ✗ Incorrect. Under Principle 3 of the Code of Ethics, when discussing your own or a competitor's RESP, representatives may use only written product materials published or approved by their own member firm; self-created unapproved comparison charts are strictly prohibited.

b. ✗ Incorrect. The September 28, 2009 grandfathering clause applies exclusively to the one-time proficiency exam requirement under NI 31-103 s.3.7. The RESPDAC Code of Ethics (approved November 24, 2022) binds all dealing representatives equally, with no grandfathering exemptions.

c. ✓ Correct. Under Principle 3 of the Code of Ethics, representatives must not make false, misleading, inaccurate, or incomplete statements regarding another representative, member, or product. Any discussion of a competitor must remain objective and fair without disparagement, and representatives may only use written product material published or approved by their own member firm.

d. ✗ Incorrect. This simultaneously violates Principle 1 (explaining enrollment fees and the effects of early termination fully before contract signing) and Principle 3 (fair and objective comparisons without misleading omissions), as well as advertising standards requiring fair inclusion of relevant facts for both plans.

13 answer b

a. ✗ Incorrect. This is the 'Oral Communications Exempt from Advertising Rules' trap. Sales communications include any oral or written communication used to solicit or induce the purchase of a scholarship plan, and promising or guaranteeing future unit values or rates of return is strictly prohibited.

b. ✓ Correct. Advertisements and sales communications must receive pre–approval from the dealer and its compliance officer, prominently display the dealer's name, and state in at least 10–point type that important information is contained in the prospectus which should be read before purchasing. Quoting performance data requires stating general assumptions, showing 1–, 3–, 5–, and 10–year periods (or since inception if under 10 years), having an end date within 180 days of the communication, and including a disclaimer that past performance is not indicative of future results. Note: Answered according to exam specifications; Joint Notice 31–369 issued in December 2025 added guidance on finfluencers, but the notice number is not tested on the exam.

c. ✗ Incorrect. Requiring distribution within 30 days of fiscal year–end is a fabricated distractor; the actual rule stipulates that the performance period end date must be within 180 days of the communication. Furthermore, performance ratings or rankings cannot be quoted unless prepared by a third party, and credit ratings are prohibited unless current and issued by an authorized rating organization.

d. ✗ Incorrect. Performance presentation standards explicitly require comparisons against competing plans to use the exact same time period and provide identical comparative data. Furthermore, written permission must be obtained from the competitor before citing its corporate name.

13′ answer d

a. ✗ Incorrect. A representative may not use any other trade name in sales communications, business cards, or stationery without prior dealer approval. The 60–day contact info requirement is a rule under CASL for commercial electronic messages.

b. ✗ Incorrect. The six standards for business cards and stationery clearly mandate that they be used solely for business conducted on behalf of the dealer, and never mingled with unrelated side businesses.

c. ✗ Incorrect. Representatives must not mislead investors regarding their qualifications or titles; they may use only titles authorized by the dealer that fairly reflect their registration category and function.

d. ✓ Correct. The six standards for business cards and stationery require: producing and using them in accordance with dealer policies, using them solely for dealer business, never misleading investors regarding qualifications or titles, disclosing the dealer's full legal name along with the representative's name, authorized title, and business address, using only authorized titles fairly reflecting registration status, and refraining from using any other trade name without approval.

14 answer c

a. ✗ Incorrect. This is a classic 'National DNCL and CASL Time Window Confusion' trap. It reverses the 18–month DNCL exemption with the 2–year CASL window. Moreover, under CASL exam specifications, implied consent with existing clients is strictly limited to communicating about existing products or services and cannot be used to solicit new products.

b. ✗ Incorrect. Permitted calling hours under National DNCL rules are 9:00 to 21:30 Monday through Friday and 10:00 to 18:00 Saturday and Sunday (local prospect time). Maximum penalties under CASL are up to $1,000,000 for individuals and up to $10,000,000 for corporations.

c. ✓ Correct. Under telemarketing rules, even if a telephone number is registered on the National DNCL, a representative may call a consumer with whom they had business dealings within the past 18 months (an existing client). Under CASL, implied consent based on an existing business relationship requires the recipient to have purchased a product or service within the past 2 years prior to sending the CEM, and exam specifications emphasize this consent applies only when communicating about existing products or services, not soliciting new ones.

d. ✗ Incorrect. Exam specifications explicitly state that under CASL rules, every commercial electronic message must include an unsubscribe mechanism, all unsubscribe requests must be processed immediately upon receipt, and sending a follow–up email confirming that an unsubscribe request has been completed is strictly prohibited.

14′ answer a

a. ✓ Correct. Telemarketing requires subscribing to the National DNCL, maintaining an internal do–not–call list, refraining from calling numbers on either list, displaying identification, and calling only between 9:00–21:30 weekdays and 10:00–18:00 weekends (local prospect time). Commercial electronic messages (CEMs) must disclose the sender's name/business name/mailing address, contact information (phone, email, or web) valid for at least 60 days, and a readily accessible, cost–free unsubscribe mechanism that takes effect immediately.

b. ✗ Incorrect. Disguising a sales call as a survey constitutes a misrepresentation of the call's nature and purpose, which is one of four explicitly prohibited forms of cold calling abuse. Furthermore, contact information in a CEM must remain valid for at least 60 days, not 10 days.

c. ✗ Incorrect. Permitted calling hours on Saturdays and Sundays are 10:00 to 18:00 (9:00 to 21:30 applies only Monday through Friday). Furthermore, sending a confirmation email after an unsubscribe request is received is strictly prohibited.

d. ✗ Incorrect. Under CASL, express consent requires an active opt–in but may be obtained either orally or in writing. In addition, CRTC penalties apply directly to individuals as well as corporations (up to $1,000,000 for individuals and up to $10,000,000 for corporations).

Chapter 3 answers and reasons

15 answer a

a. ✓ Correct. The Canadian Securities Administrators (CSA) is an informal national association of the 13 provincial and territorial securities commissions with no independent enforcement authority. A National Instrument (NI) is a uniform rule drafted through the CSA that becomes legally binding only when adopted by each individual province and territory as a local rule.

b. ✗ Incorrect authority trap: Falls into mistaking a coordinating association for a federal agency. Securities regulation falls under provincial and territorial jurisdiction; Canada has no federal securities commission or federal securities act. The CSA is not a federal Crown corporation, and an NI is not a federal statute.

c. ✗ Incorrect regulatory category: The CSA is not a self–regulatory organization (SRO) and does not directly register individuals. Furthermore, an NI is a legally binding rule, whereas explanatory documents setting out regulatory expectations are designated as National Policies (NPs).

d. ✗ Incorrect institutional linkage and instrument scope: The CSA has no organizational relationship with the Canada Revenue Agency (CRA). Instruments that apply in only some jurisdictions are Multilateral Instruments (MIs), whereas an NI applies across all 13 jurisdictions.

15′ answer c

a. ✗ Incorrect governing body and scope: CIRO does not enforce federal securities laws, nor does it regulate scholarship plan dealers (SPDs) or their dealing representatives.

b. ✗ Incorrect enforcement powers: The CSA is an informal coordinating forum without statutory power to prosecute offences or impose administrative fines, and securities regulation is never delegated to municipal authorities.

c. ✓ Correct. Under the Canadian constitution, securities regulation is a matter of exclusive provincial jurisdiction, and there is no federal securities act. The CSA serves solely as a coordinating body to develop uniform policies and rules; direct authority to register individuals, conduct investigations, and levy administrative fines resides exclusively with each provincial or territorial securities commission.

d. ✗ Incorrect territorial distinction: The three territories (Yukon, Northwest Territories, and Nunavut), like the ten provinces, each maintain independent securities regulators. The CSA has no direct power to suspend registrations in any province or territory.

16 answer b

a. ✗ Everyday misconception of trading: The casual belief that no trade occurs until an agreement is signed does not apply under securities law. The statutory definition of trading is broad, encompassing any solicitation or negotiation in furtherance of a trade.

b. ✓ Correct. Under securities legislation, trading includes selling a security, accepting an order, and any act, solicitation, or negotiation in furtherance of a trade. Submitting a registration application does not grant trading authorization; an individual cannot trade until registration is approved by the regulator and confirmed by the dealer. Jumping the gun constitutes unlawful unregistered trading, which can trigger severe regulatory or penal action.

c. ✗ Fabricated grace period: Uploading Form 33–109F4 to the NRD does not trigger any 10–day temporary registration or practice grace period. The 10–day timeline relates to reporting registration information changes (Form 33–109F5) and termination notices (Form 33–109F1).

d. ✗ Underestimating unregistered trading: Soliciting clients before registration is approved constitutes unregistered trading in violation of securities law, an offence subject to regulatory enforcement or prosecution that cannot be cured by filing an information update.

16′ answer d

a. ✗ Pure administrative function: Mailing statutory annual reports in a purely clerical capacity without discussing account adjustments or soliciting sales does not constitute trading.
b. ✗ Back-office technical function: IT maintenance and software updates bear no relation to soliciting clients or distributing securities and do not fall within the definition of trading.
c. ✗ Personal banking transfer: Transferring money between one's own bank accounts does not involve the issuance, sale, or solicitation of securities.
d. ✓ Correct. Meeting prospective subscribers to present and compare scholarship plans and persuade them to open an account constitutes an act, solicitation, or negotiation in furtherance of a trade, falling squarely within the statutory definition of trading and requiring approved registration.

17 answer c

a. ✗ Dual error regarding jurisdiction and timelines: First, registration jurisdiction is determined by client residence (British Columbia), not where the representative receives the call (Ontario). Second, both residential address changes and new outside business activities must be reported within 10 days; the 30-day timeline applies only to citizenship changes or past employment updates.
b. ✗ Non-existent exemption: Securities legislation provides no family-member registration exemption for scholarship plan dealing representatives, and waiving commissions does not eliminate the requirement to register in the client's home province. Moreover, outside business activities (compensated or not) must be reported within 10 days, not at year-end renewal.
c. ✓ Correct. A dealing representative must be registered in every province or territory where clients reside; because David is not registered in British Columbia, he must either obtain B.C. registration or refer the client to a colleague registered in B.C. Furthermore, under NI 33-109, changes in residential address and any new outside business or employment activity (compensated or uncompensated) must be reported on Form 33-109F5 within 10 days.
d. ✗ Wrong form and fabricated mobility pass: Form 33-109F1 is used for notice of termination, not information updates (which require Form 33-109F5). Additionally, scholarship plan dealing representatives do not have an automatic 60-day interprovincial mobility exemption.

17′ answer a

a. ✓ Correct. Under NI 33-109, most material information changes (legal name, residential address, outside business activities, litigation, bankruptcy, disciplinary actions) must be reported within 10 days. Only changes in citizenship or updates to past employment history are permitted the 30-day reporting timeline.
b. ✗ Crucial solvency information: Declaring bankruptcy, filing a consumer proposal, or facing wage garnishment directly impacts the registrant's financial integrity and solvency, requiring mandatory reporting on Form 33-109F5 within 10 days.
c. ✗ Outside activity 10-day rule: Commencing or altering any outside business or employment activity (whether compensated or uncompensated) is a material change that must be reported within 10 days.
d. ✗ Mandatory 10-day address update: Residential address changes directly affect regulatory contact and jurisdiction, making them subject to the mandatory 10-day reporting timeline, not 30 days.

18 answer d

a. ✗ Common industry misconception: CIRO resulted solely from the merger of IIROC (investment dealers) and the MFDA (mutual fund dealers). Scholarship plan dealers (SPDs) did not join CIRO, and CIRO continuing education rules do not apply to them.

b. ✗ Misallocated registration authority: Delegated registration functions administered by CIRO apply solely to investment and mutual fund dealers. Registration approvals for scholarship plan dealer firms and their dealing representatives remain directly with provincial and territorial securities commissions.

c. ✗ Confusing protection fund with regulator: The Canadian Investor Protection Fund (CIPF) is an investor protection compensation fund independent of CIRO. It is not a regulatory body and does not supervise firms registered solely as SPDs.

d. ✓ Correct. CIRO regulates only investment dealers and mutual fund dealers. Firms registered solely as scholarship plan dealers (SPDs) and their dealing representatives are not CIRO members; they remain directly registered with, inspected by, and disciplined by provincial and territorial securities commissions.

18′ answer b

a. ✗ Corporate parent confusion: Regulatory jurisdiction is governed by the specific registration category of each specific legal entity, not by parent company branding or shared corporate ownership. Firm X holds no mutual fund or investment dealer registration and is outside CIRO.

b. ✓ Correct. Registered solely as a scholarship plan dealer (SPD), Firm X is directly regulated by provincial and territorial securities commissions and is not a CIRO member. In contrast, Firm Y, as a registered mutual fund dealer, is a CIRO Dealer Member subject to CIRO oversight.

c. ✗ Incorrect regulatory scope: FINTRAC handles anti–money laundering reporting, while the CRA administers specimen plan tax registration; neither serves as a primary securities regulator.

d. ✗ Flawed product exemption premise: Holding a mutual fund dealer registration automatically subjects an entity (such as Firm Y) to CIRO oversight, regardless of whether it distributes RESPs structured as mutual funds.

19 answer a

a. ✓ Correct. A prospectus receipt issued by a securities commission confirms only that the disclosure document satisfies statutory requirements for full, true, and plain disclosure regarding form and content; it never constitutes an endorsement of investment merit or safety. Furthermore, under National Policy 15 (NP 15), the unconditional withdrawal period for scholarship plans is extended from two business days to 60 days, calculated from the date the purchaser receives the prospectus (May 20).

b. ✗ Double trap on endorsement and trigger date: Securities commissions never guarantee or endorse investment merit or safety. In addition, the 60–day withdrawal period runs from the date the subscriber receives the prospectus, not the contract signing date, and the right to cancel remains ongoing until delivery occurs.

c. ✗ Confusing general securities with scholarship plans: Two business days is the general statutory withdrawal period for conventional securities. National Policy 15 specifically extends this right to 60 days following prospectus receipt for scholarship plan subscribers.

d. ✗ Misinterpreting late delivery consequences: A dealer's late delivery never postpones or restricts the subscriber's right to a refund; rather, the cancellation right remains open until delivery. The 180–day timeline is the limitation period for initiating a statutory action for rescission in court.

19′ answer d

a. ✗ Conflating registration and AML timelines: Ten days and 15 days are timelines for registration updates and Large Cash Transaction Reports, respectively. Failing to deliver a prospectus maintains an ongoing right to cancel and creates a statutory right of action against the non-compliant dealer.

b. ✗ Incorrect delivery days and deemed receipt: The statutory delivery deadline is midnight on the second business day, not the fifth. Regular mail is not deemed received immediately upon posting, and there is no 90-day extension provision.

c. ✗ Lapse date and liability confusion: Once a prospectus reaches its lapse date, no securities may be distributed under it. Moreover, civil liability for non-delivery falls directly upon the dealer responsible for delivering the prospectus.

d. ✓ Correct. A prospectus must be sent or delivered no later than midnight on the second business day after entering into a purchase agreement (though most dealers require delivery upon initial presentation or enrollment). When sent by regular mail, it is deemed received on the seventh day following mailing. If never delivered, the 60-day clock never starts, giving the subscriber an ongoing right to cancel as well as a statutory right of action for rescission or damages against the dealer.

20 answer b

a. ✗ Standard administrative sanctions: Suspending or revoking a registration and issuing a cease-trade order represent core administrative powers expressly granted to securities commissions.

b. ✓ Correct. Exam materials explicitly identify two powers that securities commissions do not possess: first, regulators generally do not have the power to order direct compensation or restitution to investors (requiring investors to seek recovery through civil litigation in court); second, regulators oversee market participants and lack authority to order an investor to honour the terms of their subscription agreement.

c. ✗ Statutory investigation powers: Entering business premises to conduct compliance audits, compelling witnesses to testify, and demanding books and records fall squarely within statutory commission investigatory authority.

d. ✗ Statutory administrative penalties: Imposing director and officer bans and levying administrative penalties (which can reach $1,000,000 or more in many jurisdictions) are statutory administrative sanctions.

20′ answer c

a. ✗ Imprisonment authority error: Prison sentences can only be imposed by the courts following a criminal or quasi-criminal conviction; administrative regulators cannot impose imprisonment. Conversely, cease-trade orders are administrative remedies.

b. ✗ Misallocated prosecuting authority: The CSA has no prosecution or enforcement powers. Provincial commissions possess statutory authority to impose severe administrative sanctions (suspensions, bans, penalties up to $1,000,000) and to initiate court prosecutions for quasi-criminal offences.

c. ✓ Correct. Direct administrative sanctions imposed by the commission following an opportunity for a hearing include registration suspension or revocation, cease-trade orders, denial of exemptions, director and officer prohibitions, and administrative penalties. By contrast, serious statutory offences such as unregistered trading, illegal distribution without a prospectus, or misrepresentation are prosecuted in court, where convictions can result in fines exceeding $1,000,000 and imprisonment of several years.

d. ✗ Procedural misconceptions: Court prosecutions require the prosecution to prove every element of an offence beyond a reasonable doubt regardless of investor loss, and administrative hearings are conducted independently by each provincial commission without requiring unanimous approval from all 13 jurisdictions.

21 answer c

a. ✗ Dual trap on identity and marketing timelines: First, although federal AML legislation exempts registered plan accounts, NI 31–103 s.13.2 independently requires registrants to verify each client's identity. Second, the 2–year CASL email window and 18–month DNCL telemarketing window are reversed.

b. ✗ Misattributed authority and incorrect duration: The mandatory basis for verifying RESP subscriber identity is provincial securities law (NI 31–103 s.13.2), not federal AML law (which exempts registered plans). Furthermore, the existing–client exemption windows are two years and 18 months, not 12 months.

c. ✓ Correct. Successfully navigates two frequent exam traps: (1) The dual–layer identity verification framework—while the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA) exempts registered plan accounts, NI 31–103 s.13.2 independently mandates that registrants take reasonable steps to verify every client's identity; (2) Contrasting marketing exemption periods—implied consent arising from a product purchase under Canada's Anti–Spam Legislation (CASL) lasts up to two years, whereas the existing business relationship exemption under CRTC National DNCL telemarketing rules lasts up to 18 months.

d. ✗ Fabricated threshold and prohibited marketing hours: Identity verification under NI 31–103 s.13.2 applies to every client regardless of contribution amount, with no $10,000 threshold. Under CASL, every commercial electronic message must include a free, prominent unsubscribe mechanism. Under telemarketing rules, calling hours are 9:00 to 21:30 on weekdays and 10:00 to 18:00 on weekends; calling at 23:00 on a Sunday is strictly prohibited.

21′ answer a

a. ✓ Correct. All figures and classifications strictly reflect exam materials: administrative monetary penalties under CASL reach up to $1,000,000 for individuals and $10,000,000 for corporations; under Criminal Code s.380(1), fraud over $5,000 carries a maximum penalty of 14 years imprisonment, with s.380.1 establishing abuse of a high degree of trust in a community and fraud exceeding $1,000,000 as statutory aggravating factors; and under s.400(1), making or publishing a false prospectus carries up to 10 years imprisonment.

b. ✗ Misinterpreting Competition Act provisions: Section 52 of the Competition Act prohibits making materially false or misleading representations to the public for the purpose of promoting a product or business interest; it does not govern outside dual–employment restrictions.

c. ✗ Understated criminal sentences: Two years is the maximum term of imprisonment for fraud under $5,000 when prosecuted by indictment. Fraud over $5,000 carries up to 14 years imprisonment, and making a false prospectus under s.400 is an indictable criminal offence carrying up to 10 years.

d. ✗ Violating telemarketing operational rules: Telemarketers must subscribe to the National DNCL and maintain an internal do–not–call list. Permitted calling hours are 9:00 to 21:30 Monday through Friday and 10:00 to 18:00 on Saturday and Sunday based on the recipient's local time.

Chapter 4 answers and reasons

22 answer c

a. ✗ Incorrect. Falls into the GDP Double–Counting and Transfer Payment Trap: Gross Domestic Product (GDP) explicitly excludes government transfer payments such as old age pensions, employment insurance, and welfare benefits.

b. ✗ Incorrect. Falls into the GDP Double–Counting and Transfer Payment Trap: To avoid double counting, raw materials and services purchased by businesses to produce finished goods are excluded from GDP.

c. ✓ Correct. Gross Domestic Product (GDP) measures the total value of goods and services produced in a country over a given period, including personal consumption, government spending, business investment (such as money spent by businesses on new factory buildings), and net exports.

d. ✗ Incorrect. Falls into the GDP Double–Counting and Transfer Payment Trap: The exam curriculum specifically notes that GDP measuring homemaker productivity is a common incorrect distractor; GDP does not measure unpaid household work that does not pass through the marketplace.

22′ answer a

a. ✓ Correct. A recession is defined as at least six consecutive months of economic contraction; Gross Domestic Product (GDP) excludes transfer payments as well as raw materials purchased by businesses to produce finished goods.

b. ✗ Incorrect. A recession is defined as at least six consecutive months (not two consecutive years) of economic contraction, and employment insurance benefits are transfer payments that are excluded from GDP.

c. ✗ Incorrect. The 18 to 24 month period is the time lag for monetary policy, whereas the business cycle typically fluctuates over four to seven years. Furthermore, raw materials purchased by factories are excluded from GDP to prevent double counting.

d. ✗ Incorrect. GDP is calculated by Statistics Canada, whereas the Consumer Price Index (CPI) is calculated monthly based on the cost of a fixed basket of consumer products.

23 answer a

a. ✓ Correct. Monetary policy is conducted by the Bank of Canada, primarily by influencing short–term interest rates to adjust the money supply; its time lag is typically 18 to 24 months, requiring the central bank to act forward–looking.

b. ✗ Incorrect. Falls into the Fiscal vs. Monetary Policy Confusion Trap: Taxation and infrastructure spending belong to government fiscal policy, and fiscal policy time lags are neither immediate nor predictable.

c. ✗ Incorrect. Falls into the Fiscal vs. Monetary Policy Confusion Trap: The central bank sets an inflation–control target band between 1% and 3% (it does not directly set the monthly CPI rate, and four to seven years is the typical duration of a business cycle).

d. ✗ Incorrect. Falls into the Fiscal vs. Monetary Policy Confusion Trap: Raising tax rates to withdraw money from the economy is a tool of government fiscal policy, not a tool of monetary policy conducted by the Bank of Canada.

23′ answer d

a. ✗ Incorrect. Cutting taxes is an expansionary fiscal policy that further drives up aggregate demand. Additionally, six months is the qualifying threshold for a recession, not a policy time lag.

b. ✗ Incorrect. The Bank of Canada lowers interest rates to stimulate spending when inflation drops below 1%; when inflation exceeds the 1% to 3% target, it raises interest rates to dampen demand.

c. ✗ Incorrect. Supplying bank notes and conducting monetary policy is the responsibility of the Bank of Canada, not Statistics Canada.

d. ✓ Correct. When inflation exceeds the 1% to 3% annual target, the Bank of Canada raises short–term interest rates (monetary policy) to dampen domestic spending, and because monetary policy typically has an 18 to 24 month lag, the central bank must act forward–looking.

24 answer b

a. ✗ Incorrect. The bond's coupon rate and its annual $70 interest payment are fixed; the issuer will not increase the coupon of an already-issued bond simply because market interest rates have risen.

b. ✓ Correct. Under the mechanisms of interest rate risk and yield, when market interest rates rise, the market value of existing fixed-income securities falls (with the greatest impact on long-term bonds): because the coupon is fixed at $70, existing bonds must sell at a lower market price (such as below the $1,000 face value) so that a new buyer's actual yield increases to match prevailing market rates.

c. ✗ Incorrect. Bonds are generally not traded on public stock exchanges but in the over-the-counter (OTC) bond market, and their market value fluctuates with market interest rates prior to maturity.

d. ✗ Incorrect. Falls into the Inflation and Interest Rate Direction Reversal Trap: A rise in market interest rates inevitably causes the market value of existing fixed-rate bonds to fall, not rise.

24′ answer c

a. ✗ Incorrect. Paying $950 while receiving $70 per year in interest and receiving the $1,000 face value at maturity produces an actual yield that is higher than 7%, not lower.

b. ✗ Incorrect. Treasury bills (T-bills) are the instruments that pay no periodic interest and are issued at a discount; debentures pay annual interest based on their fixed coupon ($70 per year).

c. ✓ Correct. Based on the exam curriculum yield example, a debenture with a $1,000 face value and a 7% coupon pays $70 per year; purchasing it for only $950 yields an effective return higher than 7%, reflecting the inverse relationship where rising market interest rates push existing debt prices below face value.

d. ✗ Incorrect. Falls into the Inflation and Interest Rate Direction Reversal Trap: If prevailing market interest rates had fallen, the 7% fixed coupon would have become more attractive, causing the bond's market price to rise above face value rather than drop to $950.

25 answer d

a. ✗ Incorrect. Currency risk relates to value fluctuations when converting foreign investments back to domestic currency; it is not the unique regulatory disclosure focus of scholarship plans.

b. ✗ Incorrect. Falls into the Absolute Wording and Capital Preservation Illusion Trap: No entity guarantees scholarship plan returns or provides insurance against investment losses.

c. ✗ Incorrect. Political risk is improperly conflated here with the 18 to 24 month monetary policy time lag and has nothing to do with the mandatory disclosure of premature cancellation risks in scholarship plans.

d. ✓ Correct. Affordability risk is a major risk unique to scholarship plans, where subscribers cannot sustain contributions and are forced to cancel before maturity, suffering financial losses (enrolment fees are not refunded after the 60-day cooling-off period). Dealing representatives must clearly explain the consequences of premature cancellation and discuss prospectus options designed to help avoid forced cancellation before the client decides.

25′ answer b

a. ✗ Incorrect. The exam curriculum explicitly states that if an investor cannot sleep at night because an investment has fallen in value, it does not matter that they have the financial capacity to absorb losses.

b. ✓ Correct. Risk tolerance requires both the financial ability to absorb risk and the psychological willingness to accept risk, both of which are essential; the client's insomnia over market declines indicates low willingness, meaning they cannot be treated as having high risk tolerance regardless of financial capacity.

c. ✗ Incorrect. The exam curriculum states the exact opposite: cancelling a plan is never in the subscriber's best interest, and representatives should first explore other options available within the plan.

d. ✗ Incorrect. Futures contracts are derivatives that carry a higher risk level than all conventional assets on the risk spectrum and are by no means volatility-free, capital-preserving instruments.

26 answer a

a. ✓ Correct. Treasury bills (T–bills) are issued by the federal and certain provincial governments as cash equivalents maturing in under a year, carrying a very low risk level. They pay no periodic interest and are sold at a discount below face value; while not redeemable prior to maturity, they can typically be sold quickly through investment dealers.

b. ✗ Incorrect. Falls into the Absolute Wording and Capital Preservation Illusion Trap: Exams frequently set the trap that T–bills pay high interest, whereas T–bills pay no periodic interest at all. Furthermore, deposit certificates insured by CDIC are GICs.

c. ✗ Incorrect. A pooled investment structured as an insurance contract that typically guarantees 75% to 100% of the original investment at maturity is a segregated fund, not a Treasury bill.

d. ✗ Incorrect. Treasury bills carry very low risk, whereas common shares (moderate to very high risk) and futures contracts (derivatives positioned above the standard spectrum) carry far higher levels of risk.

26′ answer d

a. ✗ Incorrect. Savings bonds are backed by the general credit and taxation power of the government and carry a very low risk level.

b. ✗ Incorrect. Treasury bills generate returns through discounted issuance and likewise carry a very low risk level.

c. ✗ Incorrect. GICs carry a low to moderate risk level, and principal is insured within statutory limits by CDIC or provincial deposit insurers.

d. ✓ Correct. A key ranking tested in the exam curriculum: when options compare savings bonds, Treasury bills, GICs, and futures contracts, derivatives sit above the standard asset risk spectrum and carry the highest level of risk.

27 answer c

a. ✗ Incorrect. Falls into the Absolute Wording and Capital Preservation Illusion Trap: Scholarship plans carry variable risk rather than very low risk, and returns are never guaranteed. If a beneficiary does not enrol in a qualifying educational program, the investor may receive no investment return at all (earnings are typically shared among qualifying students).

b. ✗ Incorrect. Investment funds that carry low to very high risk, redeem at net asset value per share (NAVPS) at any time, and provide voting rights are mutual funds. Scholarship plans do not refund enrolment fees upon cancellation after the 60–day cooling–off period.

c. ✓ Correct. The exam curriculum classifies scholarship plan units as carrying variable risk: although the risk of capital loss is low due to investments in safe, income–producing securities, actual returns depend on three variables: portfolio yield, whether the beneficiary enrols in a qualifying educational program, and whether the subscriber maintains their contribution schedule.

d. ✗ Incorrect. Securities that pay fixed cumulative dividends and rank ahead of common shares but behind creditors upon corporate liquidation are preferred shares, not scholarship plan units.

27′ answer a

a. ✓ Correct. Among pooled investments, segregated funds are insurance contracts that typically guarantee 75% to 100% of the original investment at maturity or death (though early redemptions can still lose money); mutual funds are structured as trusts or corporations and redeem at NAVPS; scholarship plans are held in trust within an RESP, and enrolment fees are non–refundable upon cancellation after the 60–day cooling–off period.

b. ✗ Incorrect. Mutual funds are not insurance contracts and grant holders voting rights. In addition, scholarship plan units do not trade on public stock exchanges.

c. ✗ Incorrect. A defining trade–off of pooled investments is that investors forfeit control over individual security selection and must pay fees for professional management.

d. ✗ Incorrect. Segregated funds can lose money if redeemed early prior to maturity or death. Furthermore, forfeiting enrolment fees upon cancellation after 60 days is a rule specific to scholarship plans, not mutual funds.

28 answer b

a. ✗ Incorrect. Falls into the Improper Capital Loss Offset and Competitor Disparagement Trap: Interest carries no tax credit, is fully taxed as ordinary income, and leaves the lowest after–tax dollar amount; furthermore, capital losses cannot offset employment income.

b. ✓ Correct. Interest is taxed as ordinary income at the same rate as employment earnings, meaning an investor keeps the lowest after–tax amount compared to dividends or capital gains. Eligible Canadian dividends benefit from the Dividend Tax Credit and carry a lighter tax burden, while capital gains are only partially taxable and capital losses can only offset capital gains.

c. ✗ Incorrect. Canadian dividends benefit from the Dividend Tax Credit and are taxed more lightly than interest, but they are not completely tax–exempt. Additionally, capital losses cannot be deducted against interest income.

d. ✗ Incorrect. Capital gains are only partially included in taxable income and are taxed more lightly than interest, which is fully taxable as ordinary income. Furthermore, capital losses cannot be transferred into an RRSP.

28′ answer c

a. ✗ Incorrect. RESP contributions are not tax–deductible. In addition, RRSP withdrawals are taxed as ordinary income to the plan holder, and the earnings and grant portion of an RESP (EAPs) are taxed in the hands of the student beneficiary upon withdrawal.

b. ✗ Incorrect. TFSA contributions are not tax–deductible. When RESP funds are withdrawn for post–secondary education, investment growth and grants are taxed in the hands of the beneficiary (typically a student in a lower tax bracket), not the subscriber.

c. ✓ Correct. Among the three registered accounts, only RRSP contributions are tax–deductible (withdrawals are taxed as ordinary income to the plan holder, and funds must be withdrawn or transferred to a RRIF by age 71); RESP contributions are not deductible but attract government grants, with EAPs taxed to the beneficiary; TFSA contributions are not deductible, but growth and withdrawals are completely tax–free at all times.

d. ✗ Incorrect. TFSAs do not receive government education grants (the CESG and CLB are unique advantages of RESPs). Furthermore, RRSPs cannot remain untouched indefinitely and must be collapsed or converted to a RRIF by the end of the year the holder turns 71.

Chapter 5 answers and reasons

29 answer a

a. ✓ Correct. The non–profit foundation acts as plan sponsor, signing agreements with subscribers and collecting administration fees and account maintenance fees; the wholly owned for–profit subsidiary acts as principal distributor, receiving distribution compensation directly from subscriber–paid sales charges, and dealing representative commissions never come from plan administration fees.

b. ✗ Incorrect. The legal counterparty signing the Education Savings Plan Agreement with the subscriber is the non–profit foundation, not the for–profit subsidiary, and representative commissions are never deducted from administration fees. Falls into the Commission Source Confusion Trap.

c. ✗ Incorrect. The distribution subsidiary dedicated to scholarship plans is registered as a scholarship plan dealer (SPD), directly regulated by provincial securities commissions, and is not a member of the Canadian Investment Regulatory Organization (CIRO); only the sister company distributing mutual funds is a CIRO member. Falls into the regulatory jurisdiction confusion trap.

d. ✗ Incorrect. The $200 per–unit sales charge is allocated to the segregated sales charge refund reserve and to pay distributor distribution fees; it is not split equally by the trustee between dealing representatives and portfolio managers (portfolio manager fees are paid by the foundation from the administration fee). Falls into the cash–flow misattribution trap.

29′ answer b

a. ✗ Incorrect. The delegation of registration by the Canadian Securities Administrators (CSA) applies only to investment dealers and mutual fund dealers; scholarship plan dealers (SPDs) remain directly supervised by provincial securities commissions. Falls into the regulatory over–generalization trap.

b. ✓ Correct. Dealer X, registered solely as a scholarship plan dealer (SPD), is outside CIRO and directly regulated by provincial securities commissions; sister Dealer Y, holding dual registration as an SPD and a mutual fund dealer, is a CIRO Dealer Member and a Canadian Investor Protection Fund (CIPF) member.

c. ✗ Incorrect. The relationship is reversed: Dealer Y, which is dual–registered and distributes mutual funds, is the CIRO and CIPF member; online distribution does not exempt a dealer from self–regulatory organization oversight. Falls into the sister company attribute reversal trap.

d. ✗ Incorrect. Both dealers are governed by provincial securities regulators or self–regulatory organizations, not by the federal banking regulator supervising the depository bank or solely by the foundation's internal audit committee. Falls into the fabricated regulator trap.

30 answer b

a. ✗ Incorrect. Cancelling before maturity is pre–maturity attrition, whereas failing to enrol after maturity is post–maturity attrition; furthermore, the group plan does not allow accumulated income payments (AIP). Falls into the Pre–maturity vs. Post–maturity Attrition Confusion Trap.

b. ✓ Correct. A subscriber cancelling or transferring out before maturity triggers pre–maturity attrition, whereas a beneficiary failing to enrol in an eligible program or failing to collect all EAPs during the eligibility period triggers post–maturity attrition; forfeited earnings are never refunded to the original subscriber, but remain in and transfer to that beneficiary group's EAP account to be shared among remaining qualifying beneficiaries.

c. ✗ Incorrect. In the group scholarship plan, once a plan is cancelled or the beneficiary does not enrol in an eligible program (and does not transfer to a self–determined plan before the deadline), the investment earnings on contributions are forfeited to the group; they cannot be withdrawn in cash by forfeiting half of the sales charge. Falls into the earnings refund misleading trap.

d. ✗ Incorrect. Forfeited earnings on personal contributions enter that beneficiary group's EAP account to be shared among beneficiaries in the same cohort; they are neither transferred to a government grant pool nor paid to dealing representatives (the Group Plan Bonus is paid from the general fund to supplement beneficiary EAPs). Falls into the terminology misattribution trap.

30′ answer c

a. ✗ Incorrect. The rules do not prohibit discussing the Group Plan Bonus or attrition mechanisms during a presentation; the violation lies in presenting the benefits without disclosing the risks and restrictions. Falls into the overly broad prohibition trap.

b. ✗ Incorrect. The prospectus discloses that across the last five maturing beneficiary groups, an average of 17% of plans were cancelled before maturity, confirming that pre–maturity attrition exists rather than achieving a 100% completion rate. Falls into the ignoring prospectus disclosure trap.

c. ✓ Correct. Attrition is both a marketing feature and an ethical vulnerability (an average of 17% of plans across the last five maturing groups were cancelled before maturity); under the Code of Ethics, highlighting the extra earnings without fairly disclosing the forfeiture risks and restrictions constitutes misleading sales communication.

d. ✗ Incorrect. Individual self–determined plans do not have units or beneficiary groups, nor do they feature a Group Plan Bonus. Falls into the plan type confusion trap.

31 answer c

a. ✗ Incorrect. Individual and family self–determined plans do not have units, charge a sales charge of $50 per plan, and do not levy an account maintenance fee. Falls into the Plan Fee Misattribution Trap.

b. ✗ Incorrect. Being under age 13 at enrolment and having a minimum monthly contribution of $9.50 or 1/10 unit are group plan requirements; the individual self–determined plan requires a $150 minimum subscription and the beneficiary does not need to be related to the subscriber. Falls into the plan eligibility confusion trap.

c. ✓ Correct. The account maintenance fee is charged exclusively by the group scholarship plan (which requires beneficiaries to be under age 13 at enrolment, has a minimum monthly contribution of $9.50 or 1/10 unit, whichever is greater, and charges a sales charge of $200 per unit); individual and family self–determined plans have no account maintenance fee, each require a $150 minimum contribution, and each charge a $50 per plan sales charge (deducted entirely from the initial contribution, and waived for plans opened solely to receive the Canada Learning Bond, CLB).

d. ✗ Incorrect. The family self–determined plan requires all beneficiaries to be under age 21 and connected to the subscriber by blood or adoption as children, grandchildren, or great–grandchildren, allowing allocation of earnings and grants among beneficiaries; conversely, each group plan agreement is limited to a single beneficiary. Falls into the plan feature confusion trap.

31′ answer d

a. ✗ Incorrect. Being under age 13 is the maximum entry age for the group scholarship plan; the beneficiary age limit for a family self–determined plan is under age 21, so a 14–year–old grandchild is fully eligible. Falls into the age threshold confusion trap.

b. ✗ Incorrect. A core advantage of the family self–determined plan is specifically the ability to allocate earnings and government grants among multiple beneficiaries. Falls into the core plan feature misjudgment trap.

c. ✗ Incorrect. A family plan permits subscribers to name their children, grandchildren, or great–grandchildren, meaning grandparents are fully eligible to act as subscribers. Falls into the fabricated subscriber restriction trap.

d. ✓ Correct. A family self–determined plan requires all beneficiaries to be under age 21 and connected to the subscriber by blood or adoption as children, grandchildren, or great–grandchildren; an unrelated neighbour's child cannot be added to a family plan and must be enrolled under a separate individual self–determined plan, which has no relationship requirement.

32 answer b

a. ✗ Incorrect. Upon transferring to a self–determined plan, the subscriber immediately forfeits all units and attrition sharing rights, and the 50% sales charge refund applies only to remaining in the group plan to maturity and collecting all four EAPs (a mid–stream transfer after 13 years falls into the 12—15 year tier eligible for a 20% refund). Falls into the Cost–Free Transfer Assumption Trap.

b. ✓ Correct. Transferring to a self–determined plan before December 31 of the year the beneficiary turns 20 (before the window closes on January 1 of the year turning 21) allows 100% of net contributions, government grants, and accumulated earnings to transfer without transfer fees; 13 years in the group qualifies for the 12—15 year tier, granting a 20% partial sales charge refund ($2,000 x 20% = $400) paid pro rata with EAPs drawn from earnings; the trade–off is the forfeiture of all units and attrition sharing rights in exchange for the self–determined plan's flexibility to withdraw all earnings after 13 weeks of qualifying full–time study or access accumulated income payments (AIP).

c. ✗ Incorrect. The transfer window remains open until December 31 of the calendar year the beneficiary reaches age 20 and expires on January 1 of the year turning 21, so age 19 is fully within the eligible window. Falls into the transfer cut–off age error trap.

d. ✗ Incorrect. The $50 transfer–out fee and complete forfeiture of sales charges apply to transfers to an external RESP provider; internal transfers from the group plan to a self–determined plan within the institution incur no transfer fees, transfer 100% of earnings, and are eligible for the 0% to 25% tenure refund. Falls into the internal versus external transfer rule confusion trap.

32′ answer a

a. ✓ Correct. For active group plans purchased after October 2007 that run to full maturity with all four EAPs collected, a 50% refund of sales charges (Loyalty Bonus) is paid across the four EAPs at 12.5% per EAP ($1,600 x 12.5% = $200, totaling $800), excludes earnings on sales charges, and is non-taxable to both subscriber and beneficiary.

b. ✗ Incorrect. The 100% sales charge refund applies only to older plans purchased before October 2007 (or fourth-generation group plans discontinued in 2001); furthermore, the sales charge refund is non-taxable to both subscriber and beneficiary. Falls into the historical refund percentage and tax treatment error trap.

c. ✗ Incorrect. The 50% Loyalty Bonus upon full maturity and the 0% to 25% tenure-based refund upon mid-stream transfer are mutually exclusive paths that can never be stacked. Falls into the refund path stacking trap.

d. ✗ Incorrect. When units are voluntarily reduced, the refund eligibility on cancelled units is forfeited; sales charges paid on reduced units can only be credited pro rata against future additional units before the beneficiary reaches age 13, and cannot offset fees on existing remaining units. Falls into the unit reduction credit rule misuse trap.

33 answer c

a. ✗ Incorrect. The group scholarship plan is not being discontinued nationwide (it continues to be sold in other provinces and remains available in Quebec through December 31, 2026); furthermore, the July 14, 2025 settlement agreement of $634,072 involved three other co-defendants, whereas this institution did not settle. Falls into the Exam Syllabus vs. Current Rules Misalignment Trap.

b. ✗ Incorrect. Beginning January 1, 2027 in Quebec, not only is the sale of new units discontinued, but existing plans may not add units; furthermore, the class action is proceeding on the merits and has not been dismissed. Falls into the omitted unit addition restriction trap.

c. ✓ Correct. According to the current prospectus dated January 28, 2026, group plan units may still be purchased in Quebec through December 31, 2026; effective January 1, 2027, the distribution of new units in Quebec ceases and existing plans may not add units, while existing plans continue to be administered normally; although three other defendants settled on July 14, 2025 in the class action concerning Quebec sales charges since July 19, 2013, this distributor and foundation have not settled, and representatives may only objectively state prospectus facts without predicting litigation outcomes.

d. ✗ Incorrect. The prospectus explicitly states under Legal and Administrative Proceedings that the final outcome and timing of the litigation cannot be predicted; promising a victory or unilaterally waiving the $200 per-unit sales charge constitutes a serious regulatory violation. Falls into the prohibited litigation outcome prediction trap.

33′ answer a

a. ✓ Correct. The January 1, 2027 cessation of new unit sales and the ban on adding units apply strictly to Quebec; all three active plans continue to be sold normally in other provinces, and existing Quebec plans purchased before January 1, 2027 continue to collect scheduled contributions and be administered under their original agreements.

b. ✗ Incorrect. The product ceasing sales in Quebec on January 1, 2027 is the active group scholarship plan, not individual or family self-determined plans. Falls into the discontinued product reversal trap.

c. ✗ Incorrect. January 20, 2020 marked the renaming of the fifth-generation plan launched in 2001 into the current active group scholarship plan with enhanced features, rather than a discontinuation. Falls into the renaming versus cessation confusion trap.

d. ✗ Incorrect. The group scholarship plan is distributed across provinces through a dealing representative sales force by the scholarship plan dealer (SPD); the sister company's mobile application distributes mutual fund education portfolios. Falls into the distribution channel and product line confusion trap.

34 answer b

a. ✗ Incorrect. All three items changed between the 2020 manual and the 2026 prospectus: the distributor subsidiary was renamed, a new President and CEO took office in April 2024, and the former online plan merged into the sister company in December 2021 and disappeared from the Independent Review Committee (IRC) cost allocation roster. Falls into the Exam Syllabus vs. Current Rules Misalignment Trap.

b. ✓ Correct. Core facts that remained consistent between the 2020 manual and the 2026 prospectus include: the non–profit foundation was incorporated in 1960; the distributor subsidiary was incorporated in 1988 and appointed investment fund manager (IFM) on September 28, 2010; the independent trustee and custodian (unrelated to the foundation and distributor) has served continuously since March 1, 1996; and the independent external auditor remained unchanged.

c. ✗ Incorrect. Among the six portfolio managers listed in the 2026 prospectus, only one asset management subsidiary is an affiliate, while the remaining five external institutions are unrelated to the distributor and foundation. Falls into the affiliate relationship over–generalization trap.

d. ✗ Incorrect. The role of transfer agent and registrar is performed by the non–profit foundation itself rather than an external trust company, and under the manual syllabus the board maintains three standing committees (Governance and Human Resources, Audit, and Investment) rather than seven. Falls into the fabricated role and count trap.

34′ answer c

a. ✗ Incorrect. The foundation board never established a sales charge refund committee or a provincial regulatory liaison committee, and maintains three standing committees rather than two. Falls into the fabricated committee name trap.

b. ✗ Incorrect. The number and names of the standing committees do not match the syllabus specifications. Falls into the fabricated distractor trap.

c. ✓ Correct. Under the 2020 training manual exam syllabus, the non–profit foundation maintains three standing committees: the Governance and Human Resources Committee, the Audit Committee, and the Investment Committee.

d. ✗ Incorrect. Six is the number of portfolio managers in the 2026 prospectus, whereas the board has three standing committees. Falls into the cross–topic numerical confusion trap.

35 answer d

a. ✗ Incorrect. The events for 1967 and 1972 are swapped, and the first Educational Assistance Payments (EAPs) were distributed in 1971 rather than 1974. Falls into the adjacent year event inversion trap.

b. ✗ Incorrect. Securing tax deferral occurred in 1974 (retroactive to 1972), expanding eligible institutions to community colleges occurred on December 1, 1979, and incorporating the for–profit distributor occurred on September 1, 1988. Falls into the complete timeline confusion trap.

c. ✗ Incorrect. The foundation was incorporated by Letters Patent on December 15, 1960, and the third–generation plan raising the maximum entry age from 10 to 13 was introduced in 1988. Falls into the first and last milestone confusion trap.

d. ✓ Correct. These three closely spaced years are high–frequency exam points: in 1967, the foundation's then–president wrote to provincial attorneys general warning that more than a dozen competitors might hold inadequate reserves, leading to scholarship trust plans being brought 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 from tax authorities retroactive to 1972, allowing earnings to be taxed in the hands of beneficiaries upon receiving EAPs.

35′ answer a

a. ✓ Correct. On September 1, 1988, the foundation established its wholly owned for-profit distributor subsidiary (ending the 1965—1988 era of distribution through an external franchise company) and launched its third plan in the same year, raising the maximum entry age from 10 to 13.

b. ✗ Incorrect. The fourth plan, which was the first to offer a 100% refund of sales charges, was launched in March 1992 rather than 1988. Falls into the third- versus fourth-generation plan launch year confusion trap.

c. ✗ Incorrect. The second plan, which expanded eligible post-secondary institutions to include community colleges and technical schools, was launched on December 1, 1979, prior to 1988. Falls into the second-generation plan date error trap.

d. ✗ Incorrect. The fifth group savings plan was launched on May 1, 2001, whereas the 0% to 25% tenure-based partial sales charge refund schedule took effect on January 15, 2020. Falls into the subsequent product line timeline displacement trap.