

# Conduct and Practices Handbook (CPH) Dealer Representative (DR) Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

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# Table of Contents

Copyright .....	1
Table of Contents .....	2
Introduction .....	3
How to Use This Guide .....	4
Questions .....	5
Answers .....	8
Explanations .....	10
Next Steps .....	16

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# Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

# How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

## 1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

## 2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

## 3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

## 4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

## 5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

## 6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

## Questions

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1. What is the first step in calculating the capital charge for a period of 5 days or less?
  - A. Calculate the weighted current market value of the shares
  - B. Calculate the maximum loan value of the shares
  - C. Calculate the original purchase price
  - D. Calculate the difference between market value and purchase price
  
2. What does IIROC Rule 2500B require from dealer members regarding client complaints?
  - A. To resolve all complaints within 10 business days.
  - B. To send an acknowledgment letter within 5 business days.
  - C. To provide clients with a written response to all complaints.
  - D. To maintain detailed records of complaints received.
  
3. For which type of clients is delayed delivery typically used?
  - A. Retail clients
  - B. Institutional clients
  - C. All individual investors
  - D. Only high-net-worth individuals
  
4. What does the right of action for damages entail?
  - A. The right to amend a prospectus
  - B. The right to sue for misrepresentation in a prospectus
  - C. The right to receive financial compensation for losses
  - D. The right to withdraw from the market
  
5. What is a Dealer Member?
  - A. A broker who operates independently
  - B. A firm that trades securities and is a member of IIROC
  - C. An individual investment advisor
  - D. A regulatory oversight body

6. Which action qualifies as illegal representation in securities?
- A. Performing due diligence on potential clients
  - B. Falsely claiming a security's performance track record
  - C. Providing accurate market analyses to clients
  - D. Encouraging clients to diversify investments
7. What characterizes a partly-secured account?
- A. An account with a credit balance always
  - B. A position where holdings value is greater than the debit balance
  - C. A position where holdings value is less than the debit balance
  - D. An account that is fully paid off
8. What is National Instrument 81-105 concerned with?
- A. Equity trading regulations
  - B. Mutual Funds Practices
  - C. Debt security guidelines
  - D. Compliance training for dealers
9. Which ethical dilemma is best characterized by the conflict between individual rights and group rights?
- A. Truth vs. Loyalty
  - B. Justice vs. Mercy
  - C. Individual vs. Group
  - D. Short-term vs. Long-term
10. In an agency transaction, what role does the dealer member play?
- A. The dealer member sells securities directly to investors
  - B. The dealer member buys or sells on behalf of a client
  - C. The dealer member only advises clients on potential trades
  - D. The dealer member trades solely for their own account

## Answers

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1. C
2. B
3. B
4. B
5. B
6. B
7. C
8. B
9. C
10. B

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## Explanations

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1. What is the first step in calculating the capital charge for a period of 5 days or less?

- A. Calculate the weighted current market value of the shares
- B. Calculate the maximum loan value of the shares
- C. Calculate the original purchase price
- D. Calculate the difference between market value and purchase price

The first step in calculating the capital charge for a period of 5 days or less involves determining the original purchase price. This step is essential because the capital charge is based on the amount of equity invested in the shares. By knowing the original purchase price, you establish a baseline that will be used to evaluate the change in value of the shares over the specified period. This foundational figure serves as a reference point for further calculations, such as comparing it to the current market value to assess potential gains or losses. Identifying the original purchase price is crucial since it influences subsequent calculations in the capital charge assessment process. It sets the context for understanding the investment's performance in relation to current market conditions. Once this figure is established, you can proceed to analyze the other variables that contribute to the overall capital charge, such as current market value and potential profit or loss over the specified timeframe.

2. What does IROC Rule 2500B require from dealer members regarding client complaints?

- A. To resolve all complaints within 10 business days.
- B. To send an acknowledgment letter within 5 business days.
- C. To provide clients with a written response to all complaints.
- D. To maintain detailed records of complaints received.

The correct answer highlights the requirement for dealer members to send an acknowledgment letter to clients within five business days after receiving a complaint. This is an important protocol that helps to ensure effective communication between dealer members and their clients. Acknowledging a complaint promptly shows that the dealer member takes client concerns seriously and is committed to addressing them. This timeliness in acknowledgment can also help manage client expectations and foster trust, demonstrating that the dealer member is proactive in handling issues as they arise. Maintaining a strong communication line is critical in client relationships, especially when dealing with complaints, as this can impact overall client satisfaction and retention. The other options, while they each present important aspects of complaint handling, do not correctly represent the specific requirement stipulated by IROC Rule 2500B. For example, resolving complaints may vary in timeframes depending on the nature of the complaint, and providing a written response or maintaining detailed records are also essential practices but are not explicitly mandated by this particular rule.

### 3. For which type of clients is delayed delivery typically used?

- A. Retail clients
- B. Institutional clients**
- C. All individual investors
- D. Only high-net-worth individuals

Delayed delivery is typically associated with institutional clients due to the unique nature of their trading practices and the volume of transactions they engage in. Institutional clients, such as mutual funds, pension funds, and hedge funds, often operate with significant capital and benefit from the flexibility that delayed delivery offers. This practice allows them to manage large trades more effectively, mitigate market impact, and achieve better pricing by not having to execute trades immediately. Retail clients, on the other hand, usually do not engage in delayed delivery as their trading needs are more straightforward and focused on immediate purchases or sales. Similarly, while all individual investors might occasionally deal with delayed delivery terms in specific situations, it is primarily institutional clients that regularly utilize this approach as part of their strategic investment and trading operations. High-net-worth individuals may have some complex transactions but still typically do not engage in the same scale of trading as institutions. Therefore, the correct context for delayed delivery is most applicable to institutional clients.

### 4. What does the right of action for damages entail?

- A. The right to amend a prospectus
- B. The right to sue for misrepresentation in a prospectus**
- C. The right to receive financial compensation for losses
- D. The right to withdraw from the market

The right of action for damages specifically refers to the legal entitlement to take legal action against a party for misrepresentation, particularly in the context of a prospectus. When a prospectus contains misleading or false information, investors who relied on that information may suffer financial losses. The right of action allows these affected parties to sue for damages they incurred as a result of that misrepresentation. This concept is an essential component of securities regulation, as it helps protect investors by holding issuers accountable for providing accurate and truthful information in their disclosures. The emphasis is on the ability to seek recompense for losses directly linked to the false statements or omissions in the prospectus, making this answer the most appropriate choice. The other options do not accurately capture the essence of the right of action for damages: amending a prospectus relates to correcting information rather than seeking damages, receiving financial compensation for losses is a broader concept not limited to the context of misrepresentation in a prospectus, and withdrawing from the market is not related to legal recourse for damages stemming from misrepresentation.

## 5. What is a Dealer Member?

- A. A broker who operates independently
- B. A firm that trades securities and is a member of IIROC
- C. An individual investment advisor
- D. A regulatory oversight body

A Dealer Member refers to a firm that trades securities and holds membership in the Investment Industry Regulatory Organization of Canada (IIROC). Being a Dealer Member means that the firm is subject to regulatory standards and oversight, ensuring that trading practices and client interactions comply with the established rules intended to protect investors and maintain fair and efficient markets. Broker-dealers play a crucial role in the securities industry, facilitating transactions between buyers and sellers and providing essential services to clients. Membership in IIROC signifies that the firm has met specific qualifications and adheres to regulatory requirements, which helps to instill confidence in the integrity of the financial markets. The other options do not encapsulate the definition of a Dealer Member accurately. For instance, while a broker may operate independently, that alone does not define a Dealer Member. Similarly, an individual investment advisor, though vital in the industry, does not represent a firm involved in trading securities, and a regulatory oversight body describes an organization rather than a member participant in trading activities. Thus, the correct identification of a Dealer Member is paramount to understanding the structure and regulation of the securities industry.

## 6. Which action qualifies as illegal representation in securities?

- A. Performing due diligence on potential clients
- B. Falsely claiming a security's performance track record
- C. Providing accurate market analyses to clients
- D. Encouraging clients to diversify investments

Falsely claiming a security's performance track record is considered illegal representation in securities because it misleads investors regarding the potential returns and risks associated with an investment. This type of misrepresentation can manipulate client decisions based on inaccurate information, which is prohibited under securities regulations designed to protect investors. Providing truthful and accurate information is essential in maintaining the integrity of the financial markets, and making false claims undermines that integrity, leading to potential legal and regulatory repercussions for both the representative and the firm. In contrast, the other options represent actions that are either ethical or necessary for responsible advising. Conducting due diligence on potential clients is a fundamental part of ensuring that investments align with client needs and suitability requirements. Providing accurate market analyses helps clients make informed decisions, and encouraging diversification is a common investment strategy aimed at spreading risk, which is considered a prudent approach in investment management.

7. What characterizes a partly-secured account?

- A. An account with a credit balance always
- B. A position where holdings value is greater than the debit balance
- C. A position where holdings value is less than the debit balance
- D. An account that is fully paid off

A partly-secured account is characterized by a situation where the value of the holdings is less than the debit balance. This indicates that the account owner owes more than the current value of the assets they hold. In such cases, the lender may have concerns regarding the security of the debt, as the assets available to cover the obligation are insufficient. This situation typically highlights a greater level of risk for any lending institution, as the collateral backing the loan does not fully cover the outstanding balance. In contrast, the other choices describe scenarios of fully secured accounts or accounts with different balance conditions. An account with a credit balance suggests a positive net position, while holdings with a value greater than the debit balance indicate that the account is adequately secured. An account that is fully paid off signifies no debt at all, which does not align with the concept of being partly secured.

8. What is National Instrument 81-105 concerned with?

- A. Equity trading regulations
- B. Mutual Funds Practices
- C. Debt security guidelines
- D. Compliance training for dealers

National Instrument 81-105 pertains specifically to Mutual Funds Practices, focusing on the regulatory framework and practices related to mutual funds in Canada. It outlines the guidelines for the sales practices, advertising, and disclosure requirements that mutual fund dealers and representatives must adhere to. The goal of this regulation is to protect investors and ensure that they receive clear and informative information about mutual fund investment products. This instrument also addresses issues related to fee structures and conflicts of interest that may arise in the sale of mutual funds, ensuring that the practices employed by dealers are fair and transparent. By having a specific regulation dedicated to mutual funds, National Instrument 81-105 aids in maintaining the integrity of the mutual fund market and facilitates investor confidence in these investment vehicles.

9. Which ethical dilemma is best characterized by the conflict between individual rights and group rights?

- A. Truth vs. Loyalty
- B. Justice vs. Mercy
- C. Individual vs. Group
- D. Short-term vs. Long-term

The ethical dilemma characterizing the conflict between individual rights and group rights is rooted in the challenge of balancing the needs, freedoms, and interests of a single person against those of a collective group. This concept reflects a fundamental tension in ethical decision-making where one must consider whether to prioritize the autonomy and rights of an individual or the welfare and rights of a larger community. In this scenario, selecting the course of action that favors the individual may lead to outcomes that are detrimental to the group, while the opposite can suppress individual freedoms for the supposed benefit of the majority. This dilemma often manifests in various contexts, including workplace decisions, social policies, and legal systems, where what is best for the individual may not align with what serves the common good. The other choices represent different ethical conflicts but do not specifically encapsulate the debate between individual versus group. Truth versus loyalty deals with the tension between being honest and maintaining allegiance to someone. Justice versus mercy involves determining when to apply strict fairness versus offering compassion in a given situation. Short-term versus long-term is about weighing immediate benefits against potential future consequences. Hence, these aspects do not focus on the direct interplay between individual and collective rights, which is why the choice emphasizing individual versus group is most appropriate.

10. In an agency transaction, what role does the dealer member play?

- A. The dealer member sells securities directly to investors
- B. The dealer member buys or sells on behalf of a client
- C. The dealer member only advises clients on potential trades
- D. The dealer member trades solely for their own account

In an agency transaction, the dealer member acts on behalf of a client, executing trades by buying or selling securities according to the client's instructions. This role is integral to the agency model, where the dealer does not take a position in the securities themselves but instead facilitates transactions for their clients. By representing the client's interests, the dealer member ensures that the client receives the best possible price and execution for their trades, maintaining a fiduciary responsibility. This practice emphasizes the importance of trust and transparency between the dealer member and their clients, as the dealer must provide unbiased advice and act in the best interest of the client. This function distinguishes agency transactions from other types of trading, where the dealer may act for their own account or provide only advisory services without executing transactions. Therefore, understanding the dealer member's role is crucial for recognizing how client relationships function in financial markets.

## Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at [hello@examzify.com](mailto:hello@examzify.com).

Or visit your dedicated course page for more study tools and resources:

<https://cphdr.examzify.com>

We wish you the very best on your exam journey. You've got this!

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