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# Important Note for Students Preparing for CIRO's New Derivatives Exam

Many students have asked whether SeeWhy's existing DFOL Program can be used to begin preparing for CIRO's new Derivatives Exam.

The answer is Yes! This study guide is strongest in the areas where the CIRO Derivatives Exam is most technical. It provides a valuable foundation in core derivatives concepts, including:

- Derivative products
- Futures and options
- Swaps
- Pricing concepts
- Strategies
- Clearing
- Margin
- Listed options
- And more

If you are trying to build a strong understanding of how derivatives work, how they are priced, how they are traded, and how they are used in client and market scenarios, this study guide is a useful place to begin.

However, it is important to understand that this study guide is part of SeeWhy's existing DFOL Program. It is not the new SeeWhy CIRO Derivatives Exam Course™ and does not, by itself, cover everything in CIRO's new Derivatives Exam syllabus.

The CIRO Derivatives Exam has shifted beyond technical derivatives knowledge. It also tests how derivatives are regulated, documented, supervised, communicated, and applied to clients. This includes more CIRO-specific content related to regulation, documentation, conduct, supervision, client relationships, account appropriateness, suitability, product due diligence, regulatory reporting, UMIR, gatekeeping, conflicts of interest, and OTC derivatives mechanics.

That is why SeeWhy's new CIRO Derivatives Exam Course™ is currently being built. It is expected to begin launching in August and will provide full exam-specific coverage for CIRO's new Derivatives Exam.

In the meantime, the work you do in this study guide will not be wasted. Much of this content will carry forward into the new Derivatives Exam Course™, and it will help you build the technical foundation you need before adding the new CIRO-specific material.

Once the new SeeWhy CIRO Derivatives Exam Course™ becomes available, eligible DFOL students will be able to change to the new course at no additional charge during their active subscription period.

The pages that follow identify sections that should be considered lower priority for the CIRO Derivatives Exam because the new CIRO syllabus suggests they are not a major focus. You may still wish to review these lower-priority sections if they personally need the background or want a broader understanding of the topic.

If a section is **not** included in the lower-priority guidance that follows, it should be prioritized for CIRO Derivatives Exam preparation because it appears to be reflected in CIRO's Derivatives Exam syllabus.

## A Note About Flash Cards and Chapter Quizzes

The flash cards and chapter quizzes included in the existing DFOL Program were built for the full DFOL curriculum. As a result, some questions may test content that is not a major focus of CIRO's new Derivatives Exam syllabus.

This does not mean the content is incorrect or irrelevant. It remains accurate, useful, and relevant to the securities industry. More than 80% of the existing DFOL content is expected to carry forward into SeeWhy's new CIRO Derivatives Exam Course™. As a result, the flash cards and chapter quizzes remain a valuable way to reinforce your understanding of core derivatives concepts, even if some individual items go beyond what is likely to be emphasized on the new exam.

In short, use the flash cards and chapter quizzes as helpful reinforcement, but prioritize the sections identified in this guide when focusing your study time for CIRO's new Derivatives Exam.

## Sections to Deprioritize

The following sections should be considered lower priority for the CIRO Derivatives Exam because the new CIRO syllabus suggests they are not a major focus.

| DFOL Chapter | Section / Concept | Study Guide Page Range |
|---|---|---|
| Intro / Review: Derivative Securities | Warrants | 4–7 |
| Intro / Review: Derivative Securities | Rights | 8–11 |
| Intro / Review: Derivative Securities | “Enquiring Minds Want to Know” | 28 |
| Intro / Review: Derivative Securities | Answers to exercises | 29–32 |
| Volume 1, Ch. 1 | Who uses derivatives and market-size discussion | 49–50 |
| Volume 1, Ch. 2: Basic Features of Futures Contracts | History of forwards | 51–52 |
| Volume 1, Ch. 8 | Exotic options: compound, Asian, barrier, multi-asset, shout | 108–110 |
| Volume 1, Ch. 9: Introduction to Swaps | Swap basics, plain vanilla swap concept, currency swap, CDS, dealer role | 111–113 |
| Volume 1, Ch. 9 | Swap history | 113 |
| Volume 1, Ch. 9 | OTC derivatives market reform | 113–114 |
| Volume 1, Ch. 14: Mutual Funds | Regulatory framework for investment funds | 139–140 |
| Volume 1, Ch. 14 | Use of derivatives in mutual funds for hedging and non-hedging purposes | 140–143 |
| Volume 1, Ch. 15: Alternative Mutual Funds, Closed-End Funds, Hedge Funds | Fund categories and fund restrictions | 145–149 |

You may still wish to review these lower-priority sections if they personally need the background or want a broader understanding of the topic.

# Supplement Required for Full Coverage

This study guide provides a strong foundation in the technical derivatives concepts reflected in CIRO's new Derivatives Exam syllabus. However, students should understand that additional CIRO-specific material will be required for full exam coverage.

Students should supplement this study guide with CIRO-specific material or complete their studies once SeeWhy's new CIRO Derivatives Exam Course™ becomes available.

**Additional material will be required for topics such as:**

1. Product due diligence, know your product (KYP), account appropriateness, know your client (KYC), and suitability in a derivatives context.

2. Retail and institutional client considerations, including institutional investor exceptions, client sophistication assessments, and qualified hedger treatment.

3. Derivatives account documentation, including derivatives account applications, derivatives trading agreements, CIRO-approved derivatives risk disclosure, OEO OTC profitability disclosure, hedge agreements, futures porting disclosure, margin agreements, and authority to transfer funds.

4. NI 93-101 Derivatives: Business Conduct and Quebec Derivatives Act concepts.

5. Regulatory reporting, including concentration reporting, active-account profit/loss statements, exception reports, monthly net position reporting, capital requirements, and position limits.

6. Prohibited derivative trading practices, including prohibited underlying interests, inadequate margin, margin or credit limit breaches, delivery-month restrictions, cumulative-loss limits, guarantor risk, and insider trading.

7. CFDs, prediction or forecasting contracts, binary options, Bermudan options, options on futures, and leverage or contract value calculations.

8. Put-call parity and synthetic positions.

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9. Algorithmic trading, including its benefits and risks.

10. OTC trading mechanics, including ISDA documentation, liquidation, valuation, fair price, exposure, and delivery or cash settlement risk.

11. Trading desk types and account types, including agency, proprietary, buy-side, sell-side, retail, institutional, client, inventory, non-client, options market maker, options firm, and specialist accounts.

12. Order identifiers and designations, including insider or significant shareholder, LEI or client identifier, principal, jitney, program trade, short-marking-exempt, and NCIB.

13. UMIR and gatekeeping, including abusive trading, artificial pricing, cross-asset manipulation, suspicious transaction escalation, whistleblowers, and reporting obligations.

14. Conflicts of interest, outside activities, and personal financial dealings, including identifying, avoiding, addressing, and disclosing conflicts; borrowing or lending with clients; settlement agreements; control or authority; and tied selling.

These topics are not listed to discourage students from using this study guide. Rather, they are identified so students understand where this study guide is strongest, and where additional CIRO-specific material will be needed to complete their preparation for the new Derivatives Exam.

This additional CIRO-specific material will be included in SeeWhy's new Derivatives Exam Course™, which is expected to launch in August.