

CIRO 2026 Compliance Readiness Checklist

A practical self-assessment tool for CIRO-regulated dealers. Covers the key compliance focus areas from CIRO's 2026 Annual Compliance Report and Fiscal 2027 Priorities — including Client Focused Reforms, AI governance, cybersecurity, the new proficiency model, supervisory practices, OEO guidance, and operational readiness.

WHO THIS IS FOR

Chief Compliance Officers, compliance teams, operations leaders, and senior management at CIRO-regulated investment dealers and mutual fund dealers looking to assess their readiness against CIRO's current compliance priorities.

HOW TO USE IT

Work through each section with your compliance and operations teams. Check off items where your firm has documented, implemented controls. Flag items where gaps exist. Use the results to prioritize remediation and allocate resources before your next CIRO examination.

WHAT IT COVERS

1. Client Focused Reforms (KYC, KYP, Suitability)
2. Supervisory Practices and Conduct
3. AML Compliance
4. AI Use and Governance
5. Cybersecurity and Third-Party Risk
6. Proficiency Model Transition
7. Order Execution Only (OEO) Services
8. Crypto Asset Trading Platforms
9. Operational and Financial Compliance
10. Complaint Handling and Investor Protection

1. Client Focused Reforms — KYC, KYP, and Suitability

CIRO's joint CSA/CIRO Client Focused Reforms Phase 2 Sweep, released December 2025, sets the compliance standards for upcoming reviews. The most common deficiency identified was a failure to have policies and procedures tailored to the firm's business model that are detailed and actionable. CIRO is developing additional guidance to assist firms in responding to these findings.

- [KYC policies and procedures are documented, tailored to the firm's business model, and reflect current CFR requirements including client goals, risk tolerance, time horizon, and financial circumstances.
- [KYP processes are in place to ensure products recommended are assessed against client needs, and that advisors can demonstrate why a product is suitable.
- [Suitability assessments are performed and documented for each trade or recommendation, with clear rationale connecting the recommendation to the client's profile.
- [Policies and procedures go beyond restating principles-based rules — they contain firm-specific details on the processes implemented to address CFR requirements.
- [Conflict of interest policies identify material conflicts, disclose them to clients, and address them in the client's best interest. Conflicts identified in internal registries receive adequate client disclosure.
- [Relationship disclosure information is provided to clients at account opening and updated when material changes occur.
- [Total cost reporting is accurate, delivered on time, and includes all direct and indirect costs to the client.
- [Supervisory controls are in place to review suitability of recommendations, with documented escalation procedures for exceptions.
- [Training on CFR obligations has been delivered to all registered representatives and supervisory staff within the last 12 months.

2. Supervisory Practices and Conduct

CIRO's Business Conduct Compliance (BCC) examinations identified several common deficiencies in supervisory practices. Firms should review their processes against these findings and strengthen controls where gaps exist.

- [A robust process is in place for reviewing outside business activities of registered representatives, including assessing them for potential conflicts of interest.
- [Strict controls are enforced over approved communication channels, with monitoring tools deployed to detect any use of non-approved platforms for client communications.
- [Referral arrangement due diligence is conducted effectively prior to onboarding referral parties, and requisite client disclosure is provided at account opening before delivering services.

[The firm has reviewed CIRO/CSA joint Staff Notice on arrangements with financial influencers (finfluencers), published December 2025, and has policies for due diligence, compliant promotion, and monitoring of finfluencer statements.]

[Employment and agent arrangements with registered representatives are documented and compliant, in anticipation of CIRO's pending rule amendments on incorporated advisors for investment dealers.]

[Registration information submitted to CIRO is complete and accurate, supporting timely registration decisions under CIRO's delegated registration function.]

3. AML Compliance

CIRO's BCC team identified that the most common AML-related deficiency is the failure to effectively conduct the required 2-year AML compliance effectiveness review. This area will continue to be a focus in upcoming examinations.

[The firm has completed its most recent 2-year AML compliance effectiveness review as required, and the review was substantive rather than procedural.]

[AML policies and procedures are current, covering transaction monitoring, risk assessment, customer due diligence, and suspicious activity reporting.]

[KYC/AML controls are in place for client onboarding, including ID verification, address validation, source of funds verification, and screening against sanctions lists.]

[Transaction monitoring processes are in place to identify suspicious activity, including structuring and deviations from typical client patterns.]

[Staff training on AML obligations has been delivered within the required timeframe, covering recognition and reporting of suspicious transactions.]

[The firm maintains adequate documentation to demonstrate the quality and thoroughness of its AML compliance effectiveness reviews.]

4. AI Use and Governance

CIRO has signalled that AI use in dealer operations is a significant compliance focus. During FinOps examinations, CIRO will enquire about AI use and review operational controls to ensure AI is working as designed. OSFI's Guideline E-23 on Model Risk Management (effective May 2027) will require governance frameworks for AI/ML models.

[The firm has identified and documented all current uses of AI across business and operations functions.]

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- [AI governance policies are in place, including roles, responsibilities, and approval processes for deploying AI tools.]

 - [Controls exist to ensure AI outputs are reviewed by qualified humans before being used in client-facing or compliance decisions.]

 - [Prompt design, input data, and output validation processes are documented for each AI use case.]

 - [The firm has assessed whether any AI use constitutes a material business change requiring advance written notification to CISO.]

 - [AI-related risks are captured in the firm's risk management framework, including data privacy, accuracy, and bias considerations.]

 - [Third-party AI tools and vendors are subject to due diligence, including review of data handling, security, and compliance controls.]

 - [Staff training on responsible AI use has been delivered, covering acceptable use, limitations, and escalation procedures.]

 - [The firm has a plan for compliance with OSFI Guideline E-23 (Model Risk Management) requirements applicable to AI/ML models, ahead of the May 2027 effective date.]
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5. Cybersecurity and Third-Party Risk

CISO experienced a cyber breach in August 2025 and has increased its focus on cybersecurity across the industry. The report highlights the changing nature and increased sophistication of cyberattacks, an increase in incidents involving third-party service providers, and the importance of continuous staff training. CISO will conduct a cybersecurity tabletop exercise for small and mid-sized dealers in 2026.

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- [Cybersecurity policies, procedures, and incident response plans are documented, tested, and current.]

 - [Third-party service providers have been assessed for cybersecurity risk, with controls documented per CISO Guidance Note GN-2300-21-003.]

 - [Material outsourcing arrangements are documented with clear risk ownership, control expectations, and monitoring procedures.]

 - [Continuous cybersecurity training is conducted for all staff, covering phishing, social engineering, credential management, and emerging threat vectors.]

 - [Incident reporting procedures are in place to notify CISO of cyber incidents in a timely manner.]

 - [Business continuity and disaster recovery plans address cyber-related disruptions and have been tested within the last 12 months.]
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[Access controls, multi-factor authentication, and privilege management are implemented across critical systems.

[Vulnerability assessments and penetration testing are performed on a regular schedule with documented remediation.

6. Proficiency Model Transition

CIRO's new assessment-centric proficiency model for Approved Persons of investment dealers took effect January 1, 2026, with new IDPC rules, guidance, and exam requirements. Firms must ensure compliance with transition provisions, exemptions, and training requirements.

[The firm has communicated proficiency model changes to all affected Approved Persons and candidates.]

[Individuals approved prior to January 1, 2026 who continue in the same role are identified and documented, confirming they are not subject to the new proficiency requirements (subject to the 180-day cessation rule).]

[Individuals in transition have been assessed against exemption provisions, including the 180-day cessation rules and prior experience exemptions.]

[NRD applications for individuals relying on transition provisions have been filed or are scheduled before the January 1, 2027 deadline.]

[The firm tracks Continuing Education and Conduct Training completion for all registered individuals, with policies ensuring timely completion and reporting.]

[Individuals holding CFA Charter, CIM, or Canadian Investment Manager designations have confirmed active status and understand notification obligations.]

[Wealth Management Essentials (WME) post-approval requirements are tracked and monitored — individuals required to complete WME prior to January 1, 2026 understand their options under the transition provisions.]

7. Order Execution Only (OEO) Services

On March 12, 2026, CIRO published Guidance Note GN-3200-26-001: Guidance on order execution only account services and activities, replacing the previous 2021 guidance. The new guidance adopts a principles-based framework, expanding the range of permissible decision-making supports while maintaining the prohibition on recommendations.

[The firm has reviewed the new OEO Guidance (GN-3200-26-001) and assessed whether current OEO platform services and decision-making supports remain compliant.]

[Decision-making supports offered to OEO clients (educational resources, notifications, alerts, sample portfolios, filtering tools) have been reviewed against the new guidance to confirm they do not endorse specific investment decisions.]

[Safeguards are in place to mitigate the risk that alerts, notifications, or informational resources could be understood by clients as personalized recommendations.]

[Promotional statements in the OEO channel regarding proprietary or affiliate products have been reviewed and assessed for material conflict of interest.]

[The firm has considered whether any planned enhancements to OEO platform services require a notice of material change to business activities under IDPC Rules subsection 2246(2).]

[Client identifier requirements for OEO accounts on marketplaces where CIRO is the regulation services provider are being met in accordance with IDPC Rules subsection 3241(6).]

8. Crypto Asset Trading Platforms

CIRO continues to transition crypto asset trading platforms (CTPs) into membership. On February 3, 2026, CIRO published Guidance Note 26-0033: Notice on CIRO's Digital Asset Custody Framework, introducing a tiered custodian model with standardized custody arrangements, segregation requirements, and minimum capital requirements for crypto custodians.

[If applicable, the firm has reviewed CIRO Guidance Note 26-0033 on the Digital Assets Custody Framework.]

[Crypto custody arrangements meet CIRO's technical and operational requirements matrix, including tiered custodian limits on customer assets.]

[Customer asset segregation practices align with CIRO's standardized requirements.]

[Proprietary interests in segregated locations are documented and limited to operational necessities.]

[The firm has assessed whether new crypto services or operational changes require InnovateSafe sandbox participation or material change notification. CIRO notes that crypto-collateralized retail lending services and stablecoin-based settlement models are currently under consideration.]

9. Operational and Financial Compliance

CIRO's FinOps examination approach continues to focus on financial soundness, capital adequacy, and operational controls. The 2026 report also highlights trading-related concerns including inadequate policies to prevent extended failed trades, manipulative trading across asset classes, and ensuring correct client identifiers for listed securities.

[Capital adequacy calculations are current and the firm maintains required capital levels with appropriate buffers.]

[Financial filings are submitted accurately and on time, including all required regulatory returns.]

[Client account reconciliation is performed on schedule with documented exception handling and resolution procedures.]

[Segregation of client assets is maintained and independently verified on a regular basis.]

[Internal controls over financial reporting are documented, tested, and effective.
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[The firm maintains adequate insurance coverage, including errors and omissions, fidelity, and cyber insurance.
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[Books and records are maintained in compliance with CISO requirements, including electronic record-keeping standards.
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[Policies and procedures are in place to prevent extended failed trades, with monitoring and escalation processes documented.
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[The firm has reviewed its practices to ensure correct client identifiers are included for listed securities orders, as required.
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10. Complaint Handling and Investor Protection

CISO is reviewing complaint handling resolution timelines and working with the CSA to enhance fraudulent website disruption capabilities. Account transfer processes are also under review. The report emphasizes the importance of client disclosure at account opening and ongoing transparency.

[Complaint handling procedures are documented, accessible to clients, and aligned with CISO requirements.
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[Complaint resolution timelines are tracked and reported, with escalation procedures for delays.
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[The firm participates in or is aware of CISO/CSA fraudulent website disruption initiatives relevant to its operations.
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[Account transfer processes are documented, with clear timelines and client communication procedures.
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[Client disclosure requirements are current, including relationship disclosure, performance reporting, and fee transparency.
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[Disclosure to clients at account opening is provided prior to delivering services, particularly where referral arrangements are involved.
]

WHAT TO DO WITH YOUR RESULTS

After completing this checklist, group your findings into three categories: items where controls are in place and documented, items where partial controls exist but need strengthening, and items where gaps exist and remediation is needed. Prioritize gaps by regulatory risk and examination likelihood. Assign ownership and timelines for remediation. Review your results against CISO's published 2026 Compliance Report and your firm's most recent examination findings.

NEED HELP?

Clearstone Advisory helps financial services firms navigate regulatory change programs — from business impact assessment and requirements definition through process redesign, implementation, and testing. If your compliance readiness assessment reveals gaps that need structured remediation, we can help scope and deliver the work.

Start a conversation: saad@clearstoneadvisory.ca | clearstoneadvisory.ca | linkedin.com/company/clearstoneadvisory

This checklist is based on publicly available CIRO publications including the 2026 Annual Compliance Report (published February 17, 2026), Fiscal 2027 Annual Priorities, Guidance Note 26-0033 (Digital Assets Custody Framework, February 3, 2026), Guidance Note GN-3200-26-001 (OEO Account Services, March 12, 2026), the joint CSA/CIRO CFR Phase 2 Sweep (December 2025), and related guidance notices and staff notices. It is provided for informational purposes only and does not constitute legal, regulatory, or compliance advice. Clearstone Advisory is not a law firm and is not affiliated with CIRO. Firms should consult qualified compliance and legal professionals for specific guidance.