

# What Your Compliance Officer Needs to Say Yes

## Understanding the AI Tool Approval Landscape at Your Firm

Your Name

Your Firm

Date Completed

### Purpose:

This framework maps the AI tool approval landscape at YOUR firm, so you know what evidence to gather, what objections to prepare for, and which approval pathway to follow before building your business case.

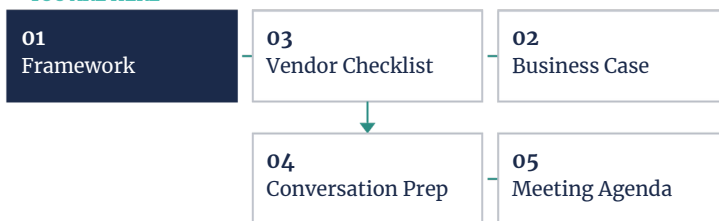
### How to Use This Component

Complete Section 1 first (firm assessment), then work through the remaining sections. Outputs from this framework feed into the Business Case Template (Component 02) and Conversation Preparation Guide (Component 04).

Fields with a teal left border are the essentials. Complete at least these to get a useful output in under 10 minutes.

### Where This Fits

YOU ARE HERE



This framework helps you prepare for conversations about AI tool adoption at your firm. It does not constitute compliance or legal advice. Consult your firm's compliance department and legal counsel for guidance specific to your situation. Information in this kit reflects the regulatory landscape as of March 2026. Regulations and guidance are evolving.



# Section 1 — Your Firm's AI Approval Landscape

## Does your firm have a formal AI use policy?

- ☐ Yes No
- ☐ Don't
- ☐ know

### If yes, where is it documented?

*Handbook page, intranet link, internal memo, etc.*

## Has your firm approved any AI tools?

- ☐ Yes No
- ☐ Don't
- ☐ know

### If yes, which tools and for what purpose?

## Who at your firm makes technology approval decisions?

*Select all that apply.*

- ☐ CCO Branch Manager
- ☐ Head Office
- ☐ Technology Team
- ☐ Dealer Operations
- ☐ Other:

## What is your firm's typical process for approving new technology?

*Select all that apply.*

- ☐ Formal written request
- ☐ Informal conversation with CCO
- ☐ Committee review
- ☐ Dealer-level approval required
- ☐ No established process
- ☐ Unknown

## Has your firm communicated anything about AI use?

- ☐ Yes
- ☐ No

### If yes, what was communicated?

*E.g., "Don't use it," "Use only approved tools," "We're working on a policy."*

### Guidance

If you answered "Don't know" to several questions, that is normal. Most firms have not formalised their AI approach yet. CISO's February 2026 Compliance Report signals this is changing. Your proactive inquiry is exactly what firms need right now.

### About this section

These 7 questions map your firm's approval landscape. You don't need all the answers now — this section tells you what to find out.

### Quick-Start Fields

All 7 questions in this section are Quick-Start fields (marked with a teal border). Complete these first for a useful output in under 10 minutes.

## Section 2 — What Your Compliance Officer Evaluates

Based on CIRO examination priorities, CSA Staff Notice 11-348, and patterns observed when advisors have navigated compliance reviews for AI tools, these are the evaluation areas compliance officers typically focus on.

### Evaluation Area 1: Data Security & Privacy

What compliance officers assess: How data moves through the tool. Where it is stored. How personally identifiable information (PII) is handled, transmitted, and protected. Whether data handling aligns with PIPEDA's principles of purpose limitation and data minimisation.

#### Guidance

This is typically the first question a compliance officer will ask. If you can clearly describe how PII is handled, you demonstrate that you have done your due diligence. The Vendor Evaluation Checklist (Component 03) walks through this in detail.

**Data security and privacy considerations for our firm:**

### Evaluation Area 2: Regulatory Alignment

What compliance officers assess: Whether the tool operates within the current regulatory framework. Key references include CIRO supervisory requirements, CSA Staff Notice 11-348 principles (technology neutrality, human oversight, explainability, conflicts of interest), PIPEDA consent requirements, and Quebec Law 25 (for firms with Quebec-based clients).

#### Guidance

CSA Staff Notice 11-348 confirmed that existing securities laws are technology-neutral. This means the same rules that apply to other tools also apply to AI tools. This can work in your favour: if the tool helps you meet existing obligations more effectively, that strengthens your case.

**Our firm's specific regulatory considerations:**

*Section 2 — continued*

## Evaluation Area 3: Recordkeeping & Supervision

What compliance officers assess: Whether tool outputs can be exported, retained, and reviewed. CIRO IDPC Rule 3800 requires 7-year retention of business records. Compliance officers need to confirm that outputs integrate with existing recordkeeping systems and that a supervisor can review what the tool produced.

### Guidance

Recordkeeping is often a straightforward area if the tool supports export. The key question: can a supervisor or compliance officer review both the tool's output and the inputs that generated it?

**Our firm's record keeping requirements:**

## Evaluation Area 4: Operational Risk

What compliance officers assess: Whether the tool requires human review before outputs are used (human-in-the-loop). What happens if the tool produces inaccurate results. What the fallback process is if the tool becomes unavailable. Whether the vendor is stable and likely to continue operating.

### Guidance

Framing the tool as a "first draft" that always requires human review addresses the operational risk concern directly. If you would never send a tool's output to a client without reviewing it first, say so explicitly.

**Our firm's operational risk tolerance:**



## Section 2 — continued

## GOING DEEPER

## Evaluation Area 5: Material Business Change

What compliance officers assess: Whether deploying an AI tool constitutes a "material business change" under CISO Guidance Notice GN-2200-21-001. If so, this may require advance written notification to CISO and potentially a Form 33-109F5 filing. CISO's February 2026 Compliance Report explicitly raised this consideration.

**Attention**

Most advisors are not aware of this requirement. Whether AI tool adoption constitutes a material business change depends on the scope of use, the type of data involved, and how central the tool becomes to your practice. If there is any question, raise it proactively with your compliance officer rather than having them discover it during an examination.

**Potential material change considerations:**

## GOING DEEPER

## Evaluation Area 6: Client Impact

What compliance officers assess: Whether clients need to be informed about AI tool use. Whether fiduciary obligations are affected. Whether the tool creates any conflicts of interest (CSA Staff Notice 11-348 specifically addresses this). Whether client-facing output quality meets professional standards.

**Going Deeper**

CSA Staff Notice 11-348 recommends that market participants consider potential conflicts of interest arising from AI use. If the tool influences recommendations or generates client-facing communications, this area becomes more significant.

**Client impact considerations for our use case:**

## Section 3 — Evidence Your CCO Needs

For each evaluation area, your compliance officer will need specific evidence. Use this section to identify what you already have and what you still need to gather.

| Area                                   | Evidence Needed                                                                                                      | Have                     | Need                     | Source / Notes |
|----------------------------------------|----------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|----------------|
| <b>Data Security &amp; Privacy</b>     | Vendor data flow docs, encryption specs, data storage location, PII handling process, breach notification procedures | <input type="checkbox"/> | <input type="checkbox"/> |                |
| <b>Regulatory Alignment</b>            | Vendor PIPEDA compliance statement, CIRO alignment docs, data residency info, training data policies                 | <input type="checkbox"/> | <input type="checkbox"/> |                |
| <b>Recordkeeping &amp; Supervision</b> | Output export capabilities, retention policy, audit trail features, supervisory review access                        | <input type="checkbox"/> | <input type="checkbox"/> |                |
| <b>Operational Risk</b>                | Human-in-the-loop description, error handling procedures, vendor SLA and uptime guarantees, business continuity plan | <input type="checkbox"/> | <input type="checkbox"/> |                |
| <b>Material Business Change</b>        | Assessment of whether use constitutes material business change, notification timeline if required                    | <input type="checkbox"/> | <input type="checkbox"/> |                |
| <b>Client Impact</b>                   | Client consent approach, impact on service delivery, conflicts of interest assessment, output quality docs           | <input type="checkbox"/> | <input type="checkbox"/> |                |

Note: "Have" and "Need" can both be checked if you have partial evidence.

## Section 4 — Your Firm's Approval Pathway

Based on your Section 1 responses, your firm's approval pathway is most likely:

- ☐ Pathway A: No formal process exists
- ☐ Pathway B: Informal process
- ☐ Pathway C: Formal process exists
- ☐ Pathway D: Dealer-level approval required

### A Pathway A: No Formal Process

You are in the strongest position to shape how your firm approaches AI. Your proposal will likely become the template for how future requests are handled. Focus on proposing both a process and a tool. Consider suggesting a pilot program with defined evaluation criteria. Your CCO may welcome the structure.

### B Pathway B: Informal Process

Your CCO probably handles technology requests ad hoc. A structured business case will stand out. Focus on making their job easier: provide the vendor evaluation they would otherwise have to do themselves. The Business Case Template (Component 02) creates a document they can file as part of their compliance record.

### C Pathway C: Formal Process Exists

Follow your firm's existing process precisely. Use the Vendor Evaluation Checklist (Component 03) to ensure your submission covers everything the formal review requires. If the firm has its own technology request form, complete that alongside the Business Case.

### D Pathway D: Dealer-Level Approval Required

Your branch manager is your first audience. Frame the business case for how this benefits the branch, not just your practice. The dealer operations team will handle the technical evaluation. Prepare a concise summary they can forward up, plus the full documentation package for when it reaches the decision-makers.

## Section 5 — Anticipated Objections

Based on the evaluation areas above and common compliance conversations, these are the objections you are most likely to encounter. Document how you would address each one.

*Component 04 (Conversation Guide) provides detailed response frameworks for each of these objections.*

### Objection 1: "We don't have an AI policy yet"

Response direction:

This is an opportunity, not a blocker. CIRO's February 2026 Compliance Report signals that firms should be developing AI policies and controls. Your proposal can help shape that policy. Frame yourself as bringing a solution, not creating a problem.

My response:



*Section 5 — continued***Objection 2: "What about data security and cross-border data?"****Response direction:**

Lead with PII handling. Distinguish data at rest from data in transit from processing. Reference PIPEDA requirements specifically. Be precise about what crosses borders and what does not. If PII is removed before transmission, lead with that fact.

**My response:****Objection 3: "We haven't approved any AI tools"****Response direction:**

Frame as a pilot or evaluation, not blanket adoption. Suggest a structured evaluation period with defined success criteria. Distinguish between consumer AI (ChatGPT on a personal phone) and purpose-built professional tools designed for regulated industries.

**My response:****Objection 4: "The regulatory landscape is too uncertain"****Response direction:**

Acknowledge the uncertainty. Reference CSA Staff Notice 11-348's technology-neutral approach, which means existing regulations already apply. Note that CIRO has signalled it will examine AI controls. Waiting means shadow AI risk compounds without oversight.

**My response:**

*Section 5 — continued***Objection 5: "We're waiting for industry guidance"****Response direction:**

Guidance is arriving: CSA Staff Notice 11-348, CIRO's 2026 examination focus, FP Canada's GenAI Rule Interpretation Bulletin. Waiting indefinitely while guidance accumulates means advisors continue using unapproved tools without controls. A structured evaluation positions the firm ahead of the next wave of guidance.

**My response:****Objection 6: "What if the vendor disappears?"****Response direction:**

Address vendor stability, data portability, and exit strategy. Show that you have considered business continuity. Reference the vendor's operating history, client count, and contract terms from the Vendor Evaluation Checklist (Component 03).

**My response:**

*Section 5 — continued*

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**Custom objection:****My response:**

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**Custom objection:****My response:**

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**Custom objection:****My response:**

## Section 6 — Next Steps

Based on your responses above, here are your next steps before building your business case.

- ☐ Complete Vendor Evaluation Checklist (Component 03) for your chosen tool
- ☐ Gather evidence identified in Section 3 as "still needed"
- ☐ Research your firm's specific approval process (if unknown)
- ☐ Identify the specific person(s) who approve technology decisions
- ☐ Draft your Business Case (Component 02)
- ☐ Prepare your conversation (Component 04)
- ☐ Schedule the meeting (Component 05)

**Target date for compliance conversation:**

**Notes / additional steps:**

*Use this space for firm-specific steps, specific dates for each checklist item, or additional context your compliance officer may need.*

