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NEW QUESTION: 1
What is the sales load of an open-end investment company with a net asset value (NAV) of $14.35 and a public offering price (POP) of $15.50?
A. 7.40%
B. 8.00%
C. 8.50%
D. 9.25%
Answer: (SHOW ANSWER)
The sales load is calculated as a percentage of the POP, using the formula:
Sales load = (POP # NAV) ÷ POP × 100
POP = $15.50, NAV = $14.35.
Sales load = ($15.50 # $14.35) ÷ $15.50 × 100 = 8.50%.
C is correct because the calculation results in an 8.50% load.
A, B, and D are incorrect due to incorrect calculations.
Reference: SIE Study Guide, Chapter 5: Mutual Fund Pricing

NEW QUESTION: 2
Which of the following responses describes a collateralized mortgage obligation (CMO) tranche?
A. The yield a customer should expect if the CMO is held to maturity
B. The estimated average life of the CMO expressed in years and months
C. A slice of the investment representing a coupon rate, maturity date, and credit rating
D. The method of underwriting used by the issuer to securitize the loans in the portfolio
Answer: (SHOW ANSWER)
CMOs are divided into tranches, which are portions of the pool of mortgage-backed securities. Each tranche has its own characteristics, including coupon rate, maturity date, and credit rating, tailored to meet the needs of different investors.

* C is correct because tranches represent slices of the investment with specific terms.
* A is incorrect because the yield depends on prepayment rates and interest rate changes.
* B is incorrect as average life is an estimate, not a defining characteristic of a tranche.
* D is incorrect because underwriting is unrelated to the definition of a tranche.
Reference: SIE Study Guide, Chapter 3: Collateralized Mortgage Obligations (CMOs)

NEW QUESTION: 3
Under SEC rules, which of the following is not a security?
A. A debenture
B. A fund of funds
C. A unit investment trust (UIT)
D. A bank money market deposit account
Answer: (SHOW ANSWER)
The correct answer is D, A bank money market deposit account. Under the Securities Act of 1933 and related SEC regulations, most investment instruments are classified as securities and are subject to federal securities laws. However, certain banking products are specifically excluded.
A bank money market deposit account is a banking product, not a security. It is typically offered by banks, insured by the FDIC (within limits), and regulated by banking authorities rather than the SEC. Because of this, it is exempt from securities registration requirements.
In contrast, the other choices are all considered securities. A debenture (choice A) is an unsecured corporate bond and clearly falls under the definition of a security. A fund of funds (choice B) is an investment company that invests in other mutual funds and is regulated as a security. A unit investment trust (UIT) (choice C) is also an investment company product registered under the Investment Company Act of 1940.
The key takeaway for the SIE exam is that banking products (like deposit accounts and CDs) are generally not securities, while investment products issued by corporations or investment companies are securities. Thus, choice D is correct.

NEW QUESTION: 4
The Investment Company Act of 1940 requires that a minimum percentage of a fund's board members are
"uninterested persons." This requirement is best described as an attempt to:
A. include a diverse set of professional experiences on the board.
B. expand the board's expertise beyond knowledge of investments.
C. ensure that regulations are followed consistently across fund companies.
D. ensure that board members have no material business relationship with the fund's advisers.
Answer: D (LEAVE A REPLY)
The Investment Company Act of 1940 emphasizes shareholder protection through governance standards, including requirements that a fund's board include a minimum

percentage of "uninterested" (independent) persons. The purpose is to reduce adviser dominance and mitigate conflicts that can arise when the fund's adviser or affiliated parties effectively control oversight. "Uninterested" generally means the director has no material business relationship with the fund's adviser, principal underwriter, or key affiliates that would compromise independent judgment. Therefore, the best description is D.

Choices A and B are plausible-sounding governance benefits, but they are not the regulatory intent being tested. The rule is not primarily about diversity of professional experience or broadening expertise; it is about independence from adviser influence.

Choice C is too general and doesn't capture the targeted problem: the Act's board independence provisions are designed to ensure the board can objectively evaluate matters that directly affect shareholders, such as advisory contracts, fee arrangements, compliance oversight, and potential self-dealing.

On the SIE, this ties directly to the theme of conflicts of interest in investment companies. Mutual fund advisers are paid fees based on assets under management, creating incentives that might not always align with shareholders. Independent directors are intended to serve as a check by reviewing and approving key arrangements and providing meaningful oversight. The exam often connects this governance concept to broader investor protections: disclosure, fiduciary oversight, limitations on affiliated transactions, and the idea that fund boards should represent shareholder interests rather than adviser interests.

NEW QUESTION: 5

Under FINRA rules, which of the following events will prevent an individual from being eligible to register with a member firm?

A. Credit score below 500

B. Previous bankruptcy filing

C. False statements on their Form U4

D. More than 10 customer complaints

Answer: C (LEAVE A REPLY)

The event that can prevent an individual from being eligible to register is making false statements on Form U4. Form U4 (Uniform Application for Securities Industry Registration or Transfer) is the foundational disclosure document used for registration and oversight of associated persons. FINRA and other regulators rely on the accuracy and completeness of U4 information to evaluate the applicant's background, disciplinary history, reportable events, and overall fitness. Submitting false information-or omitting required information-undermines the integrity of the registration process and can lead to denial of registration, disciplinary action, and, depending on the nature of the misstatement, potential statutory disqualification concerns.

By contrast, a low credit score is not, by itself, a FINRA bright-line disqualifier for registration. Financial responsibility matters, but FINRA does not set a universal "minimum credit score" eligibility standard. A previous bankruptcy filing is a reportable event that may

require disclosure and could trigger enhanced review or supervision; however, bankruptcy alone does not automatically make a person ineligible to register.
Similarly, having more than 10 customer complaints is not automatically disqualifying without a determination of wrongdoing. Complaints can be reportable and may lead to investigations, but the number alone is not the key legal/registration barrier presented in this question.
The SIE content emphasizes that misleading information or omissions in registration-related filings are serious compliance failures, because they directly impair regulators' ability to protect investors and supervise industry participants.

NEW QUESTION: 6
What is the current yield of a bond trading at $1,100 with a par value of $1,000 and coupon of 8.00%?
A. 7.00%
B. 7.27%
C. 7.77%
D. 8.00%
Answer: B (LEAVE A REPLY)
The correct answer is B, 7.27%. Current yield measures the annual income (coupon interest) relative to the bond's current market price, not its par value.
Step-by-step calculation:
First, determine the annual interest payment (coupon):Coupon rate × Par value = 8% × $1,000 = $80 annual interest Next, divide the annual interest by the current market price:Current yield = Annual interest / Market price=
$80 / $1,100
Perform the calculation:$80 ÷ $1,100 = 0.0727, or 7.27%
This result shows that when a bond trades at a premium (above par), its current yield is lower than the coupon rate. This is because investors are paying more than $1,000 but still only receiving $80 annually.
Choice A (7.00%) is incorrect because it underestimates the yield. Choice C (7.77%) is incorrect and does not match the formula. Choice D (8.00%) represents the coupon rate, not the current yield.
Thus, the correct current yield is 7.27%, making Answer B correct.

NEW QUESTION: 7
Which of the following responses best describes how member firms are required to retain electronic correspondence and internal communications of associated persons?
A. In hard copy
B. On the firm's server
C. In the firm's cloud storage
D. In a non-rewriteable format

Answer: (SHOW ANSWER)
FINRA Rule 4511 requires member firms to retain records, including electronic communications, in a non- rewriteable, non-erasable format (often referred to as WORM: Write Once, Read Many). This ensures that records cannot be altered or deleted once stored.
* D is correct because firms must store records in a tamper-proof format.
* A, B, and C are incorrect because these formats do not guarantee compliance with the tamper-proof requirements set forth by FINRA and the SEC.
Reference: FINRA Rule 4511 (General Requirements for Books and Records)

NEW QUESTION: 8
Which of the following information is typically contained in the preliminary prospectus for a company conducting an initial public offering?
A. Offering price
B. Ownership structure
C. Anticipated trading volume
D. FINRA approval of the merits of the offering
Answer: (SHOW ANSWER)
A preliminary prospectus, commonly called a red herring, contains important information about the issuer and the proposed offering, but it does not include the final offering price. It typically includes business information, risk factors, use of proceeds, management information, capitalization, financial information, and ownership structure. Choice B is correct. Choice A is incorrect because the final offering price is not included until the final prospectus after effectiveness and pricing. Choice C is incorrect because anticipated trading volume is not a required or reliable disclosure item in a preliminary prospectus. Choice D is incorrect because regulators do not approve the merits of securities offerings. Any implication that FINRA or the SEC has approved the investment merits of an offering is prohibited. The SIE outline covers offering documents and delivery requirements, public offerings, initial public offerings, SEC filing requirements, and unlawful representations. The preliminary prospectus is a disclosure document, not a sales guarantee or regulatory endorsement. Its purpose is to provide material information while the registration process is pending.
Reference: Knowledge of Capital Markets; Offerings; IPOs; Prospectus; Securities Act Disclosure Rules.

NEW QUESTION: 9
Which of the following statements is true regarding American Depositary Receipts?
A. American Depositary Receipts pay dividends in U.S. dollars.
B. American Depositary Receipts are not subject to political risk.
C. American Depositary Receipts are not subject to currency fluctuations.

D. American Depositary Receipts offer a one-for-one conversion from U.S. shares to foreign shares.

Answer: (SHOW ANSWER)

American Depositary Receipts, or ADRs, represent ownership interests in shares of a foreign issuer and trade in U.S. markets in U.S. dollars. Dividends paid by the foreign issuer are converted by the depositary bank into
U.S. dollars before being distributed to ADR holders. Therefore, choice A is correct. ADRs are still subject to political risk because changes in the foreign issuer's home country, including political instability, capital controls, sanctions, or regulatory changes, may affect the issuer and the investment. Choice C is incorrect because ADR investors remain exposed to currency risk. Even though the ADR trades and pays dividends in
U.S. dollars, the value of the underlying foreign shares and dividends may be affected by exchange-rate movements. Choice D is incorrect because ADR ratios vary. One ADR may represent one foreign share, multiple shares, or a fraction of a share, depending on the ADR program. The SIE outline includes ADRs under equity securities and separately identifies currency, political, market, and other risks under investment risks. This question tests both product structure and international risk exposure. Reference: Section 2.1.1 Equity Securities, ADRs; Section 2.2 Investment Risks.

NEW QUESTION: 10

Which of the following securities issued by a corporation allows the owner to vote on matters of the corporation?

A. Warrant

B. Common stock

C. Preferred stock

D. Corporate bond

Answer: (SHOW ANSWER)

Common stock typically provides the owner with voting rights on key corporate matters, making answer B correct. Common shareholders generally vote to elect the board of directors and may vote on significant corporate actions such as mergers, major reorganizations, or other proposals submitted for shareholder approval. Voting rights are a core distinguishing feature of common stock and are frequently tested on the SIE as part of understanding equity ownership and shareholder rights.

A warrant (choice A) is a derivative-like security that gives the holder the right to purchase the issuer's stock at a specified price before expiration. Warrant holders do not have voting rights unless and until they exercise the warrant and become stockholders. Preferred stock (choice C) typically has characteristics closer to a hybrid: it pays a stated dividend and often has priority over common stock in dividends and liquidation, but it usually does not carry voting rights (though preferred may gain voting rights in special situations, such as when dividends are in arrears, depending on the issue terms). A corporate bond (choice D) is debt; bondholders are creditors, not owners, and generally do not vote on corporate

governance matters (though bond covenants may provide protections and certain consent rights in specific restructuring situations).
The SIE emphasizes the relationship between security type and investor rights: equity ownership (common stock) comes with participation in corporate governance through voting, while debt instruments provide contractual cash flows and creditor protections but not ownership voting rights.

NEW QUESTION: 11
Which of the following products is redeemable at net asset value (NAV)?
A. Corporate stock
B. Municipal bonds
C. Options contracts
D. Open-end mutual funds
Answer: D (LEAVE A REPLY)
Open-end mutual funds are redeemable securities, meaning investors can sell their shares back to the fund at the NAV.
* D is correct because mutual funds allow redemption at NAV.
* A, B, and C are not redeemable securities.
Reference: Investment Company Act of 1940, Section 2(a)(32)

NEW QUESTION: 12
Which of the following statements characterizes the typical relationship between the market value of a municipal bond portfolio and interest rates?
A. As interest rates increase, the market value goes up.
B. As interest rates decrease, the market value goes up.
C. As the market value goes down, interest rates decrease.
D. As the market value goes up, interest rates stay constant.
Answer: B (LEAVE A REPLY)
Step by Step Explanation:
* Inverse Relationship: Bond prices and interest rates have an inverse relationship. When interest rates fall, existing bonds with higher coupon rates become more valuable, leading to an increase in market value.
* Incorrect Options:
* A: Market value decreases as interest rates increase.
* C: Interest rates and bond values move inversely, not in the same direction.
* D: Interest rates are not constant; they fluctuate over time.
SEC Municipal Bonds Overview: SEC Municipal Bonds.

NEW QUESTION: 13
Corporate bonds are most impacted by which of the following types of risk?
A. Credit risk

B. Political risk
C. Liquidity risk
D. Currency risk
Answer: A (LEAVE A REPLY)
Corporate bonds are most directly impacted by credit risk, making A the correct answer. Credit risk is the risk that the issuer will be unable to meet its promised obligations-specifically, the ability to make timely interest payments and repay principal at maturity. Because corporate issuers are private-sector entities, they carry a meaningful possibility of financial distress, earnings deterioration, increased leverage, or bankruptcy-factors that can widen credit spreads and push bond prices down.
While interest rate risk affects all fixed-income securities, corporate bonds have an added layer of valuation sensitivity: changes in the issuer's perceived creditworthiness can significantly change the bond's yield and market price, even if Treasury yields are stable. This is why corporate bonds are commonly evaluated using credit ratings, spreads versus Treasuries, and issuer financial strength metrics.
Choice B (political risk) may affect certain industries more than others, but it is not the defining risk type for corporate bonds overall. Choice C (liquidity risk) can matter-some corporate issues trade less frequently than Treasuries-but liquidity is typically not the primary driver compared with the issuer's credit profile.
Choice D (currency risk) is relevant mainly when investing in bonds denominated in foreign currencies or when the investor's base currency differs from the bond's currency. Standard U.S. corporate bonds denominated in dollars generally do not expose a U.S. investor to currency risk.
On the SIE, this is a foundational comparison: Treasuries = lowest credit risk, municipals depend on issuer
/tax base or revenue pledge, and corporates = higher credit risk, often compensated by higher yields.

NEW QUESTION: 14
A registered representative (RR) receives a mutual fund order from a customer at 4:10 p.m. ET. Which of the following statements is true regarding this order?
A. It must be executed at the next closing price.
B. It must be executed at the next day's opening price.
C. It must be accepted as an "as/of" trade for today's price.
D. It is not permitted to be accepted as it was received after the market close.
Answer: A (LEAVE A REPLY)
Mutual funds are traded based on forward pricing. Orders received after the market closes are executed at the NAV calculated at the next market close.
* A is correct because it aligns with forward pricing rules.
* B, C, and D are incorrect as they do not follow mutual fund trade practices.
Reference: Investment Company Act of 1940, Section 22

NEW QUESTION: 15
Which of the following responses describes the purpose for a financial institution to provide a privacy policy to customers?
A. To regulate the collection and protection of customers' public information
B. To provide transparency regarding the potential use of customers' nonpublic personal information
C. To acquire additional information about customers' assets and holdings for future solicitation and investing
D. To automatically remove any state law provision to the opt-in or opt-out feature regarding customers' nonpublic information
Answer: B (LEAVE A REPLY)
The primary purpose of delivering a privacy policy is to provide customers with clear disclosure about how a financial institution may collect, use, share, and safeguard nonpublic personal information (NPI) and what choices customers may have regarding sharing. That makes B correct. Under privacy requirements such as Regulation S-P (commonly tested on the SIE), firms must inform customers about their privacy practices and provide required notices so customers understand how their personal information is handled.
Choice A is incorrect because privacy policies are not primarily about "public information"; the regulatory focus is on nonpublic personal information, such as account numbers, balances, transaction history, social security numbers, and other sensitive data. Choice C is incorrect because the purpose is not to gather more information for marketing or solicitation; it's to disclose practices and protect customer information. Choice D is incorrect because privacy policies do not automatically override state laws; privacy regulation involves both federal requirements and, in some cases, state provisions, and firms must comply with applicable laws rather than "removing" them.
On the SIE, you should connect privacy policy delivery to three ideas: (1) disclosure of information-sharing practices, (2) customer rights (such as opt-out where applicable), and (3) safeguards-the firm's obligation to protect confidential customer information. This aligns with broader customer protection standards and the regulatory framework governing broker-dealer handling of client data.

NEW QUESTION: 16
Which of the following activities is a responsibility of a mutual fund transfer agent?
A. Underwriting new shares of securities
B. Distributing the fund's prospectus to investors
C. Maintaining custody of the fund's securities
D. Maintaining records of shareholder purchases and redemptions
Answer: D (LEAVE A REPLY)

A transfer agent is responsible for maintaining accurate records of shareholder purchases, redemptions, and account balances. They also handle the issuance and cancellation of shares and ensure shareholders receive appropriate distributions.
* D is correct because maintaining shareholder records is a core duty of a transfer agent.
* A is incorrect because underwriting is the responsibility of a broker-dealer.
* B is incorrect because distributing the prospectus is handled by the fund's distributor.
* C is incorrect because custody of securities is the role of a custodian, not the transfer agent.
Reference: SIE Study Guide, Chapter 5: Investment Companies

NEW QUESTION: 17
The market price of a stock is generally reduced by the amount of the cash dividend on which of the following dates?
A. Redemption date
B. Ex-dividend date
C. Dividend record date
D. Dividend payment date
Answer: B (LEAVE A REPLY)
A stock's price is generally adjusted downward by the amount of the declared cash dividend on the ex- dividend date, so B is correct. The ex-dividend date is the first day the stock trades without the right to receive the upcoming dividend. Investors who purchase on or after the ex-dividend date are not entitled to that declared dividend; the seller retains the right to receive it. Because new buyers are no longer receiving that cash distribution, the market typically reflects this by reducing the stock's price by approximately the dividend amount (all else equal). This is a standard SIE-tested dividend timing concept.
The record date (choice C) is the date on which the company reviews its shareholder records to determine who is entitled to receive the dividend. It is a corporate bookkeeping cutoff and is not the date the market typically adjusts the price. The payment date (choice D) is when the company actually pays the dividend to shareholders of record; again, this is not when the stock generally drops by the dividend amount. Choice A is incorrect because "redemption date" applies to instruments like bonds, CDs, or redeemable fund shares-not common stock dividends.

This topic sits under corporate actions and dividend mechanics, and the SIE expects you to connect the sequence: declaration date (announced), ex-dividend date (price adjustment / eligibility cutoff for buyers), record date (company records), and payable/payment date (cash distributed). Understanding the ex-dividend date is crucial for customer communication, trade timing, and explaining why price may appear to "drop" even without negative news.

NEW QUESTION: 18
Which of the following securities entitles the holder to exercise control of the company?
A. Common stock
B. Preferred stock
C. Corporate bond
D. Convertible bond
Answer: A (LEAVE A REPLY)
The correct answer is A, Common stock. Common stockholders are the true owners of a corporation and have voting rights, which allow them to exercise control over the company. These voting rights typically include electing the board of directors and voting on major corporate matters such as mergers, acquisitions, and other significant policy decisions. This ability to influence corporate governance is what gives common stockholders control.
In contrast, preferred stockholders generally do not have voting rights. While they have priority over common shareholders in receiving dividends and in liquidation, they do not participate in management decisions under normal circumstances.
Corporate bondholders are creditors, not owners. They lend money to the corporation and receive interest payments, but they have no ownership or voting rights, and therefore no control over company decisions.
Convertible bondholders also begin as creditors. Although they have the option to convert their bonds into common stock, they only gain voting rights after conversion. Until that point, they do not have control over the company.
Therefore, only common stock provides direct ownership and voting power, making it the security that entitles the holder to exercise control of the company.

NEW QUESTION: 19
Interest rate risk is best minimized by purchasing municipal:
A. revenue bonds.
B. bonds at a discount.
C. issues with short maturities.
D. issues with the highest yield available.
Answer: (SHOW ANSWER)
Interest rate risk-the risk that bond prices will decline when market interest rates rise-is best minimized by buying issues with short maturities, which makes choice C correct. The reason is that shorter-maturity bonds generally have lower duration, meaning they are less

sensitive to changes in market rates. When rates rise, a short-term bond's price typically falls less than a long-term bond's price because investors will receive principal back sooner and can reinvest at the higher prevailing rates earlier.
Choice A (revenue bonds) is incorrect because revenue vs. GO classification primarily relates to credit
/repayment source, not interest rate sensitivity. Revenue bonds can still be long-term and can still have meaningful interest rate risk. Choice B (bonds at a discount) is not the best minimizer of interest rate risk; discount pricing affects yield relationships, but maturity and duration are the key determinants of price volatility due to rate moves. Choice D (highest yield available) is incorrect because higher-yielding munis may carry greater credit risk, longer maturities, call features, or other risks; chasing yield does not minimize interest rate risk and can increase it.
This question targets a core SIE bond concept: price and interest rates move inversely, and the magnitude of price movement depends heavily on time to maturity (and related duration). Investors who are particularly concerned about rate increases often favor short-term municipal notes or shorter maturities to reduce price volatility. While call features and coupon levels also affect rate sensitivity, "short maturities" is the most direct and consistently correct answer for minimizing interest rate risk on the exam.

NEW QUESTION: 20
A registered representative (RR) is permitted to borrow money from a customer under which of the following circumstances, if ever?
A. The customer is the RR ' s sister.
B. The customer is also a coworker.
C. The customer provides a letter of instruction permitting it.
D. It is never permissible to borrow money from a customer.
Answer: A (LEAVE A REPLY)
The correct answer is A, The customer is the RR's sister. Under FINRA rules (Rule 3240), borrowing from or lending to customers is generally prohibited, unless specific exceptions apply and firm approval is obtained.
One key exception is when the customer is an immediate family member, which includes relationships such as parents, children, siblings, and spouses.
In this scenario, since the customer is the RR's sister, the borrowing may be permitted, provided the firm's policies allow it and proper written approval is obtained. This type of relationship reduces the risk of exploitation or conflict of interest that the rule is designed to prevent.
Choice B, coworker, is incorrect because simply working together does not qualify as an exception under FINRA rules. Choice C, a letter of instruction, is also incorrect because written permission from the customer alone does not override regulatory restrictions-firm approval and qualifying conditions are required.

Choice D is incorrect because while borrowing is generally restricted, it is not absolutely prohibited in all cases-there are limited exceptions, such as immediate family relationships. Thus, borrowing is permissible in this case due to the familial relationship, making choice A correct.

NEW QUESTION: 21

When must a firm disclose its business continuity plan?

A. At account opening

B. During a business disruption

C. Within 60 days of account opening

D. Only upon request from a customer

Answer: A (LEAVE A REPLY)

A broker-dealer must disclose business continuity plan information to customers at account opening. The disclosure must explain how the firm intends to respond to events that could significantly disrupt business operations, such as natural disasters, technology failures, loss of facilities, or other emergencies. The purpose is not to give customers every operational detail, but to provide meaningful information about how the firm plans to continue or resume critical business functions. Choice A is correct because account opening is the required timing. Choice B is incorrect because waiting until a disruption occurs would defeat the purpose of advance disclosure. Choice C is incorrect because the rule does not set a 60-day post-opening disclosure deadline. Choice D is incomplete because a firm must provide the disclosure at account opening and also make it available in other required ways, such as upon request. The SIE outline includes business continuity plans under books and records and privacy requirements, and lists FINRA Rule 4370, Business Continuity Plans and Emergency Contact Information. Reference: Section 3.2.4 Books and Records and Privacy Requirements; FINRA Rule 4370.

NEW QUESTION: 22

Under FINRA rules, a registered representative is permitted to receive income from which of the following activities without notifying her employing firm?

A. Playing in a band

B. Participating in a passive investment

C. Teaching woodworking at a local high school

D. Appearing as a guest speaker on investments

Answer: B (LEAVE A REPLY)

A registered representative generally must provide prior written notice to the employing firm before engaging in outside business activities for compensation. However, passive investments are not treated as outside business activities requiring notice in the same way because the representative is not actively working, providing services, or being compensated for an external business role. Choice B is correct. Playing in a band for compensation is an outside business activity because the representative is actively performing services for income outside the member firm. Teaching woodworking at a local high school is also an outside compensated activity and would require notice. Appearing as a guest speaker on investments may involve compensation, securities-related content, public communications, and potential conflicts; it would require firm review and notice. The SIE outline expressly includes outside business activities, private securities transactions, employee conduct, and reportable events. FINRA Rule 3270 is specifically listed as the outside business activities rule. The regulatory concern is that outside compensation and business roles can create conflicts, supervision issues, reputational risk, or unauthorized securities activity. Passive investment income does not present the same active outside employment concern. Reference: Section 4.2.2 Reportable Events; FINRA Rule 3270 Outside Business Activities of Registered Persons.

NEW QUESTION: 23

For a joint tenants-in-common account with a husband and wife, which of the following statements is true of the broker-dealer's distribution of the account's assets upon the death of the husband?

A. The entire amount will be given to the wife.

B. The husband's portion will be given to his estate.

C. It will be determined by the transfer-on-death instructions form.

D. The broker-dealer will have to wait for instructions from the probate court to determine the portion that will be distributed to the wife.

Answer: B (LEAVE A REPLY)

In a joint tenants-in-common account, each owner has a divisible ownership interest. Upon the death of one tenant-in-common, that owner's portion does not automatically pass to the surviving co-owner. Instead, the deceased owner's share becomes part of the deceased owner's estate and is distributed according to the will or applicable estate law. Choice B is correct. Choice A would be true of a joint tenants with right of survivorship account, where the surviving joint owner receives the deceased owner's interest automatically. Choice C is not the best answer because the question identifies the account registration as tenants in common, and transfer- on-death instructions do not override the basic rule stated in the answer choice without additional facts.

Choice D is incorrect because the wife's ownership portion is already determined by the account registration; the deceased husband's portion goes to his estate. The SIE outline includes customer account registrations, including individual, joint, trust, custodial, partnership, corporate, and retirement accounts. This question tests the legal effect of the joint account registration. Reference: Section 3.2.2 Customer Account Registrations.

NEW QUESTION: 24

Which of the following types of debt securities has the highest liquidity?

A. Mortgage bonds

B. Treasury bonds

C. Corporate bonds
D. Municipal bonds
Answer: (SHOW ANSWER)

NEW QUESTION: 25
Under Industry rules, what is the maximum price that qualifies a security as a penny stock?
A. $0.50
B. $i.00
C. $0.10
D. $5.00
Answer: D (LEAVE A REPLY)

NEW QUESTION: 26
An investor needs to liquidate stock today because he needs the cash. Which of the following order types must the investor place to ensure that the trade will be executed today?
A. Stop order
B. Limit order
C. Market order
D. Stop limit order
Answer: C (LEAVE A REPLY)
The correct answer is C, Market order. A market order is an order to buy or sell a security immediately at the best available current price, ensuring execution as long as the market is open and there is liquidity.
Step-by-step, the key phrase in the question is "ensure that the trade will be executed today." Market orders prioritize execution over price, meaning the investor accepts the current market price in exchange for immediate execution. This makes it the most appropriate choice when urgency is the primary concern.
Choice A, a stop order, becomes a market order only after a specified stop price is reached, so execution is not guaranteed if the price is never triggered. Choice B, a limit order, sets a specific price at which the investor is willing to trade, but the order may not be executed if the market does not reach that price. Choice D, a stop limit order, has even more restrictions, as it requires both a trigger price and a limit price, further reducing the likelihood of execution.
Thus, when an investor must sell immediately and guarantee execution, a market order is the correct choice, making Answer C correct.

NEW QUESTION: 27
The price of a company's stock falls several points because of the estimated costs of complying with pending regulations. For the company's stockholders, this is an example of which of the following types of risk?

A. Capital risk
B. Credit risk
C. Political risk
D. Liquidity risk
Answer: C (LEAVE A REPLY)
This situation is best classified as political risk, specifically regulatory risk, because the stock's decline is driven by the anticipated impact of government action-pending regulations-on the company's future profitability. Political risk includes changes in laws, rules, regulatory enforcement, tax policy, or other governmental decisions that can alter an issuer's operating environment. When a company expects higher compliance costs, investors may reduce expected earnings or cash flow projections, which commonly leads to a lower valuation and therefore a lower stock price. That cause-and-effect relationship-government-driven change leading to a market value adjustment-is the core idea of political risk.
It is not credit risk, which focuses on whether a debt issuer can meet interest and principal payments.
Stockholders are affected by equity value changes, and the prompt does not indicate an increased likelihood of default or missed payments on debt. It is not liquidity risk, which concerns the ability to sell the stock quickly at a fair price without significantly moving the market; the question does not mention thin trading, wide bid-ask spreads, or difficulty finding buyers. While capital (principal) risk broadly applies to most equity investments because market prices can decline, the question is asking for the specific type of risk causing the decline. Here, the driver is regulatory costs from pending government rules, which points directly to political risk.
This aligns with the SIE focus on identifying risk types and recognizing how external forces-especially governmental or regulatory developments-can affect securities markets and issuer valuations.

NEW QUESTION: 28
At which of the following prices does a 7% coupon bond have the highest current yield?
A. 92
B. 100
C. 102
D. 107
Answer: A (LEAVE A REPLY)
A bond's current yield is calculated as annual interest (coupon payment) divided by the bond's current market price. For a fixed-rate bond, the annual interest amount is based on the coupon rate times par value (typically
$1,000 par). With a 7% coupon, annual interest is $70 per $1,000 of par value. Since the coupon payment is fixed, the current yield becomes higher when the purchase price is lower, because you are receiving the same

$70 of annual interest while paying less for the bond.
In this question, the possible market prices are 92, 100, 102, and 107 (quoted as percentages of par). A price of 92 means the bond costs $920 per $1,000 par. The current yield at 92 is $70 ÷ $920, which is higher than
$70 ÷ $1,000 (at par), higher than $70 ÷ $1,020, and higher than $70 ÷ $1,070. Therefore, the bond has the highest current yield at the lowest price, which is 92.
This question is testing a fundamental SIE relationship: for bonds, yield and price move inversely. While
"current yield" is a simpler measure than yield to maturity (YTM) because it ignores time to maturity and any gain/loss if the bond is redeemed at par, it is still widely used as a quick comparison tool. The exam expects you to recognize that as price declines (discount), current yield rises; as price increases (premium), current yield falls-assuming the coupon rate is fixed. The SIE outline includes debt instrument basics such as coupon, par, yield, and price/yield relationships.

NEW QUESTION: 29
A broker-dealer (BD) is required to ensure a hyperlink to BrokerCheck is Included on which of the following communications?
A. An RR's social media site that Identifies his BD employment
B. The BD's homepage intended for retail customers
C. An email response to a complaint from a retail customer
D. A registered representative's (RR's) outgoing email
Answer: B (LEAVE A REPLY)

NEW QUESTION: 30
An investor owns 200 shares of ABC common stock and sells four ABC calls. How many of those calls, if any, are covered by the ABC common stock position?
A. None of the calls
B. 1 call
C. 2 calls
D. 4 calls
Answer: C (LEAVE A REPLY)
A call option is considered covered when the seller (writer) owns the underlying security in sufficient quantity to meet the delivery obligation if the option is exercised. In listed equity options, one options contract typically represents 100 shares of the underlying stock. Here, the investor owns 200 shares of ABC stock.
That means the investor can cover two call contracts (2 × 100 shares = 200 shares). Since the investor sold four calls, only two of them are covered; the remaining two calls are uncovered (naked). Therefore, the correct answer is C.
This question tests a fundamental options concept that is heavily emphasized on the SIE: understanding contract size, delivery obligations, and the risk difference between covered

and uncovered strategies. If the covered calls are assigned, the investor can deliver the shares they already own, limiting the risk profile on those contracts. For the uncovered calls, if assigned, the investor would need to purchase shares in the market to deliver (or otherwise acquire them), which exposes the investor to potentially unlimited loss if the stock rises substantially above the strike price.
The mechanics are straightforward:
Shares owned: 200
Shares required per call contract: 100
Covered contracts = 200 ÷ 100 = 2
This is also a subtle suitability/risk topic: selling uncovered calls is generally far riskier than selling covered calls, and firms often require higher options approval levels for uncovered writing. Understanding what makes an option "covered" is essential for evaluating both strategy intent and risk exposure.

NEW QUESTION: 31
Which of the following functions is generally associated with an introducing broker-dealer?
A. Accepting customer orders
B. Maintaining custody of customer accounts
C. Helping to ensure that trades are settled appropriately
D. Operating under a higher net capital requirement than clearing brokers
Answer: (SHOW ANSWER)
An introducing broker-dealer is primarily responsible for customer-facing activities, which includes opening accounts, communicating with customers, and accepting customer orders. Introducing firms "introduce" the business to a clearing firm, which provides the back-office infrastructure. The clearing firm typically handles functions like trade confirmation processing, clearance and settlement mechanics, custody of customer securities and funds, margin processing, and issuance of account statements and confirmations. That division of responsibilities is why "accepting customer orders" is the best match for an introducing broker.
Choice B is generally associated with a clearing broker, not an introducing broker. Custody and safeguarding customer assets is a key clearing function, supported by recordkeeping, possession-or-control requirements, and operational systems that most introducing firms do not maintain independently. Choice C also aligns more with a clearing firm's role, since "helping ensure trades are settled appropriately" describes the clearing /settlement process (e.g., reconciliation, delivery versus payment mechanics, coordination with clearing agencies). Introducing firms may interact with customers about trade status, but the operational responsibility for settlement is typically the clearing broker's domain.
Choice D is incorrect because clearing brokers generally have higher net capital requirements than introducing brokers due to their greater financial and operational responsibilities (e.g., carrying customer accounts, maintaining custody, financing margin). Introducing brokers typically operate with lower net capital requirements relative to clearing

firms because they outsource many back-office and custody functions through a fully disclosed or omnibus clearing arrangement.
This distinction fits the SIE focus on market participants and their roles, including broker-dealer business models (introducing vs. clearing) and how customer orders flow through the marketplace.

NEW QUESTION: 32
Under SEC Rule 144, a person having beneficial interest in what percentage or more of an issuer's outstanding stock is an affiliate of the issuer?
A. 1%
B. 5%
C. 10%
D. 15%
Answer: (SHOW ANSWER)
For SIE exam purposes, a person who beneficially owns 10% or more of an issuer's outstanding voting stock is treated as an affiliate or control person of the issuer. Affiliates are subject to restrictions when selling control or restricted securities under SEC Rule 144. Rule 144 provides a safe harbor for resale of restricted and control securities if specific conditions are met, such as holding-period requirements, current public information, volume limits, manner-of-sale conditions, and notice filings, depending on whether the seller is an affiliate. Choice C is correct. One percent is commonly associated with the volume limitation under Rule
144 for affiliates, not the threshold in this question. Five percent and fifteen percent are not the standard SIE- tested affiliate percentage. The SIE outline includes control and restrictions under equity securities and specifically references SEC Rule 144. This question tests whether the candidate recognizes the regulatory treatment of control persons and the resale limitations that apply when insiders or controlling shareholders dispose of issuer securities. Reference: Understanding Products and Their Risks; Equity Securities; Control and Restrictions; SEC Rule 144.

NEW QUESTION: 33

Which of the following statements is true regarding the SEC's characterization of a registration statement that has just been made effective?
A. The SEC has approved the security being offered for sale.
B. The SEC has found the information presented to be true and accurate.
C. The SEC has determined that no material information has been omitted.
D. The SEC has not passed judgment on the merits of the security being offered for sale.
Answer: D (LEAVE A REPLY)
Step by Step Explanation:
* SEC Registration Statements: The SEC reviews registration statements for completeness and compliance but does not judge the merits, approve, or endorse the securities being offered.
* Other Options:
* A, B, and C: Misrepresent the SEC's role in the registration process.
SEC Bulletin on Registration Statements: SEC Registration Process.

NEW QUESTION: 34
Which of the following risks is most prevalent in callable bonds?
A. Market risk
B. Political risk
C. Liquidity risk
D. Reinvestment risk
Answer: D (LEAVE A REPLY)
The correct answer is D, Reinvestment risk. Callable bonds give the issuer the right to redeem (call) the bond before maturity, typically when interest rates decline. This feature creates a specific risk for investors.
Step-by-step, when interest rates fall, issuers are more likely to call their bonds and refinance at lower rates.
When this happens, investors receive their principal back earlier than expected. The problem is that they must then reinvest those funds at lower prevailing interest rates, which reduces their overall return. This is known as reinvestment risk.
Callable bonds are particularly exposed to this risk because they are often called precisely when it is least favorable for investors-when yields in the market are lower than the bond's original coupon rate.
Choice A, market risk, affects all securities and is not unique to callable bonds. Choice B, political risk, applies mainly to foreign investments. Choice C, liquidity risk, relates to the ease of buying or selling a bond and is not the defining risk of callable bonds.
Thus, the most significant and characteristic risk associated with callable bonds is reinvestment risk, making Answer D correct.

NEW QUESTION: 35

The civil penalty for an individual who is convicted of an insider trading violation is permitted to be an amount up to how many times the profit gained or loss avoided?

A. 1 time

B. 3 times

C. 6 times

D. 10 times

Answer: B (LEAVE A REPLY)

Under the Insider Trading and Securities Fraud Enforcement Act of 1988, the SEC may impose a civil penalty of up to three times the profit gained or loss avoided (referred to as "treble damages") on individuals found guilty of insider trading.

* B is correct because treble damages equal three times the profit or avoided loss.
* A is incorrect because the penalty is not limited to one time the profit.
* C and D are incorrect because the penalty is capped at three times, not six or ten times.

Reference: Insider Trading and Securities Fraud Enforcement Act of 1988

NEW QUESTION: 36

Which of the following risks is unique when comparing U.S. municipal bonds against U.S. government bonds as an investment?

A. Credit risk

B. Currency risk

C. Inflationary risk

D. Interest rate risk

Answer: A (LEAVE A REPLY)

The correct answer is A, Credit risk. Credit risk, also known as default risk, is the risk that the issuer of a bond will fail to make timely interest payments or repay principal. This risk is a key distinguishing factor between

U.S. municipal bonds and U.S. government bonds.

Step-by-step, U.S. government bonds (such as Treasury securities) are considered to have virtually no credit risk because they are backed by the full faith and credit of the U.S. government. As a result, they are often referred to as "risk-free" with respect to default.

In contrast, municipal bonds are issued by state and local governments, and their ability to repay debt depends on the financial health of the issuing municipality. Therefore, municipal bonds carry varying degrees of credit risk, which is why they are often rated by credit rating agencies.

Choice B, currency risk, is incorrect because both investments are denominated in U.S. dollars. Choice C, inflationary risk, affects all fixed-income securities since inflation erodes purchasing power. Choice D, interest rate risk, also affects both types of bonds equally, as bond prices move inversely to interest rate changes.

Thus, the unique risk when comparing municipal bonds to U.S. government bonds is credit risk, making Answer A correct.

NEW QUESTION: 37

Which of the following statements is true with regard to SIPC and FDIC?

A. SIPC coverage is only for securities, and FDIC coverage is only for cash.

B. SIPC protects brokerage accounts, and FDIC protects bank deposits.

C. Money market mutual funds are covered by the FDIC and are not covered by SIPC.

D. Securities held at broker-dealers are covered by the FDIC and are not covered by SIPC.

Answer: B (LEAVE A REPLY)

Step by Step Explanation:

SIPC Coverage: Protects customers of brokerage firms against the loss of securities and cash due to broker- dealer insolvency, but it does not protect against market losses.

FDIC Coverage: Protects bank deposits (checking, savings, CDs) up to $250,000 per depositor, per institution.

Incorrect Options:

A: SIPC covers both securities and cash held at brokerage firms (within limits).

C & D: Money market mutual funds are not FDIC insured, and securities are not covered by the FDIC.

SIPC Overview: SIPC Coverage.

FDIC Insurance: FDIC Coverage.

NEW QUESTION: 38

Which of the following economic theories or models is based on the belief that the supply of money in an economy is the primary driver of economic growth?

A. Supply-side

B. Monetarist

C. Keynesian

D. Demand-pull

Answer: B (LEAVE A REPLY)

The correct answer is Monetarist, which centers on the idea that the money supply is a primary driver of economic activity, inflation, and overall growth. Monetarists argue that changes in the quantity of money in circulation significantly influence aggregate demand and price levels over time. In practice, this links closely to the role of a central bank (in the U.S., the Federal Reserve) in influencing economic conditions through monetary tools that affect the availability and cost of money and credit. For SIE purposes, the key takeaway is that monetarist thinking emphasizes controlling money supply growth to promote stable economic expansion and manage inflation.

This differs from Keynesian theory, which typically emphasizes fiscal policy (government spending and taxation) and total demand management as the main lever for stabilizing the economy, especially during recessions. While Keynesians also recognize monetary policy, they usually place more focus on government intervention through budget policy to influence employment and output. Supply-side approaches focus more on policies intended to increase production incentives (e.g., lowering taxes and reducing regulation to

stimulate investment and labor supply), rather than treating money supply as the central driver. Demand-pull is not a broad "model" in the same sense; it is most commonly associated with a type of inflation where rising demand outpaces supply, pushing prices upward.
The FINRA SIE outline includes principal economic theories (including Keynesian and Monetarist) and tests candidates' ability to identify which framework aligns with a described belief about what drives growth and market conditions.

NEW QUESTION: 39
A customer purchased 100 shares of Company XYZ stock for $10 per share. The stock paid an annual cash dividend of $1 per share. The customer sells his 100 shares three years later for $15 per share. Which of the following amounts is the total pretax return on his investment?
A. $300
B. $500
C. $800
D. $1,800
Answer: C (LEAVE A REPLY)
The correct answer is C, $800. Total pretax return includes both capital gains and dividend income over the holding period.
Step 1: Calculate the initial investment.
100 shares × $10 = $1,000
Step 2: Calculate the sale proceeds.
100 shares × $15 = $1,500
Step 3: Determine the capital gain.
$1,500 # $1,000 = $500 capital gain
Step 4: Calculate total dividends received.
The stock pays $1 per share annually for 3 years:
$1 × 100 shares × 3 years = $300 dividends
Step 5: Add total return.
$500 (capital gain) + $300 (dividends) = $800 total pretax return
Choice A ($300) only reflects dividends. Choice B ($500) only reflects capital gain. Choice D ($1,800) incorrectly adds total proceeds instead of profit.
For SIE exam purposes, always remember:
Total return = Capital gain/loss + Income (dividends or interest)
Thus, the investor's total pretax return is $800, making choice C correct.

NEW QUESTION: 40
A customer calls his registered representative (RR) with a request to hold all mail for the next six weeks.

During the call, the RR checks his files and finds a letter from the customer for a similar request made the prior year. Despite a suggestion to convert to electronic statements via the firm website, the customer prefers paper statements. Holding this customer ' s mail is:
A. permissible if the customer provides written instructions.
B. permissible because the customer previously authorized holding mail.
C. not permissible because the request is for more than one month.
D. not permissible because the customer opted out of electronic statement delivery.
Answer: A (LEAVE A REPLY)
The correct answer is A, permissible if the customer provides written instructions. Under FINRA rules, specifically regarding holding customer mail, a firm may hold mail for a customer only if proper written authorization is obtained and certain conditions are met. Step-by-step, firms must receive current written instructions from the customer specifying the time period for holding mail. While FINRA generally limits mail holds to no more than three months, a six-week (approximately 1.5 months) request is well within the allowable timeframe. Therefore, the duration itself is not a violation.
Choice B is incorrect because prior authorization does not carry forward-each mail hold request requires new written instructions. Choice C is incorrect because the allowable limit is three months, not one month.
Choice D is incorrect because opting out of electronic delivery does not prohibit mail holding; customers still have the right to request mail be held.

NEW QUESTION: 41
The Options Clearing Corporation is a registered clearing agency for which of the following products?
A. Preferred stocks
B. Over-the-counter bonds
C. Exchange-traded funds
D. Long-term Equity Anticipation Securities
Answer: D (LEAVE A REPLY)
Long-term Equity Anticipation Securities, commonly called LEAPS, are long-term listed options. Because LEAPS are options contracts, they fall within the clearing function of the Options Clearing Corporation. The OCC acts as the central clearing agency for listed options and becomes the counterparty to both sides of a listed options transaction after execution, thereby standardizing performance and reducing counterparty risk.
Preferred stocks and exchange-traded funds are equity securities, not options contracts. Over-the-counter bonds are debt instruments and are not cleared through the OCC as listed options. The key technical distinction is product type: LEAPS are not a separate equity security; they are call or put options with longer expiration cycles than standard listed equity options. The SIE outline expressly includes "Options Clearing Corporation (OCC) for listed options" under options knowledge, along with puts, calls, expiration dates,

strike prices, premiums, exercise, assignment, and long/short strategies. This directly supports the answer.
Reference: Section 2.1.3 Options; OCC for listed options.

NEW QUESTION: 42
A customer ' s portfolio is 100% invested in Government National Mortgage Association (Ginnie Mae) mortgage-backed securities. To which of the following risks is the customer exposed?
A. Credit
B. Inflation
C. Liquidity
D. Currency
Answer: B (LEAVE A REPLY)
The correct answer is B, Inflation risk. Government National Mortgage Association (GNMA or Ginnie Mae) securities are backed by the full faith and credit of the U.S. government, meaning they have virtually no credit risk. Investors are assured of receiving both principal and interest payments even if borrowers default, eliminating choice A.
However, like all fixed-income securities, Ginnie Mae mortgage-backed securities are subject to inflation risk, also known as purchasing power risk. Inflation erodes the real value of future interest payments and principal.
If inflation rises, the fixed payments received from these securities will be worth less in real terms, reducing the investor's effective return.
Choice C, Liquidity risk, is less applicable because GNMA securities are actively traded in the secondary market and generally have good liquidity. Choice D, Currency risk does not apply because these securities are denominated in U.S. dollars and are not exposed to foreign exchange fluctuations.
Additionally, while not listed as an answer choice, GNMA securities are also subject to prepayment risk, meaning homeowners may pay off their mortgages early when interest rates fall. However, among the given options, inflation risk is the most relevant, making choice B the correct answer.

NEW QUESTION: 43
Which of the following statements is true when comparing a traditional individual retirement account and a Roth individual retirement account?
A. A Roth IRA has required minimum distributions, while a traditional IRA has no such requirements.
B. A Roth IRA contribution is not subject to taxation, while a traditional IRA contribution is subject to taxation.
C. The beneficiary on a Roth IRA must be a spouse if married, while no such requirement exists with a traditional IRA.

D. A qualified withdrawal from a Roth IRA is tax-free, while a withdrawal from a traditional IRA is generally subject to income tax.
Answer: D (LEAVE A REPLY)
A qualified Roth IRA withdrawal is tax-free, while distributions from a traditional IRA are generally taxable as ordinary income. This is the core distinction tested in choice D. Traditional IRA contributions may be deductible depending on income, filing status, and plan participation, but distributions are generally taxed because the account is funded on a pre-tax or tax-deferred basis. Roth IRA contributions are made with after- tax dollars, meaning the investor does not receive a current tax deduction, but qualified distributions of earnings and contributions may be withdrawn tax-free if the requirements are met. Choice A is incorrect because traditional IRAs are subject to required minimum distributions, while Roth IRAs generally are not subject to lifetime RMDs for the original owner. Choice B reverses the tax treatment concept. Choice C is incorrect because beneficiary designation is not limited to a spouse for Roth IRAs. The SIE outline includes retirement accounts, IRA characteristics, required minimum distributions, and contributions under customer account registrations. It also expects candidates to understand tax-advantaged investment vehicles and account structures. Reference: Section 3.2.2 Customer Account Registrations, retirement accounts, required minimum distributions, and contributions.

NEW QUESTION: 44
A Treasury bill is issued under which of the following terms?
A. At par
B. At par plus interest
C. At a discount
D. At a stated rate of interest
Answer: C (LEAVE A REPLY)
Treasury bills (T-bills) are short-term debt securities issued at a discount to par value. The difference between the purchase price and the par value represents the investor's interest income, which is realized when the T- bill matures.
* C is correct because T-bills are issued at a discount and mature at par.
* A is incorrect because T-bills are not sold at par value.
* B and D are incorrect because T-bills do not pay periodic interest; the return is based on the discount.
Reference: SIE Study Guide, Chapter 3: U.S. Treasury Securities

NEW QUESTION: 45
Which of the following responses describes a warrant?
A. An interest-paying security
B. Redemption rights for a debt instrument
C. The right to purchase a specified amount of shares
D. A fixed-income security issued by a state or municipality

Answer: C (LEAVE A REPLY)

Step by Step Explanation:

* Warrants: These are long-term options issued by a company that give the holder the right to buy shares at a specific price before expiration. They are typically attached to bond or stock offerings to make them more attractive.

* Incorrect Options:

* A: Warrants do not pay interest.

* B: Refers to callable bonds, not warrants.

* D: Describes municipal bonds, not warrants.

SEC Guide to Warrants and Options: SEC Warrants Information.

NEW QUESTION: 46

Which of the following safeguards must a broker-dealer maintain to protect customer funds and securities?

A. FDIC insurance to protect customers in the event of a broker-dealer's failure

B. Assigned personnel to sign on behalf of customers when they are on vacation

C. Protection of funds in case the values of customer funds and securities decline

D. Segregation of customer securities and cash from a broker-dealer's proprietary business activities

Answer: (SHOW ANSWER)

A broker-dealer must safeguard customer funds and securities by segregating customer assets from the firm's proprietary business activities. Segregation helps ensure that customer securities and cash are not improperly used by the broker-dealer and remain available for customers, even if the firm experiences financial or operational difficulty. Choice D is correct. FDIC insurance applies to bank deposits at insured depository institutions, not brokerage securities accounts. Brokerage customer protection is generally associated with customer protection rules and SIPC coverage, not FDIC protection. Choice B is prohibited because firm personnel may not sign on behalf of customers merely for convenience. Choice C is incorrect because broker- dealers do not protect customers from market losses caused by declining securities values. The safeguard concerns custody and proper handling of customer assets, not investment performance. The SIE outline includes customer protection and custody of assets, improper use of customer securities or funds, and books and records requirements. It also lists FINRA Rule 2150, improper use of customers' securities or funds, and customer protection-related rules. Reference: Section 3.2.4 Books and Records and Privacy Requirements; Section 3.3.3 Other Prohibited Activities.

NEW QUESTION: 47
When the index level and strike price of a listed index option are the same, the option is:
A. In the money.
B. At the money.
C. Out of the money.
D. Trading at intrinsic value only.
Answer: B (LEAVE A REPLY)
An option is considered "at the money" when the current price of the underlying asset (or index level) equals the option's strike price.
* B is correct because the index level equals the strike price.
* A is incorrect because "in the money" requires the option to have intrinsic value (e.g., for a call, the index level must be above the strike price).
* C is incorrect because "out of the money" applies when the index level is below the strike price (for calls) or above it (for puts).
* D is incorrect because "at the money" options have no intrinsic value.
Reference: SIE Study Guide, Chapter 8: Options Fundamentals

NEW QUESTION: 48
An introducing broker-dealer generally performs which of the following activities?
A. Clears transactions with the DTCC
B. Maintains custody of customer funds
C. Accepts orders to purchase securities
D. Prepares customer account statements
Answer: C (LEAVE A REPLY)
An introducing broker-dealer generally accepts customer orders and introduces those transactions to a clearing firm for processing, custody, clearance, settlement, and recordkeeping functions. Choice C is correct.
Introducing firms commonly maintain the customer relationship, solicit and accept orders, make recommendations, and provide front-office brokerage services. They typically do not carry customer accounts, custody customer funds or securities, or directly clear trades with clearing agencies. Choice A describes a clearing function, not the usual role of an introducing firm. Choice B is generally performed by the carrying or clearing broker-dealer that holds customer assets. Choice D is also generally associated with the carrying broker-dealer, which prepares and sends official account statements and confirmations, although introducing firms may provide supplemental communications. The SIE outline identifies broker-dealers, including introducing, clearing, and prime brokers, under market

participants and their roles. The exam distinction is operational: introducing broker-dealers interact with customers and accept orders, while clearing broker-dealers handle custody, clearance, settlement, statements, and back-office processing. Reference:
Section 1.1.4 Market Participants and Their Roles; introducing and clearing broker-dealers.

NEW QUESTION: 49
Which of the following terms describes an offer to purchase some or all shareholders ' shares in a corporation, usually at a premium to the market price?
A. Tender
B. Stock split
C. Redemption
D. Class action
Answer: (SHOW ANSWER)
Step by Step Explanation:
Tender Offer Definition: A tender offer is an offer to purchase a certain number of shares from shareholders, typically at a price above the current market value. This is often part of mergers, acquisitions, or corporate takeovers.
Stock Split: A stock split increases the number of shares but decreases the price per share without affecting the total value of an investor ' s holdings.
Redemption: Redemption refers to the repayment of a bond or preferred stock at maturity or at a predetermined date.
Class Action: A class action is a lawsuit filed by a group of people with similar grievances.
SEC Rule 14e on tender offers: SEC Tender Offers.

NEW QUESTION: 50
Beta coefficient is a measure of:
A. The liquidity of an individual stock relative to the sector average.
B. The volatility of an individual stock relative to the broad stock market.
C. The volatility of the broad stock market.
D. Only the upside participation of an individual stock.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 51
Company XYZ has issued bonds that carry a coupon rate of 4% and are yielding 9%. Other bonds with similar maturities issued by corporations in the same industry as XYZ are yielding approximately 5%. Which of the following statements is most likely to be true of the pricing and credit quality of XYZ's bonds?
A. The bonds are trading at a discount due to their comparatively low credit quality.
B. The bonds are trading at a discount due to their comparatively high credit quality.
C. The bonds are trading at a premium due to their comparatively low credit quality.
D. The bonds are trading at a premium due to their comparatively high credit quality.

Answer: A ([LEAVE A REPLY])
XYZ's bonds have a 4% coupon but are yielding 9%, which means the bonds are trading at a discount. A bond's coupon rate is fixed, but its yield changes with market price. When a bond's yield is higher than its coupon, the bond must be priced below par so the investor's return increases to the market-required level. The fact that similar bonds in the same industry and maturity range are yielding only about 5% suggests that investors require a much higher return from XYZ. That higher required yield is most likely due to comparatively lower credit quality or higher perceived default risk. Choice A is correct. Choice B is internally inconsistent because higher credit quality would normally produce a lower yield, not a much higher yield.
Choices C and D are incorrect because a bond yielding more than its coupon is not trading at a premium; it is trading at a discount. The SIE outline requires knowledge of debt instruments, coupon value, yield, ratings, rating agencies, credit risk, and the relationship between price and yield. Reference: Section 2.1.2 Debt Instruments; Section 2.2 Investment Risks, Credit Risk.

NEW QUESTION: 52
If an investor is bullish on ABC, which of the following actions will he most likely take?
A. Buy ABC puts
B. Buy ABC stock
C. Sell ABC calls
D. Sell ABC stock short
Answer: B ([LEAVE A REPLY])
Step by Step Explanation:
* Bullish Position: Buying ABC stock aligns with the expectation that the stock's price will rise, allowing the investor to profit.
* Incorrect Options:
* A: Buying puts is a bearish strategy.
* C: Selling calls benefits from stable or declining prices.
* D: Selling short is a bearish strategy anticipating a price drop.
FINRA Guidance on Market Strategies: FINRA Trading Basics.

NEW QUESTION: 53
Which of the following risks are associated with Treasury securities?
A. Credit risk
B. Liquidity risk
C. Prepayment risk
D. Interest rate risk
Answer: ([SHOW ANSWER])
Step by Step Explanation:

Interest Rate Risk: Treasury securities are sensitive to changes in interest rates. When rates rise, Treasury prices fall, exposing investors to price risk.
Incorrect Options:
Credit Risk: Virtually nonexistent for Treasuries, as they are backed by the U.S. government.
Liquidity Risk: Treasuries are highly liquid.
Prepayment Risk: Applies to mortgage-backed securities, not Treasuries.
SEC Bond Risk Disclosures: SEC Treasury Risks.

NEW QUESTION: 54
Which of the following elements is included in the cost of the Class A shares an investor purchases in an open- end mutual fund?
A. Back-end load
B. Front-end load
C. Net asset value from the prior day's close of business
D. Net asset value at the close of business the following day
Answer: B (LEAVE A REPLY)
Class A mutual fund shares typically include a front-end sales charge, also called a front-end load. The investor pays this charge at the time of purchase, and it is included in the public offering price. The public offering price equals the net asset value plus the applicable sales charge. Choice B is correct. A back-end load or contingent deferred sales charge is more commonly associated with Class B shares or certain other share classes, not the defining cost element of Class A shares. Choice C is incorrect because mutual funds use forward pricing; orders are priced at the next calculated net asset value after the order is received, not the prior day's NAV. Choice D is also incorrect because the relevant price is the next calculated NAV after receipt of the order, not necessarily the following day's close. The SIE outline includes open-end funds, share classes, net asset value, loads, sales charges, and costs and fees. This question tests both mutual fund share-class structure and the distinction between front-end and deferred sales charges. Reference: Section 2.1.4 Packaged Products.

NEW QUESTION: 55
Which of the following statements is true regarding 529 plans?
A. Qualified distributions are federal tax-free.
B. Distributions are exempt from federal income tax after age 65.
C. They are permitted to be used tax-free for medical emergencies.
D. They are permitted to be rolled into a traditional individual retirement account.
Answer: A (LEAVE A REPLY)
Qualified distributions from a 529 plan are federal income tax-free when used for qualified education expenses. These plans are municipal fund securities designed to help families save for education. Qualified expenses may include tuition, certain fees, books, supplies,

and room and board when applicable requirements are satisfied. Choice A is correct. Choice B is incorrect because 529 tax treatment is based on qualified education use, not the beneficiary reaching age 65. Choice C is incorrect because medical emergencies are not the standard qualified education use for 529 distributions. Choice D is incorrect because a 529 plan is not generally rolled into a traditional IRA; the traditional SIE concept is that 529 assets must be used for permitted education-related purposes to receive favorable tax treatment. The SIE outline identifies 529 plans under municipal fund securities and requires knowledge of owner versus beneficiary, restricted use of plan assets, tax advantages, and direct or adviser-sold plans. The core exam point is that the tax benefit is conditional: withdrawals used for qualified education expenses receive favorable federal tax treatment.
Reference: Section 2.1.5 Municipal Fund Securities; 529 Plans.

NEW QUESTION: 56
A grandfather establishes a Uniform Transfers to Minors Act (UTMA) custodial account for his grandson and appoints an attorney as custodian. Which of the following individuals owns the account?
A. Attorney
B. Grandfather
C. Grandson
D. Grandson's parent
Answer: C (LEAVE A REPLY)
In a UTMA account, the minor is the legal owner of the account. The custodian (in this case, the attorney) manages the account until the minor reaches the age of majority specified by state law.
* C is correct because the grandson (the minor) is the account's legal owner.
* A is incorrect because the attorney is the custodian, not the owner.
* B is incorrect because the grandfather established the account but does not own it.
* D is incorrect because the parent does not have ownership unless explicitly named as the custodian.
Reference: SIE Study Guide, Chapter 9: Custodial Accounts

NEW QUESTION: 57
Which of the following is the term for a filing for a distribution of securities in which the issuer has up to three years after the effective date of registration to sell the securities?
A. Shelf registration
B. Primary offering
C. Standby underwriting
D. Preliminary registration
Answer: (SHOW ANSWER)

A shelf registration allows an issuer to register securities with the SEC and then sell them over time-rather than all at once-after the registration statement becomes effective. Under shelf registration rules (commonly associated with SEC Rule 415 in practice), the issuer can generally offer and sell registered securities on a delayed or continuous basis within a permitted window (often tested as "up to three years" for exam purposes). That description exactly matches choice A.
Choice B (primary offering) is too general; it refers to a sale of new securities by an issuer, but it does not specifically mean the issuer can sell them over time for up to three years.
Choice C (standby underwriting) is a type of underwriting commitment often associated with rights offerings, where an underwriter agrees to purchase unsubscribed shares-again, not the filing mechanism described. Choice D (preliminary registration) is not the standard term for this process; while preliminary prospectuses exist, the shelf concept is a specific registration approach.
Shelf registration is significant because it provides issuers flexibility to access capital markets when conditions are favorable-issuing debt or equity in tranches without repeating a full registration process for each sale. It can reduce time-to-market and administrative burdens, and it allows for strategic financing (e.g., issuing when rates drop or when valuation improves). On the SIE, the main expectation is recognizing the definition and purpose: register now, sell later, within the allowed period.

NEW QUESTION: 58
Which of the following types of stock refers to the maximum number of shares a corporation is legally permitted to issue, as specified in its articles of incorporation?
A. Issued stock
B. Treasury stock
C. Restricted stock
D. Authorized stock
Answer: (SHOW ANSWER)
Authorized stock is the maximum number of shares a corporation is legally permitted to issue under its corporate charter (articles of incorporation). That is why choice D is correct. The authorized share count is established when the company is formed and can typically be changed later only through proper corporate procedures (often requiring board approval and shareholder approval, depending on jurisdiction and governing documents). The purpose is to define the company's legal capacity to issue shares for capital raising, compensation plans, acquisitions, and other corporate needs.
Choice A, issued stock, refers to shares that have actually been sold/issued by the corporation to shareholders.
Issued shares are always less than or equal to authorized shares. Choice B, treasury stock, refers to shares that were previously issued and outstanding but have been repurchased by the corporation and are held in the company's treasury; treasury shares are not outstanding and typically have no voting rights or dividend rights while held by the

issuer. Choice C, restricted stock, refers to shares subject to resale restrictions (often associated with Rule 144 or insider/control stock concepts), not the legal maximum number of shares.
This question is a straightforward corporate equity definition commonly tested on the SIE because it links to shareholder rights, corporate actions, and capitalization structure.
Candidates should clearly distinguish:
Authorized = legal limit the company may issue
Issued = shares the company has sold/issued
Outstanding = issued minus treasury (shares held by public)
Treasury = repurchased shares held by the issuer
Understanding these terms helps when analyzing corporate filings, dilution, and equity financing decisions.

NEW QUESTION: 59
Which of the following strategies is best for mitigating the risk of a concentrated position?
A. Diversification
B. Use of leverage
C. Dollar-cost averaging
D. Dividend reinvestment
Answer: A (LEAVE A REPLY)
Step by Step Explanation:
* Diversification: Spreads investments across multiple securities, industries, or asset classes to reduce exposure to a single security or sector.
* Other Options:
* Use of Leverage: Increases, not decreases, portfolio risk.
* Dollar-Cost Averaging: Reduces timing risk but does not address concentration.
* Dividend Reinvestment: Enhances returns but does not mitigate concentration risk.
SEC Guidance on Diversification: SEC Diversification.

NEW QUESTION: 60
A customer is unhappy about a $5,000 loss in a stock that the registered representative (RR) recommended and threatens to call FINRA's Securities Helpline for Seniors about the matter. What is the most appropriate next step for the RR to take?
A. The RR should notify their supervisor about the customer's dissatisfaction.
B. The RR is permitted to reimburse the customer for the loss to resolve the customer's complaint.
C. The RR should alert their compliance department to update their Form U4 with the complaint details.
D. The RR should call FINRA's Securities Helpline for Seniors before the customer does and explain their side of the story.
Answer: A (LEAVE A REPLY)

Step by Step Explanation:
* Escalation Requirement: The RR must promptly notify their supervisor or compliance department about the customer's complaint as required by FINRA rules. Supervisors handle customer complaints according to firm procedures.
* Incorrect Options:
* B: Reimbursing the customer is not permissible without firm approval and may create compliance issues.
* C: Complaints requiring Form U4 updates involve specific allegations such as fraud, not general dissatisfaction.
* D: The RR should not contact FINRA directly; the firm will handle communications.
FINRA Rule 4530 (Reporting Requirements): FINRA Rule 4530.

NEW QUESTION: 61
Which of the following statements is true of an index exchange-traded fund (ETF)?
A. It has a high portfolio turnover ratio.
B. It is priced once daily, generally at the market close.
C. It offers an opportunity to outperform the index it tracks.
D. Passive ETFs will typically have lower fees than those associated with actively managed ETFs.
Answer: (SHOW ANSWER)
Passive ETFs track an index and require minimal management, leading to lower expenses compared to actively managed ETFs.
* D is correct because passive ETFs are cost-efficient and have lower fees.
* A is incorrect because index ETFs have low turnover since they replicate an index.
* B is incorrect because ETFs are priced continuously throughout the trading day.
* C is incorrect as ETFs aim to match, not outperform, the index.
Reference: SIE Study Guide, Chapter 7: Exchange-Traded Funds

NEW QUESTION: 62
Corporate bonds unsecured by any pledge of property are called:
A. Debentures
B. Trust certificates

C. Collateral trust bonds
D. General obligation (GO) bonds
Answer: A (LEAVE A REPLY)
Step by Step Explanation:
* Debentures: Corporate bonds not backed by physical assets or collateral. They rely on the issuer's creditworthiness.
* Incorrect Options:
* B: Trust certificates are a legacy term for bonds backed by a trust.
* C: Collateral trust bonds are secured by financial assets.
* D: GO bonds are issued by municipalities, not corporations.
SEC Guide on Corporate Bonds: SEC Corporate Bonds.

NEW QUESTION: 63
An increase in interest rates has which of the following effects on a municipal bond?
A. A decrease in price
B. An increase in price
C. A decrease in the interest rate of the bond
D. An increase in the interest rate of the bond
Answer: A (LEAVE A REPLY)
When interest rates rise, existing bond prices generally fall, and this relationship applies to municipal bonds just as it does to Treasuries and corporate bonds. The reason is competitive pricing in the market: newly issued bonds come to market offering higher yields (because prevailing rates are higher). To remain attractive, older bonds with lower coupon rates must trade at discounted prices so that their yield to an investor purchasing them today rises to a competitive level. Therefore, an increase in interest rates typically causes a decrease in the market price of an existing municipal bond, making choice A correct.
Choice B is the opposite of the correct interest-rate/price relationship. Choice C and D are incorrect because the question asks about the effect on a municipal bond already issued. The bond's coupon rate (the stated interest rate on the bond) is fixed at issuance for most standard municipal bonds; market interest rates changing does not retroactively change the bond's coupon. What changes is the bond's market price and therefore its yield in the secondary market.
This concept is core SIE bond math/relationships: price and yield move inversely, and bond sensitivity to rate changes increases with longer maturities and lower coupons (i.e., more duration). Municipal bonds also carry other risks (credit, call/prepayment features, liquidity), but the direct effect of a general rise in interest rates is a market-price decline due to the need to adjust yields to current levels. The SIE outline specifically expects understanding of debt instruments and the relationship between price and interest rates.

NEW QUESTION: 64

A mutual fund prospectus discloses the following sales charges to purchase fund shares:
Amount / Rate
$100 to $24,999 # 8%
$25,000 to $49,999 # 7%
$50,000 to $99,999 # 6%
$100,000 and above # 5%
Which of the following purchase amounts may be suspected as a breakpoint sale violation?
A. $26,000
B. $55,000
C. $99,000
D. $101,000
Answer: C (LEAVE A REPLY)
The correct answer is C, $99,000. A breakpoint sale violation occurs when a registered representative fails to inform a customer about available sales charge discounts (breakpoints) for larger mutual fund purchases.
These discounts reduce the front-end load as the investment amount increases.
Looking at the breakpoint schedule, a significant reduction occurs at $100,000, where the sales charge drops from 6% to 5%. If a customer invests $99,000, they fall just short of the breakpoint and pay a higher sales charge than necessary.
This raises a red flag because the RR should consider strategies such as:
Informing the client to invest slightly more (e.g., $100,000) to qualify for a lower sales charge Using a Letter of Intent (LOI) to reach the breakpoint over time Applying rights of accumulation if applicable Choices A ($26,000) and B ($55,000) are not suspicious because they are not just below a major breakpoint threshold. Choice D ($101,000) already qualifies for the lower 5% charge.
Thus, $99,000 is most indicative of a potential breakpoint sale violation, making choice C correct.

NEW QUESTION: 65
The use of company-specific financial and operating information that typically spans longer periods of time to evaluate an investment opportunity is known as which of the following types of analyses?
A. Technical
B. Economic
C. Quantitative
D. Fundamental
Answer: (SHOW ANSWER)
The correct answer is D, Fundamental analysis. Fundamental analysis involves evaluating a company's financial statements, earnings, revenues, management quality, competitive position, and overall economic conditions to determine the intrinsic value of a security. This

approach typically focuses on long-term investment horizons, as it seeks to identify whether a stock is undervalued or overvalued based on its underlying business performance.
Fundamental analysts examine key financial metrics such as price-to-earnings (P/E) ratios, earnings growth, debt levels, and cash flow. They also consider broader factors like industry trends and macroeconomic conditions. Because it relies on detailed financial and operational data over time, it is best suited for investors looking to make long-term investment decisions.
Choice A, Technical analysis, focuses instead on price patterns, charts, and trading volume, typically over shorter time frames, without regard to a company's financial health. Choice B, Economic analysis looks at broad macroeconomic factors like GDP, inflation, and interest rates, not individual companies. Choice C, Quantitative analysis uses mathematical and statistical models, often algorithm-driven, rather than company- specific qualitative and financial evaluation.
Thus, the description clearly aligns with fundamental analysis, making choice D the correct answer.

NEW QUESTION: 66
Which of the following statements describes the composition of FINRA arbitration panels for customer disputes?
A. All arbitrators are practicing attorneys.
B. All arbitrators are employed in the securities industry.
C. Panels are permitted to be a combination of industry and public arbitrators.
D. Arbitrators are randomly chosen from a pool established jointly by the claimant and the respondent.
Answer: (SHOW ANSWER)
The correct answer is C, Panels are permitted to be a combination of industry and public arbitrators. FINRA arbitration panels are designed to ensure fairness and neutrality in resolving disputes between customers and broker-dealers.
Step-by-step, FINRA classifies arbitrators into two main categories:
Public arbitrators, who have no significant ties to the securities industry Industry arbitrators, who have experience working within the securities industry For customer disputes, panels may include a mix of these arbitrators. In many cases, especially for larger claims, panels consist of two public arbitrators and one industry arbitrator, though customers may request an all-public panel.
Choice A is incorrect because arbitrators are not required to be attorneys. Choice B is incorrect because not all arbitrators come from the securities industry-public arbitrators are specifically included to provide impartiality. Choice D is incorrect because arbitrators are selected from a FINRA-provided roster, and while parties can rank and strike candidates, they do not jointly create the pool.

Thus, FINRA arbitration panels are intentionally structured as a combination of public and industry arbitrators, ensuring balanced perspectives, making Answer C correct.

NEW QUESTION: 67
Which of the following debt security classes has the highest claim priority ranking?
A. Secured debt
B. Subordinated debt
C. Senior unsecured debt
D. Second lien secured debt
Answer: A (LEAVE A REPLY)
The correct answer is A, Secured debt. In the event of a company's liquidation or bankruptcy, creditors are paid based on a strict priority of claims hierarchy. Secured debt has the highest priority because it is backed by specific collateral, such as property, equipment, or other assets. If the issuer defaults, secured creditors have a legal claim to seize and sell the collateral to recover their investment, giving them the strongest protection.
Next in priority would typically be senior unsecured debt, which has no collateral backing but still ranks ahead of other unsecured obligations. Below that is subordinated debt, which explicitly ranks lower in priority and is only repaid after senior creditors have been satisfied.
Second lien secured debt is still secured, but it has a secondary claim on the same collateral behind first lien (primary) secured debt. This means it is riskier than first lien secured debt because those creditors are paid first from the collateral proceeds.
Therefore, among the choices, secured debt (specifically first lien secured debt) holds the highest claim priority, making it the safest from a repayment standpoint and the correct answer for this question.

NEW QUESTION: 68
Which of the following statements is true regarding the ownership of investment company shares held as tenants in common?
A. All tenants must sign redemption requests.
B. Any income is distributed evenly among the tenants.
C. Each tenant has a fractional interest in the investment.
D. Upon the death of a tenant, all shares in the account are taxable in the estate of the deceased.
Answer: C (LEAVE A REPLY)
Step by Step Explanation:
* Tenants in Common: In this arrangement, each tenant owns a fractional interest in the account's assets, which can be unequal depending on the agreement.
* Income Distribution: Income is distributed based on ownership percentage, not necessarily equally.

* Redemption Requests: Only the owner of the fractional interest has authority to request redemption for their portion.
* Estate Taxation: Upon the death of a tenant, only their fractional interest is taxable in their estate.
FINRA Guidelines on Joint Accounts: FINRA Joint Accounts.

NEW QUESTION: 69
What is the minimum maintenance requirement for a long margin account containing only common stock?
A. 5%
B. 25%
C. 50%
D. 75%
Answer: B (LEAVE A REPLY)
The correct answer is B, 25%. The minimum maintenance requirement for a long margin account holding common stock is established by FINRA Rule 4210, which requires that investors maintain at least 25% equity in the account relative to the current market value of the securities.
This requirement is different from the initial margin requirement, which is set by Regulation T of the Federal Reserve and is typically 50% for purchasing securities. Once the position is established, the maintenance requirement ensures that the investor continues to have sufficient equity in the account to support the borrowed funds.
If the equity in the account falls below 25% due to a decline in the value of the securities, the investor will receive a maintenance (margin) call, requiring them to deposit additional funds or securities to bring the account back into compliance.
Choice A (5%) is far too low and not a regulatory standard. Choice C (50%) refers to initial margin, not maintenance. Choice D (75%) is not a recognized requirement.
Thus, the correct minimum maintenance requirement for long margin accounts with common stock is 25%, making choice B correct.

NEW QUESTION: 70
Which of the following product types is used by a portfolio manager utilizing a passive investment strategy?
A. Bonds
B. Equities
C. Alternative Investments
D. Index exchange-traded funds (ETFs)
Answer: D (LEAVE A REPLY)
The correct answer is D, Index exchange-traded funds (ETFs). A passive investment strategy is designed to track the performance of a specific market index rather than attempting to outperform it. Portfolio managers using passive strategies typically invest in

products that replicate an index, such as the S & P 500 or NASDAQ-100. Index ETFs are specifically structured to mirror the performance of these indices by holding the same or similar securities in the same proportions.
Passive investing emphasizes low costs, diversification, and minimal trading activity. Index ETFs are ideal for this approach because they generally have lower expense ratios compared to actively managed funds and require less frequent portfolio adjustments. This aligns with the goal of matching market returns rather than beating them.
The other options are incorrect because they are too broad or not inherently passive. Bonds and equities are asset classes, not specific passive products, and can be managed either actively or passively. Alternative investments (such as hedge funds or private equity) are typically actively managed and often involve complex strategies aimed at outperforming the market.
Thus, index ETFs are the most appropriate product for a portfolio manager implementing a passive investment strategy, making choice D the correct answer.

NEW QUESTION: 71
A registered representative wants to open an account for himself at a different financial institution. Under FINRA rules, which of the following accounts requires prior written consent from his employing broker- dealer?
A. A 529 savings plan account established for his grandchild
B. Mutual fund accounts held directly with the fund company
C. Variable contracts registered under the Investment Company Act
D. An investment advisory account in which securities transactions are effected
Answer: D (LEAVE A REPLY)
Step by Step Explanation:
* FINRA Rule 3210: Requires registered representatives to obtain written consent from their employing broker-dealer before opening accounts at other financial institutions if securities transactions will occur.
* Incorrect Options:
* A, B, and C: These accounts are exempt because they do not involve direct securities transactions requiring monitoring.
FINRA Rule 3210 (Accounts at Other Institutions): FINRA Rule 3210.

NEW QUESTION: 72
A broker-dealer (BD) creates a marketing postcard that includes a statement regarding FINRA's endorsement of the BD. Which of the following responses is true?
A. The statement regarding FINRA's endorsement is not permissible.
B. The statement is permissible if a principal of the BD approves it in writing prior to use.
C. The statement is permissible if the statement is approved in writing by FINRA prior to use.

D. The statement is permissible if the postcard does not discuss specific investment opportunities.

Answer: A (LEAVE A REPLY)

Step by Step Explanation:

* FINRA Rule 2210: Firms are prohibited from suggesting or implying FINRA's endorsement or approval in any advertising materials.
* Approvals: Even if a principal or FINRA approves the content, such a statement remains impermissible.
* Key Point: FINRA's role is to regulate, not to endorse firms or their marketing.

FINRA Rule 2210 (Communications with the Public): FINRA Rule 2210.

NEW QUESTION: 73

An elderly customer wants to use $50,000 to open an investment account that would allow her assets to bypass probate. Her registered representative advises her to create:

A. A trust account

B. A power of attorney

C. A separately managed account

D. An individual retirement account

Answer: A (LEAVE A REPLY)

A trust account can be structured so that assets pass according to the terms of the trust and avoid probate.

Probate is the court-supervised process for distributing assets after death. A properly established trust can hold investment assets for the benefit of named beneficiaries and provide continuity of control, privacy, and estate- transfer efficiency. Choice A is correct. A power of attorney authorizes another person to act on behalf of the customer during the customer's lifetime, but the authority generally terminates at death and does not itself bypass probate. A separately managed account is an investment management arrangement, not an estate- transfer structure. An individual retirement account has beneficiary designations and tax features, but the question asks for an investment account structure designed to allow assets to bypass probate; a trust account is the most direct and appropriate answer. The SIE outline includes customer account registrations, including trust accounts, individual accounts, retirement accounts, and other account types. This question tests the functional difference between account registration forms and estate-planning authority. Reference:

Understanding Trading, Customer Accounts and Prohibited Activities; Customer Account Registrations; Trust Accounts.

NEW QUESTION: 74

SEC Regulation S-P (Consumer Privacy) requires certain information to be included in privacy notices delivered to customers of broker-dealers (BDs). Which of the following information is required to be included in the privacy notice?

A. The website and telephone number of SIPC
B. The website and telephone number of the Consumer Financial Protection Bureau (CFPB)
C. The name and telephone number of the BD's chief compliance officer
D. The BD's policies and practices for protecting the customer's nonpublic personal information
Answer: D (LEAVE A REPLY)
Regulation S-P mandates that broker-dealers disclose how they collect, protect, and share customers' nonpublic personal information. The privacy notice must include:
* The categories of information collected.
* The firm's policies for safeguarding data.
* Opt-out rights for sharing information with unaffiliated third parties.
* D is correct because privacy notices must describe policies for protecting customer information.
* A, B, and C are incorrect because they do not relate to the required elements of Regulation S-P privacy notices.
Reference: SEC Regulation S-P (Privacy of Consumer Financial Information)

NEW QUESTION: 75
Which of the following terms describes an activity associated with money laundering?
A. Hedging
B. Layering
C. Front running
D. Insider trading
Answer: B (LEAVE A REPLY)
Layering is one of the classic stages of money laundering, so B is correct. Money laundering generally involves moving illicit proceeds through the financial system to make the funds appear legitimate. The process is commonly described in stages: placement (introducing illegal funds into the financial system), layering (creating complex layers of transactions to obscure the source and ownership), and integration (reintroducing the funds into the economy as seemingly legitimate assets). Layering specifically refers to using multiple transactions-often rapid, complex, and sometimes across different accounts, institutions, or jurisdictions-to break the audit trail. Examples include frequent wire transfers, moving funds through multiple accounts, buying and selling financial instruments to create transactional "noise," or converting into different instruments to make tracing more difficult.
Choice A, hedging, is a legitimate investment risk management technique used to reduce exposure to market movements. Choice C, front running, is a prohibited trading practice involving trading ahead of customer orders or anticipated market-moving events for personal benefit. Choice D, insider trading, involves trading on material nonpublic information and is an anti-fraud violation. None of these are money laundering activities;

they are unrelated concepts that appear elsewhere on the SIE (trading practices and prohibited activities).
On the SIE, AML questions frequently test your ability to recognize the terminology of money laundering and the role of broker-dealer AML programs, suspicious activity reporting, and red flags. "Layering" is a key vocabulary term and is strongly associated with attempts to conceal the origin of funds.

NEW QUESTION: 76
Which of the following listed securities carries voting rights?
A. Common stock
B. Preferred stock
C. Corporate bond
D. Convertible bond
Answer: A (LEAVE A REPLY)
Step by Step Explanation:
* Common Stock: Holders of common stock typically have voting rights, which allow them to participate in decisions like electing the board of directors or approving major corporate actions.
* Other Securities:
* Preferred Stock: Usually does not carry voting rights.
* Corporate and Convertible Bonds: Debt instruments, so they do not confer voting rights.
SEC Guide on Stock Voting Rights: SEC Voting Rights.

NEW QUESTION: 77
An investor wants to purchase additional mutual fund shares with income distributed by the fund. Which of the following fund options permits this?
A. Asset reallocation
B. Dollar cost averaging
C. Dividend reinvestment
D. Capital gains reinvestment
Answer: C (LEAVE A REPLY)
Step by Step Explanation:

* Dividend Reinvestment Plans (DRIPs): These allow investors to automatically reinvest income distributed by the mutual fund to purchase additional shares.
* Dollar Cost Averaging: Refers to systematic investments over time, not directly tied to income distributions.
* Capital Gains Reinvestment: Involves reinvesting profits from the sale of fund holdings, which is distinct from dividend reinvestment.
FINRA Mutual Fund Features: FINRA Mutual Funds.

NEW QUESTION: 78
Which of the following company details is included on a balance sheet?
A. Revenues and expenses
B. Earnings at a specific point in time
C. Assets, debts and number of investors
D. Assets, debts and the amount invested in the company
Answer: D (LEAVE A REPLY)
A balance sheet provides a snapshot of a company's financial position at a specific point in time by showing what the company owns and owes, and the residual value attributable to owners. The core balance sheet equation is Assets = Liabilities + Shareholders' Equity.
That is why the best description among the choices is
"assets, debts, and the amount invested in the company"-assets correspond to resources owned, debts correspond to liabilities owed, and the "amount invested" corresponds to equity (often including paid-in capital and retained earnings). This aligns with how fundamental analysis uses financial statements to evaluate issuer health, leverage, and capitalization.
Choice A (revenues and expenses) describes an income statement, which measures operating performance over a period of time (e.g., a quarter or a year), not a point-in-time snapshot. Choice B is misleading: while a balance sheet is indeed "at a specific point in time," it does not show "earnings" at a point in time. Earnings are generated over a period and appear on the income statement; the balance sheet may reflect accumulated earnings through retained earnings, but it is not an earnings statement. Choice C is incorrect because the balance sheet does not include the "number of investors" as a standard line item. Public companies disclose shares outstanding elsewhere, but investor count is not a balance sheet category.
For SIE purposes, the key is recognizing which statement answers which question: balance sheet = financial position (assets, liabilities, equity), income statement = profitability (revenue, expenses, net income), and cash flow statement = sources/uses of cash.

NEW QUESTION: 79

A customer purchases 100 shares of stock. The customer fears a decline in the share price and would like to protect his investment and minimize loss. Which of the following strategies should the customer employ to lock in his profit?
A. Sell a put
B. Sell a call
C. Purchase a put
D. Purchase a call
Answer: C (LEAVE A REPLY)
Purchasing a put option allows the customer to sell the stock at a predetermined price (the strike price) if the share price declines. This strategy protects against downside risk while maintaining upside potential.
* C is correct because a put acts as insurance, locking in a minimum sale price.
* A is incorrect because selling a put exposes the investor to additional risk if the stock declines.
* B is incorrect because selling a call generates income but does not protect against downside risk.
* D is incorrect because purchasing a call is a bullish strategy unrelated to protecting existing positions.
Reference: SIE Study Guide, Chapter 8: Protective Put Strategies

NEW QUESTION: 80
A customer buys 100 ABC at $50 and at the same time sells an ABC April 50 call at $8. At expiration, ABC must be at what market price for the customer to break even?
A. $42
B. $44
C. $50
D. $58
Answer: A (LEAVE A REPLY)
Step by Step Explanation:
* Breakeven Calculation: For covered call writing, breakeven is the stock purchase price minus the premium received.
* Purchase Price = $50
* Premium Received = $8
* Breakeven = $50 - $8 = $42.
* Other Options:
* B, C, and D: Incorrect because they do not reflect the proper calculation of stock price minus the premium.
Options Clearing Corporation (OCC) Education: OCC Options Guidance.

NEW QUESTION: 81

A confirmation indicates a 100-share purchase of Company ABC at $11. According to SEC rules, which of the following information is required to be stated on the confirmation?
A. The firm ' s cost basis in the security
B. The firm ' s inventory level at the time of trade execution
C. That the firm did not act as a market maker in the security
D. The capacity in which the firm acted when executing the trade
Answer: D (LEAVE A REPLY)
Step by Step Explanation:
SEC Rule 10b-10: Requires trade confirmations to disclose the capacity in which the firm acted (e.g., as agent or principal) and details like trade price, quantity, and commissions.
Incorrect Options:
A: Cost basis is not disclosed on trade confirmations.
B: Inventory levels are not part of the required disclosures.
C: Market maker status is not explicitly required in the confirmation.
SEC Rule 10b-10 (Confirmation Requirements): SEC Rule 10b-10.

NEW QUESTION: 82
Which of the following statements is true about U.S. government agency issues?
A. They pay interest quarterly.
B. They are traded only on the NYSE.
C. They are backed by the full faith and credit of the U.S. government.
D. They usually sell at a higher yield than Treasury securities of equal maturity.
Answer: D (LEAVE A REPLY)
U.S. government agency securities (often called "agencies") typically offer investors a higher yield than U.S.
Treasury securities of comparable maturity, which is why choice D is the best answer.
Treasuries are direct obligations of the U.S. government and are widely regarded as having the lowest credit risk in the marketplace. Agency securities, however, vary by issuer and by the type of guarantee involved. Some agencies are backed by the full faith and credit of the U.S. government, but many are not; instead, they may have implicit support or support that is limited to the issuing agency's resources. Because the market generally views many agency issues as having slightly more credit or structural risk than Treasuries, investors often demand a yield premium as compensation.
Choice C is incorrect as a blanket statement because not all agency issues carry full faith and credit backing.
This distinction is a common SIE test point: candidates must recognize that "agency" does not automatically mean "Treasury-equivalent." Choice A is incorrect because interest payments on agency bonds are not universally quarterly; payment frequency can vary (many pay semiannually like Treasuries, but it depends on the issue). Choice B is incorrect because agencies are not restricted to trading on the NYSE; they commonly trade in the

secondary market through dealer networks (often OTC), and trading venue depends on the specific product.
This question is testing product knowledge: the relationship between credit/guarantee features and yield, and how securities with slightly greater perceived risk than Treasuries often trade at higher yields to attract buyers.

NEW QUESTION: 83
Which of the following documents must a firm provide to a customer upon the purchase of a mutual fund?
A. The fund's prospectus
B. The firm's annual report
C. A third-party research report
D. The statement of additional information
Answer: (SHOW ANSWER)
When a customer purchases shares of an open-end investment company (a mutual fund), the firm must provide the fund's prospectus-either delivered with the transaction or made available in a manner permitted by the applicable delivery rules. The prospectus is the primary disclosure document designed to inform investors about the fund's investment objectives, strategies, risks, fees and expenses, management, and other essential features. Because mutual funds are regulated investment companies, investors must receive standardized disclosures so they can evaluate what they are buying and understand ongoing costs such as the expense ratio, sales charges (if any), and potential distribution/service fees.
Choice B is incorrect because a firm's annual report is about the broker-dealer's business (and even if the fund has an annual report, that is not the required purchase-delivery document in the way the prospectus is).
Choice C is incorrect because a third-party research report may be helpful but is not a required disclosure document for mutual fund purchases. Choice D is incorrect because the Statement of Additional Information (SAI) contains expanded details that supplement the prospectus, but it is typically available upon request rather than being the standard document that must be delivered to complete a sale.
For SIE purposes, you should remember the hierarchy: the prospectus is the central investor disclosure document for registered offerings and packaged products like mutual funds. It provides the material information investors need, and delivery obligations support the principle of full and fair disclosure rather than merit-based approval by regulators. The SIE content outline emphasizes disclosures, costs, and investor protections related to investment company products, including the role of offering documents and required information for purchasers.

NEW QUESTION: 84

Trades that settle within the period preset by regulators of the particular market are considered to have which of the following types of settlement?
A. Cash
B. Rolling
C. Next day
D. Regular way
Answer: (SHOW ANSWER)
" Regular way " settlement refers to the standard settlement cycle for securities transactions, which is T+2 for most stocks and bonds. This timeline is set by regulators to ensure orderly processing of trades.
D is correct because regular way settlement follows the preset T+2 cycle.
A is incorrect because cash settlement occurs the same day as the trade.
B is not a recognized term for settlement types.
C is incorrect because next-day settlement applies only to specific securities (e.g., Treasury securities).
Reference: SEC Rule 15c6-1

NEW QUESTION: 85
Beta coefficient is a measure of:
A. The volatility of the broad stock market.
B. Only the upside participation of an individual stock.
C. The liquidity of an individual stock relative to the sector average.
D. The volatility of an individual stock relative to the broad stock market.
Answer: (SHOW ANSWER)
The beta coefficient measures the sensitivity of a stock ' s returns relative to the overall market (usually the S
& P 500). A beta of:
1.0 indicates the stock moves in line with the market.
Greater than 1.0 suggests the stock is more volatile than the market.
Less than 1.0 suggests the stock is less volatile.
D is correct because beta specifically compares the volatility of a stock to the market.
A is incorrect as beta does not measure the market's volatility.
B is incorrect as beta considers both upside and downside movements.
C is incorrect as beta does not measure liquidity.
Reference: SIE Study Guide, Chapter 6: Portfolio Management

NEW QUESTION: 86
On settlement date, a customer is unable to pay for a purchase in his cash account. His position is liquidated.
Which of the following statements is true according to Federal Reserve Regulation T?
A. Only closing transactions are permitted.

B. The customer is barred from trading for 30 days.
C. The customer's account is restricted for 90 days.
D. All related accounts are restricted for 90 days.
Answer: (SHOW ANSWER)
In a cash account, a customer must pay for securities by the required payment date. If the customer fails to pay and the broker-dealer liquidates the position, the customer's cash account is restricted for 90 days under Regulation T. During the restricted period, the customer may still purchase securities, but only if sufficient settled cash is in the account before the trade is accepted. Choice C is correct. Choice A is incorrect because the customer is not limited only to closing transactions; rather, purchases must be fully paid in advance during the restriction period. Choice B is incorrect because the restriction period is 90 days, not 30 days. Choice D is too broad because the question asks about the customer's account, not automatically all related accounts. The SIE outline includes account types, margin and cash account concepts, trade settlement, and Federal Reserve Board Regulation T. This question tests cash account payment failure and the consequence of freeriding or failure to pay in a timely manner. Reference: Understanding Trading, Customer Accounts and Prohibited Activities; Customer Account Types; Trade Settlement; Federal Reserve Board Regulation T.

NEW QUESTION: 87
For up to how many business days is a firm initially permitted to place a temporary hold on disbursements for a specified adult account in which the firm reasonably believes financial exploitation has occurred?
A. 3 business days
B. 5 business days
C. 10 business days
D. 15 business days
Answer: C (LEAVE A REPLY)
Step by Step Explanation:
Temporary Hold Period: Under FINRA Rule 2165, a firm can initially place a hold on disbursements for up to
10 business days if financial exploitation is suspected.
Additional Holds: The period may be extended by an additional 10 business days if warranted and allowed by state law.
Incorrect Options:
A & B: These are shorter than the permissible period.
D: The initial hold period is capped at 10 business days.
FINRA Rule 2165 (Financial Exploitation of Specified Adults): FINRA Rule 2165.

NEW QUESTION: 88

A retail investor owns shares of Mutual Fund ABC that paid a $0.25 dividend on September 1 and closed at
$10.00. What is the opening price once this fund trades on the ex-dividend date?
A. $9.25
B. $9.75
C. $10.00
D. $10.25
Answer: B (LEAVE A REPLY)
Step by Step Explanation:
* Ex-Dividend Date Pricing: On the ex-dividend date, the mutual fund's price is adjusted downward by the amount of the dividend.
* Closing Price: $10.00
* Dividend: $0.25
* Adjusted Opening Price: $10.00 - $0.25 = $9.75.
* Incorrect Options:
* A: $9.25 subtracts more than the dividend amount.
* C: $10.00 does not reflect the dividend adjustment.
* D: $10.25 adds to the price rather than subtracting the dividend.
SEC Guidance on Mutual Fund Pricing: SEC Mutual Funds.

NEW QUESTION: 89
A customer retires at age 65 and rolls over his 401(k) of $850,000 In equities into an Individual retirement account (IRA). This Is his entire portfolio, and he is concerned about the stock market collapsing and ruining his portfolio. The customer is most concerned with which type of risk?
A. Interest rate
B. political
C. Inflation
D. Systematic
Answer: (SHOW ANSWER)

NEW QUESTION: 90
A registered representative who is terminated from a broker-dealer must notify FINRA of a residential address change for what period of time after termination?
A. One year
B. Two years
C. Three years
D. Six years
Answer: B (LEAVE A REPLY)
Step by Step Explanation:

FINRA Rule 1122: Requires that registered representatives update their residential address with FINRA for two years post-termination.
Purpose: This ensures accurate records for potential regulatory inquiries during the statutory two-year period when a terminated individual remains subject to FINRA's jurisdiction.
FINRA Rule 1122 (Filing False or Misleading Information): FINRA Rule 1122.

NEW QUESTION: 91
A husband and wife are interested in purchasing unregistered securities in an SEC Regulation D offering for their joint account. In order to be considered accredited, they must have had a combined annual income for each of the past two years and current expectations for this year of at least what amount?
A. $200,000
B. $300,000
C. $400,000
D. $500,000
Answer: B (LEAVE A REPLY)
The correct answer is B, $300,000. Under SEC Regulation D, an accredited investor is defined, in part, by income thresholds. For a married couple (joint income), the requirement is that they must have earned at least
$300,000 in each of the past two years and have a reasonable expectation of earning at least that amount in the current year.
For individuals filing alone, the threshold is $200,000, but since this question specifically refers to a husband and wife purchasing jointly, the higher combined income threshold applies.
This rule is designed to ensure that investors participating in private placements (which are not registered with the SEC and carry higher risk and less disclosure) have sufficient financial sophistication and resources to bear potential losses.
Choices A ($200,000) applies only to individuals, not joint filers. Choices C ($400,000) and D ($500,000) exceed the regulatory requirement and are incorrect.
Thus, for a married couple investing jointly in a Regulation D offering, the correct minimum income threshold is $300,000, making choice B correct.

NEW QUESTION: 92
A registered representative is positive about the prospects of Company ABC, a publicly traded corporation.
He wants to send an email to his customers about the company's stock. Which of the following statements in that email is prohibited?
A. "The stock has paid a quarterly dividend for the past 20 years."
B. "According to the attached research report, our firm has rated the stock a strong Buy."
C. "ABC has recently changed management. The new chief executive officer has 12 years of experience in ABC's industry."
D. "There is strong demand for ABC stock, and it will hit $50 per share, a 20% increase, by May of this year."
Answer: (SHOW ANSWER)
Communications with the public must be fair, balanced, and not misleading. A registered representative may not make exaggerated, unwarranted, promissory, or predictive statements that imply certainty about future market performance. Choice D is prohibited because it states that the stock "will hit $50 per share" by a specific month. That is a definitive price prediction and creates an improper guarantee-like impression about future performance. Choice A is a factual historical statement if accurate. Choice B references a firm research rating and may be permissible if the research report is properly approved and included with appropriate disclosures. Choice C provides factual information about management experience and is not inherently prohibited if accurate and not misleading.
The SIE outline includes communications with the public, general requirements, prohibited manipulative or deceptive devices, and suitability/best interest communications. It also lists FINRA Rule 2210, Communications with the Public, and SEC antifraud provisions as relevant rules.
The central rule is that sales communications may discuss opinions and facts, but they cannot promise or guarantee a specific future price. Reference: Section 3.2.5 Communications with the Public; FINRA Rule
2210; Section 3.3 Prohibited Activities.

NEW QUESTION: 93
Which of the following statements is true of a rights offering?
A. It enhances the marketability of the company's fixed income securities.
B. It transfers voting rights from one shareholder to another shareholder.
C. It allows shareholders to maintain their proportionate shares of ownership.
D. It allows preferred shareholders to participate in profits beyond the fixed dividend.
Answer: C (LEAVE A REPLY)

A rights offering gives existing shareholders the opportunity to buy additional shares, usually at a subscription price and within a limited period. The purpose is to permit shareholders to maintain their proportionate ownership interest when the company issues additional common stock. Without rights, a new stock issuance could dilute existing shareholders' percentage ownership and voting influence. Choice C is therefore correct. Choice A is incorrect because rights offerings relate to equity ownership, not the marketability of fixed income securities. Choice B is incorrect because rights do not transfer voting rights; they provide a purchase privilege. Choice D describes a participating preferred stock feature, not a rights offering. In the SIE framework, rights are included under equity securities, and rights offerings are also listed under corporate actions. This question tests how an equity corporate action affects existing shareholders. Rights are fundamentally anti-dilution instruments, preserving the investor's ability to keep the same ownership percentage if the investor chooses to subscribe. Reference: Section 2.1.1 Equity Securities; Section 3.1.4 Corporate Actions, rights offerings.

NEW QUESTION: 94

Which of the following types of securities is an equity?

A. Preferred stock

B. Commercial paper

C. Certificate of deposit (CD)

D. Exchange-traded note (ETN)

Answer: A (LEAVE A REPLY)

Equity securities represent ownership in a company, and preferred stock is a type of equity security that pays dividends and has priority over common stock in liquidation.

* A is correct because preferred stock is an equity security.

* B is incorrect because commercial paper is a short-term debt security.

* C is incorrect because certificates of deposit (CDs) are fixed-income banking products.

* D is incorrect because exchange-traded notes (ETNs) are unsecured debt securities.

Reference: SIE Study Guide, Chapter 5: Corporate Securities

NEW QUESTION: 95

Which of the following must a registered representative disclose as an outside business activity (OBA) on his Form U4?

A. Volunteer work for a local charity

B. Trustee on a grandparent ' s estate account

C. Board member for a publicly traded company

D. Board member serving without compensation for a not-for-profit entity

Answer: C (LEAVE A REPLY)

FINRA Rule 3270 requires registered representatives to disclose all outside business activities that involve compensation or could reasonably be perceived as a conflict of interest.

C is correct because serving as a board member for a publicly traded company is a business activity requiring disclosure, even if compensation is indirect.
A is incorrect because volunteer work for charities does not require disclosure.
B is incorrect because acting as a trustee for a personal or family estate is generally not considered an OBA.
D is incorrect because unpaid board membership for a not-for-profit entity does not typically require disclosure.
Reference: FINRA Rule 3270 (Outside Business Activities)

NEW QUESTION: 96
After a customer purchases bonds at a yield of 5.00%, the current yield at market price increases to 5.25%.
Which of the following statements is true regarding the value of the bonds?
A. The value of the bonds has increased.
B. The value of the bonds has decreased.
C. The face value of the bonds has decreased.
D. There is no change in the value of the bonds.
Answer: B (LEAVE A REPLY)
Bond prices and yields move inversely. If the yield available on the bond rises from 5.00% to 5.25%, the market price of the bond has decreased. Current yield is calculated by dividing the bond's annual interest payment by its current market price. Because the coupon payment is fixed, the only way the current yield rises is for the market price to fall. Choice B is correct. Choice A is incorrect because an increase in yield does not indicate a higher bond value; it indicates the opposite. Choice C is incorrect because the face value, or par value, of the bond does not change simply because market yield changes. Choice D is incorrect because the changed yield reflects a changed market price. The SIE outline specifically includes coupon value, par value, yield, and the relationship between bond price and interest rate. This question tests one of the most important fixed-income principles: fixed coupon plus lower price equals higher current yield; fixed coupon plus higher price equals lower current yield. Reference: Understanding Products and Their Risks; Debt Instruments; Yield; Relationship Between Price and Interest Rate.

NEW QUESTION: 97
An investor who lives on a fixed income and is concerned about inflation is most exposed to which of the following risks?
A. Market risk
B. Economic risk
C. Interest rate risk
D. Purchasing power risk
Answer: D (LEAVE A REPLY)

Purchasing power risk, also known as inflation risk, occurs when inflation reduces the real value of a fixed- income stream. Fixed payments (e.g., bond interest or annuity payments) lose buying power as inflation rises.
* D is correct because inflation directly affects fixed income by eroding purchasing power.
* A is incorrect because market risk relates to fluctuations in market prices, not inflation.
* B is incorrect because economic risk generally refers to broader economic downturns.
* C is incorrect because interest rate risk involves changes in bond prices due to interest rate movements, not inflation.
Reference: SIE Study Guide, Chapter 3: Risks of Fixed-Income Investments

NEW QUESTION: 98
A broker-dealer (BD) is considering employing a nonregistered person to assist its sales staff in servicing customers. Which of the following activities are nonregistered persons permitted to perform?
A. Taking unsolicited orders from customers
B. Assisting sales staff in tracing and tabulating commissions
C. Contacting current customers to determine if they are satisfied with their existing investments
D. Contacting prospective investors to discuss a BD educational seminar regarding the BD's proprietary mutual fund
Answer: B (LEAVE A REPLY)
Nonregistered persons may perform clerical, ministerial, and administrative functions that do not involve securities recommendations, solicitation, or order taking. Assisting sales staff in tracing and tabulating commissions is a classic back-office/administrative task and is permitted for nonregistered personnel, making B correct. This type of activity supports operations but does not involve engaging in securities business that requires registration.
Choice A is not permitted because even taking unsolicited orders can be considered participating in securities transactions and can cross into activity reserved for registered persons, depending on the specifics. The SIE expects you to treat order taking as a registered activity unless it is clearly limited to purely clerical receipt and immediate routing under strict supervision-most exam questions treat "taking orders" as requiring registration.
Choice C is also problematic because contacting customers about whether they are satisfied with their investments can easily become a discussion about performance, holdings, or recommendations. While customer service calls may be allowed if strictly scripted and non-securities related, the wording "satisfied with their existing investments" suggests an investment discussion that can cross into solicitation or advice, which a nonregistered person should not do.
Choice D is not permitted because contacting prospective investors about a seminar tied to the BD's proprietary mutual fund is effectively marketing/sales-related outreach that can be viewed as solicitation.

Even if framed as "educational," it is connected to a specific product and prospecting activity, which generally requires registration.
The SIE tests the boundary: nonregistered = administrative support; registered = solicitation, recommendations, and securities business communications.

NEW QUESTION: 99
Which of the following products is the most appropriate class of investments for a customer looking for income and capital gains?
A. A growth stock
B. A money market account
C. A blue-chip stock mutual fund
D. Treasury Separate Trading of Registered Interest and Principal of Securities (STRIPS)
Answer: C (LEAVE A REPLY)
Step by Step Explanation:
Blue-Chip Stock Mutual Funds: Invest in large, established companies that typically provide stable dividend income and potential for capital appreciation.
Incorrect Options:
A: Growth stocks prioritize capital appreciation, not income.
B: Money market accounts focus on safety and liquidity, not capital gains.
D: STRIPS provide fixed income without capital gains potential.
FINRA Investment Product Education: FINRA Investment Guidance.

NEW QUESTION: 100
When is it permissible to exercise European-style options contracts?
A. Only on the last business day before expiration
B. Only on the day of expiration
C. Only on the day after expiration
D. Only on the third Friday of every month
Answer: B (LEAVE A REPLY)
Step by Step Explanation:
European-Style Options: Can only be exercised on their expiration date, unlike American-style options, which can be exercised any time before expiration.
Incorrect Options:
A: Not accurate; the exercise must occur specifically on the expiration date.
C: Options cannot be exercised after expiration.
D: The expiration date depends on the option contract, not a specific weekday.
Options Clearing Corporation (OCC) Guidelines: OCC European Options.

NEW QUESTION: 101
SIPC provides investor protection for its members' customers in which of the following situations?

A. Failure of a brokerage firm in the event of insolvency
B. Failure of a brokerage firm to meet customers' investment expectations
C. Losses greater than 10% due to systemic market decline
D. Losses incurred on futures contracts due to fraud or negligence
Answer: (SHOW ANSWER)
The Securities Investor Protection Corporation (SIPC) protects customers if a broker-dealer fails due to insolvency. Coverage applies to cash and securities in customer accounts, up to $500,000 total, including
$250,000 for cash.
* A is correct because SIPC's purpose is to protect against losses arising from a broker-dealer's insolvency.
* B is incorrect because SIPC does not guarantee investment performance.
* C is incorrect because SIPC does not cover market losses.
* D is incorrect because futures contracts are not covered under SIPC.
Reference: Securities Investor Protection Act of 1970; SIPC FAQs

NEW QUESTION: 102
When facilitating the purchase or sale of securities in the open market for a customer and charging a commission, a firm is acting as a:
A. Dealer
B. Broker
C. Principal
D. Transfer agent
Answer: B (LEAVE A REPLY)
A firm acts as a broker when it facilitates a securities transaction for a customer as agent and charges a commission. In agency capacity, the firm does not buy from or sell to the customer out of its own inventory; it helps execute the transaction in the market. Choice B is correct. A dealer acts as principal, meaning the firm buys or sells securities for its own account and typically earns a markup or markdown rather than a commission. Choice C is therefore the opposite capacity from the one described. A transfer agent maintains issuer shareholder records, cancels and issues certificates, and processes ownership changes; it does not act as the executing firm charging commissions for open-market customer trades. The SIE outline specifically includes "Trade capacity," with examples of "principal" and "agency," and identifies broker-dealers as market participants. This is a core market-structure distinction: broker equals agent/commission; dealer equals principal/markup or markdown. Reference: Section 1.1.4 Market Participants and Their Roles; Section 3.1.1 Orders and Strategies, trade capacity.

NEW QUESTION: 103
Which of the following terms describes failure to honor a firm quote?
A. Freeriding

B. Backing away
C. Interpositioning
D. Market manipulation
Answer: B (LEAVE A REPLY)
Step by Step Explanation:
Backing Away: Refers to the failure of a market maker to honor a firm quote when a customer attempts to trade at that price. It is a violation of market rules.
Incorrect Options:
Freeriding: Involves selling securities before paying for them in a cash account.
Interpositioning: Involves unnecessary intermediaries in trades, which can harm customers.
Market Manipulation: Covers a range of deceptive practices, such as wash trading or spoofing, not specific to honoring quotes.
FINRA Rule 5220 (Firm Quote Rule): FINRA Rule 5220.

NEW QUESTION: 104
Which of the following securities is marginable at settlement of a purchase?
A. Right
B. Warrant
C. Corporate bond
D. Money market fund
Answer: C (LEAVE A REPLY)
A corporate bond is generally marginable at settlement, making choice C correct. Under margin rules, many exchange-listed equities and a broad range of fixed-income securities can be purchased on margin once the trade settles, subject to firm policies, Reg T requirements, and whether the security is eligible. Corporate bonds-especially those that are widely traded and meet eligibility standards-are commonly marginable, and for SIE purposes they are a standard example of a margin-eligible security.
A right (choice A) is a short-lived privilege issued to existing shareholders to purchase additional shares, often at a subscription price, within a limited time window. Rights are not typically used as classic margin securities in the way standard listed stocks or bonds are, and their short duration and special characteristics make them a poor match for "marginable at settlement" in exam terms. A warrant (choice B) is a long-term instrument that gives the holder the right to buy stock at a stated price; warrants can trade, but they are not the standard "go-to" marginable instrument on the SIE and are often treated as special securities with firm- specific margin treatment. A money market fund (choice D) is designed to maintain a stable NAV and is frequently used as a cash equivalent; it is not typically treated as a marginable security for borrowing purposes in the same way as marginable stocks and bonds.
The SIE tests margin basics at a conceptual level: what types of securities can be financed in a margin account and when. "At settlement" language points you to the idea that margin

eligibility is tied to the security and completion of the trade, not that every product is eligible immediately upon execution. The clearest correct choice here is corporate bonds.

NEW QUESTION: 105
Under FINRA rules, which of the following events does not require a registered representative to update her Form U4 disclosure?
A. Regulatory disciplinary actions
B. Any resolution of customer complaints involving payment of $15,000 or more
C. Receipt of a deficiency letter after an internal compliance audit
D. Felony convictions
Answer: C (LEAVE A REPLY)

NEW QUESTION: 106
Which of the following securities has the greatest investment risk?
A. Blue chip stocks
B. Corporate bonds
C. Technology stocks
D. Government bonds
Answer: C (LEAVE A REPLY)
Technology stocks are considered high-risk investments due to their volatility and sensitivity to economic cycles, regulatory changes, and technological advancements. While they may offer significant growth potential, they carry greater risk than blue chip stocks, corporate bonds, or government bonds.
* C is correct because technology stocks are subject to high volatility and risk.
* A is incorrect because blue chip stocks are generally stable and lower-risk.
* B is incorrect because corporate bonds carry moderate risk, depending on the issuer's creditworthiness.
* D is incorrect because government bonds are considered low-risk due to the backing of the issuing government.
Reference: SIE Study Guide, Chapter 6: Investment Risks

NEW QUESTION: 107

A registered representative pleads guilty to an investment fraud scheme that occurred five years ago. Which of the following documents must be updated within 30 days of the guilty plea?

A. Form U4

B. Form U5

C. An arbitration disclosure

D. Written supervisory procedures (WSPs)

Answer: A (LEAVE A REPLY)

The correct answer is A, Form U4. Form U4 (Uniform Application for Securities Industry Registration or Transfer) must be kept current at all times and updated promptly-generally within 30 days-whenever a registered representative experiences a reportable event, including criminal matters such as a guilty plea.

Step-by-step, a guilty plea to an investment fraud scheme is considered a material disclosure event, even if the misconduct occurred years earlier. The key factor is the date of the guilty plea, not when the underlying activity occurred. This triggers the obligation to update Form U4 so regulators (such as FINRA and the SEC) have accurate and current information about the individual's disciplinary history.

Choice B, Form U5, is used when a registered representative leaves a firm and is not relevant to ongoing disclosures. Choice C, arbitration disclosure, pertains to dispute resolution records, not regulatory filings.

Choice D, written supervisory procedures (WSPs), are internal firm compliance documents and do not relate to individual disclosure updates.

Thus, any criminal event such as a guilty plea must be reported through an updated Form U4 within 30 days, making Answer A correct.

NEW QUESTION: 108

The rate that equates a bond's annual interest payment to its market price is a bond's:

A. Total return

B. Coupon rate

C. Current yield

D. Yield to maturity

Answer: C (LEAVE A REPLY)

Current yield is the rate that compares a bond's annual interest payment with its current market price. The formula is annual interest divided by current market price. For example, a bond paying $60 per year and trading at $1,000 has a current yield of 6%. If that same bond trades at $900, its current yield rises because the fixed annual interest is being measured against a lower market price. Choice C is correct. Total return is broader and includes income, realized or unrealized gains and losses, and reinvestment effects over a holding period. Coupon rate is the stated interest rate based on the bond's par value, not its current market price. Yield to maturity is a more complete yield measure that considers coupon payments, purchase price, par value repayment, and time remaining until maturity.

The SIE outline requires knowledge of coupon value, par value, yield, yield to maturity, current yield, and the relationship between price and interest rates. This question isolates the specific formula tied only to annual income and market price, which is current yield.
Reference: Understanding Products and Their Risks; Debt Instruments; Investment Returns; Yield Concepts.

NEW QUESTION: 109
Assume that the economy is operating at nearly full capacity. The initial results of an oversupply of money are most likely to have the greatest impact on which of the following macroeconomic factors?
A. Real output
B. Inflation rate
C. Velocity of money
D. Unemployment rate
Answer: (SHOW ANSWER)
When an economy operates near full capacity, additional money in circulation leads to inflation, as demand exceeds the economy's ability to increase supply.
B is correct because inflation is the primary impact when supply cannot keep up with excess demand.
A is incorrect because output does not significantly increase when capacity is already maximized.
C is incorrect because velocity measures the rate at which money circulates, not the impact of oversupply.
D is incorrect as unemployment is already low when the economy is at full capacity.
Reference: SIE Study Guide, Chapter 2: Economic Indicators and Monetary Policy

NEW QUESTION: 110
Which of the following individual brokerage account holdings would receive full SIPC coverage?
A. $300,000 in cash and $200,000 in equities
B. $500,000 in cash
C. $500,000 in equities
D. $250,000 in money market and $500,000 in equities
Answer: (SHOW ANSWER)
The correct answer is C, $500,000 in equities. SIPC (Securities Investor Protection Corporation) provides protection for customers of failed broker-dealers up to $500,000 total per customer, including a maximum of
$250,000 for cash.
Step-by-step, SIPC coverage applies to securities (stocks, bonds, mutual funds) and limited cash held in brokerage accounts. The key limits are:
* Total coverage: $500,000

* Cash sub-limit: $250,000
Now evaluate each choice:
* A: $300,000 cash exceeds the $250,000 cash limit, so $50,000 would be uncovered.
* B: $500,000 in cash exceeds the $250,000 limit, leaving $250,000 uncovered.
* C: $500,000 in equities is fully covered because securities can be protected up to the full $500,000 limit.
* D: Total is $750,000, which exceeds SIPC limits, so not fully covered.
Thus, only the account consisting entirely of $500,000 in securities (equities) falls within SIPC coverage limits without exceeding either the total or cash sub-limit.
Therefore, Answer C is correct.

NEW QUESTION: 111
When making a mutual fund recommendation to a customer, a registered representative must consider all of the following factors except:
A. the age of the customer.
B. the tax status of the customer.
C. the investment objective of the fund.
D. the fund's independent ranking
Answer: D (LEAVE A REPLY)

NEW QUESTION: 112
An investor writes a call option with a strike price of $35.00 on underlying XYZ stock with an expiration date of March 15. On March 15, XYZ is priced at $36.50. The call option:
A. is at the money.
B. will expire worthless.
C. is in the money by $1.50.
D. is out of the money by $1.50.
Answer: (SHOW ANSWER)
The correct answer is C, is in the money by $1.50. A call option is in the money (ITM) when the market price of the underlying stock is above the strike price.
Step-by-step, the intrinsic value of a call option is calculated as:
Market Price # Strike Price
In this case:
$36.50 # $35.00 = $1.50
This means the call option has $1.50 of intrinsic value at expiration. Since the option is in the money, it will not expire worthless-instead, it will be exercised (or automatically exercised), allowing the holder to buy the stock at $35 and potentially sell it at the market price of $36.50.
Choice A is incorrect because "at the money" would mean the stock price equals the strike price. Choice B is incorrect because only out-of-the-money options expire worthless. Choice D is incorrect because the option is not out of the money-it is above the strike price.

It is also important to note that the investor wrote (sold) the call, meaning they face an obligation to deliver the stock at $35 if exercised, resulting in potential loss.
Thus, the call option is in the money by $1.50, making Answer C correct.

NEW QUESTION: 113
Which of the following characteristics is found in both qualified and nonqualified retirement plans?
A. Tax deferral
B. Tax deduction
C. Nondiscrimination
D. Creditor protection
Answer: (SHOW ANSWER)
The correct answer is A, Tax deferral. Both qualified and nonqualified retirement plans share the feature of tax-deferred growth, meaning that earnings within the account are not taxed until they are withdrawn.
Step-by-step, in qualified plans (such as 401(k)s), contributions are often made with pre-tax dollars, and taxes are deferred until distribution. In nonqualified plans (such as annuities or certain deferred compensation plans), contributions are typically made with after-tax dollars, but the earnings still grow tax-deferred. This shared feature is the key similarity between the two types of plans.
Choice B, tax deduction, applies mainly to qualified plans, where contributions may be tax-deductible.
Nonqualified plans generally do not offer this benefit. Choice C, nondiscrimination, is a requirement only for qualified plans to ensure fairness among employees and prevent favoring highly compensated individuals.
Choice D, creditor protection, is typically stronger in qualified plans under ERISA, but not consistently available in nonqualified plans.
Therefore, the only characteristic common to both qualified and nonqualified retirement plans is tax-deferred growth, making Answer A correct.

NEW QUESTION: 114
Which of the following government securities is issued with a 90-day maturity?
A. Treasury bill
B. Treasury note
C. Treasury bond
D. Series EE bond
Answer: A (LEAVE A REPLY)
The correct answer is A, Treasury bill. Treasury bills (T-bills) are short-term U.S. government debt instruments with maturities of one year or less, commonly issued in increments such as 4 weeks, 13 weeks (approximately 90 days), 26 weeks, and 52 weeks.
Therefore, a 90-day maturity aligns directly with a 13- week Treasury bill.

Treasury bills are issued at a discount to par value and do not pay periodic interest. Instead, the investor's return is the difference between the purchase price and the face value received at maturity. Because of their short duration and backing by the U.S. government, they are considered one of the safest and most liquid investments.
Choice B, Treasury note, is incorrect because notes have maturities ranging from 2 to 10 years. Choice C, Treasury bond, refers to long-term securities with maturities of more than 10 years, typically 20 or 30 years.
Choice D, Series EE bond is a savings bond intended for long-term investment and does not have a short-term fixed maturity like 90 days.
Thus, the only government security with a 90-day maturity is a Treasury bill, making choice A correct.

NEW QUESTION: 115
Which of the following responses describes a common feature of a hedge fund?
A. Low liquidity for investors
B. Low minimum investment requirement
C. Primarily focused on fixed income investments
D. Transparent as to the underlying investments and strategies
Answer: A (LEAVE A REPLY)
Step by Step Explanation:
Low Liquidity: Hedge funds often impose lock-up periods and restrict redemptions, leading to low liquidity for investors.
Incorrect Options:
B: Hedge funds typically have high minimum investment requirements, often $1 million or more.
C: Hedge funds employ diverse strategies, not just fixed income.
D: Hedge funds are generally opaque about their strategies and holdings to protect their competitive advantage.
SEC Investor Bulletin on Hedge Funds: SEC Hedge Funds.

NEW QUESTION: 116
A registered representative (RR) at Broker-dealer ABC receives a large sell order from a customer. The RR places an order in his own account to sell shares of the same security prior to placing the customer ' s order.
Which of the following best describes this type of activity?
A. Churning
B. Short selling
C. Front running
D. Short-term trading
Answer: C (LEAVE A REPLY)

The correct answer is C, Front running. Front running is a serious violation of FINRA rules and ethical standards. It occurs when a registered representative or broker trades a security in their own account ahead of a large customer order, with the expectation that the customer's trade will impact the market price.
In this scenario, the RR knows that a large sell order is about to be executed, which will likely drive the price of the security down. By selling shares in his own account before executing the customer's order, the RR is attempting to avoid losses or profit from the anticipated price movement. This is considered misuse of material, non-public information and is strictly prohibited.
Choice A, Churning, refers to excessive trading in a customer's account to generate commissions. Choice B, Short selling, is simply the act of selling borrowed securities and is not inherently unethical. Choice D, Short- term trading is not prohibited by itself unless it violates suitability or other rules.
Front running undermines market integrity and violates the duty of fair dealing owed to customers. Therefore, it is both unethical and illegal, making choice C the correct answer.

NEW QUESTION: 117
Which of the following characteristics is associated with joint tenants with rights of survivorship (JTWROS) accounts?
A. Realized gains are not taxable.
B. Accounts are limited to two owners.
C. Accounts are not subject to probate.
D. Owners are subject to required minimum distributions.
Answer: (SHOW ANSWER)
A defining characteristic of joint tenants with rights of survivorship (JTWROS) is that when one owner dies, the deceased owner's interest passes automatically to the surviving owner(s) by operation of law. Because ownership transfers directly to the survivors, the assets in a JTWROS account are generally not subject to probate with respect to the deceased owner's interest. That is why C is correct. This feature is often a key motivation for choosing JTWROS registration: it can simplify transfer of assets at death and provide continuity of account ownership.
Choice A is incorrect because realized gains in a taxable account are generally taxable regardless of registration type; JTWROS does not create a special exemption from taxation on realized gains. Choice B is incorrect because JTWROS is not limited to two owners; while many joint accounts have two owners, JTWROS can exist with multiple joint tenants depending on firm policy and state law. Choice D is incorrect because required minimum distributions (RMDs) apply to certain retirement accounts (like traditional IRAs and qualified plans), not to standard taxable joint brokerage registrations. JTWROS is an ownership
/registration form, not a retirement account type.
For SIE purposes, know the core registration effects:

JTWROS: survivorship feature, bypasses probate for the deceased owner's share.
Tenants in common (TIC): no survivorship; decedent's share passes via will/estate (probate).
This question tests those basic estate-transfer and account registration distinctions that matter in customer account setup and expectations.

NEW QUESTION: 118
Under the federal tax code, distributions from a 529 savings plan for tuition or room and board are:
A. Tax-exempt
B. Taxed at a 10% penalty
C. Taxed as ordinary income
D. Taxed at the beneficiary's tax bracket
Answer: (SHOW ANSWER)
A 529 savings plan is a municipal fund security designed to encourage education savings. Qualified distributions from a 529 plan are generally federal income tax-free when used for qualified education expenses. Qualified higher education expenses include tuition and, subject to applicable requirements, room and board. Therefore, choice A is correct. The 10% penalty and income taxation generally apply to nonqualified distributions, not properly used qualified distributions. Choice C is too broad because qualified distributions are not taxed as ordinary income. Choice D is also incorrect because the beneficiary's tax bracket becomes relevant only when amounts are taxable, such as earnings on nonqualified withdrawals. The SIE outline places 529 plans under Municipal Fund Securities and requires knowledge of "restricted use of plan assets" and "tax advantages." This question directly tests that core principle: 529 plan benefits are tied to qualified education use. The account is tax-advantaged, but the favorable treatment is conditional on using withdrawals for permitted educational purposes. Reference: Section 2.1.5 Municipal Fund Securities; 529 plans, restricted use of plan assets, and tax advantages.

NEW QUESTION: 119
Under which of the following circumstances, if any, is a member firm permitted to send gifts to registered representatives (RRs) of another member firm?
A. No single gift exceeds $100; no limit on the number of gifts
B. No single gift exceeds $100; maximum value of all gifts per RR per year is $200
C. Value of all gifts to an RR during a period of one year does not exceed $100
D. Under no circumstance
Answer: C (LEAVE A REPLY)
FINRA Rule 3220 prohibits member firms from giving gifts exceeding $100 per individual per year to ensure that gifts do not influence business conduct. The rule applies to gifts given in connection with the firm's business.
* C is correct because it adheres to FINRA's $100 annual limit.

* A is incorrect because the total value of gifts must also not exceed $100 annually.
* B is incorrect as there is no $200 limit.
* D is incorrect as gifts are allowed within the $100 limit.
Reference: FINRA Rule 3220 (Influencing or Rewarding Employees of Others)

NEW QUESTION: 120
A bond has a current market price of $1,000 and pays $25 every six months. What is the current yield of the bond?
A. 2.5%
B. 4.0%
C. 5.0%
D. 6.0%
Answer: C (LEAVE A REPLY)
Current yield measures the annual income produced by a bond relative to its current market price. The formula is annual interest divided by current market price. This bond pays $25 every six months, so its annual interest is $50. Dividing $50 by the $1,000 current market price gives 0.05, or 5.0%. Choice C is correct.
Choice A, 2.5%, reflects only one semiannual payment divided by the bond price and fails to annualize the income. Choice B, 4.0%, would apply if the annual interest were $40, but the bond pays $50 annually. Choice D, 6.0%, would require annual interest of $60 at the same market price. The SIE fixed-income framework requires candidates to understand coupon payments, par value, market price, yield, and the relationship between income and price. Current yield is distinct from yield to maturity because it considers only annual income and current price, not redemption value, premium or discount amortization, or time remaining to maturity. Reference: Understanding Products and Their Risks; Debt Instruments; Coupon Value; Par Value; Yield.

NEW QUESTION: 121
Which of the following events requires reporting on a Form U4?
A. A misdemeanor speeding ticket
B. A felony conviction for drunk driving
C. A bench warrant for missing a court date
D. A gross-misdemeanor domestic assault conviction
Answer: B (LEAVE A REPLY)
Form U4 (Uniform Application for Securities Industry Registration or Transfer) requires disclosure of any felony convictions, regardless of whether they are securities-related. A felony conviction for drunk driving falls under this requirement.
* B is correct because a felony conviction must be reported on Form U4.
* A is incorrect as misdemeanor speeding tickets do not require disclosure unless they involve fraud, theft, or dishonesty.
* C is incorrect as bench warrants are not reportable unless they lead to a conviction.

* D is incorrect because gross misdemeanors (except those involving fraud or dishonesty) do not require reporting.
Reference: FINRA By-Laws, Article V, Section 2; Form U4 Instructions

NEW QUESTION: 122
Which of the following self-regulatory organizations (SROs) is responsible for regulating the municipal securities market?
A. Cboe
B. FINRA
C. The NYSE
D. The MSRB
Answer: D (LEAVE A REPLY)
The correct answer is D, The MSRB (Municipal Securities Rulemaking Board). The MSRB is the primary self-regulatory organization responsible for writing and establishing rules governing the municipal securities market.
Step-by-step, the MSRB creates rules that apply to broker-dealers, banks, and municipal advisors involved in underwriting, trading, and advising on municipal securities. Its goal is to ensure fair practices, transparency, and investor protection in the municipal market.
However, it is important to understand that the MSRB does not enforce its rules. Enforcement responsibility lies with other regulators, primarily FINRA and the SEC. This distinction is frequently tested on the SIE exam.
Choice A, Cboe, is an exchange that focuses primarily on options trading and does not regulate municipal securities. Choice B, FINRA, enforces rules and oversees broker-dealers but does not specifically create municipal securities rules. Choice C, the NYSE, is a stock exchange and not responsible for municipal market regulation.
Thus, the SRO specifically tasked with regulating (rulemaking for) the municipal securities market is the MSRB, making Answer D correct.

NEW QUESTION: 123
An investor generally purchases an open-end mutual fund from which of the following parties?
A. The NYSE

B. The fund's custodian
C. The fund's underwriter
D. An existing shareholder
Answer: C (LEAVE A REPLY)
Step by Step Explanation:
* Open-End Mutual Funds: Shares are purchased directly from the fund or its underwriter at the current Net Asset Value (NAV), plus any applicable sales charges.
* Custodian: Holds the fund's assets but does not sell shares.
* NYSE and Shareholders: Open-end funds do not trade on exchanges or between individual shareholders.
SEC Mutual Fund Basics: SEC Mutual Funds.

NEW QUESTION: 124
A broker-dealer (BD) creates a marketing postcard that includes a statement regarding FINRA's endorsement of the BD. Which of the following responses is true?
A. The statement regarding FINRA's endorsement is not permissible.
B. The statement is permissible if a principal of the BD approves it in writing prior to use.
C. The statement is permissible if the statement is approved in writing by FINRA prior to use.
D. The statement is permissible if the postcard does not discuss specific investment opportunities.
Answer: A (LEAVE A REPLY)
A marketing piece claiming FINRA "endorses" a broker-dealer is not permissible, so A is correct. FINRA is a self-regulatory organization that oversees broker-dealers; it does not "endorse" member firms as a marketing claim. Communications with the public must be fair and not misleading. Suggesting FINRA endorsement could mislead customers into thinking the regulator has approved the firm's quality, products, or services, which conflicts with the disclosure-based framework and the principle that regulators do not provide merit-based approval of market participants.
Choice B is incorrect because principal approval does not make a misleading statement permissible. Principal approval is an internal supervisory step; it cannot legalize a false or misleading representation. Choice C is incorrect because FINRA does not provide written approvals to allow firms to claim endorsement; the concept itself is improper. Choice D is incorrect because the issue is not whether specific investments are mentioned; the misrepresentation is the claim of regulatory endorsement, which is misleading regardless of content.
SIE exam questions in this area test your ability to spot prohibited or misleading marketing language- especially anything implying government or regulator "approval," "guarantee," or "endorsement." Similar logic applies to claims that the SEC approves a prospectus or the merits of an offering. The correct approach in communications is accurate, balanced disclosure-not implying that a regulator supports or recommends the firm.

NEW QUESTION: 125

A registered representative has identified a risky investment he feels is suitable for one of his customers. He has discussed the investment with the customer, and the customer agreed to purchase the security. Given the risk factors, the representative's firm requires the customer's signature on a form that reflects the customer understands the investment. The representative signs the form on behalf of the customer using a digital signature platform. The representative authenticates the signature using information that the customer had provided on the new account form when the account was opened two years ago. Which of the following statements best describes the permissibility of the representative's action?

A. The representative's actions are permissible since the form is for internal use only by the representative' s firm.

B. The representative's actions are permissible since the customer provided the information necessary to authenticate the digital signature.

C. The representative's actions are impermissible since the representative is prohibited from signing on the customer's behalf.

D. The representative's actions are impermissible since the information the representative used to authenticate the signature was two years old.

Answer: (SHOW ANSWER)

A registered representative may not sign a customer's name or apply a customer's digital signature on the customer's behalf, even if the customer verbally agreed to the transaction or previously provided identifying information. Choice C is correct because the prohibited conduct is the representative's act of signing for the customer. The issue is not whether the form is internal, whether the investment is suitable, or whether the authentication information was accurate. Customer signatures evidence customer review, consent, and acknowledgment. Allowing a representative to sign for the customer undermines books and records integrity and creates a false record. Choice A is incorrect because internal firm documents still must be accurate and authentic. Choice B is incorrect because possessing authentication information does not authorize the representative to impersonate the customer. Choice D is too narrow; the action would be impermissible even if the authentication information were current. The SIE outline includes falsifying or withholding documents, signatures of convenience, books and records, suitability, and prohibited activities related to account documentation. This falls directly under improper maintenance of records and falsification concerns.

Reference: Understanding Trading, Customer Accounts and Prohibited Activities; Prohibited Activities; Falsifying Documents; Books and Records.

NEW QUESTION: 126

The financial risk that a given security is not readily tradable in the market without impacting the market price is known as:

A. Credit risk
B. Market risk
C. Liquidity risk
D. Prepayment risk
Answer: C (LEAVE A REPLY)
Liquidity risk is the risk that a security cannot be sold quickly, efficiently, or at a fair market price without significantly affecting the security's price. A highly liquid security has active buyers and sellers, narrow bid- ask spreads, and reliable market depth. A less liquid security may require a price concession to sell, especially in stressed market conditions.
Choice C is correct because the question specifically describes a security that is "not readily tradable" without impacting the market price. Credit risk, choice A, is the risk that an issuer or borrower may fail to make required interest or principal payments. Market risk, choice B, is the risk of loss due to broad market movements. Prepayment risk, choice D, is commonly associated with mortgage-backed and callable debt instruments, where principal may be returned sooner than expected. The SIE outline expressly lists "Liquidity" under "Definition and Identification of Risk Types." It also places risk identification within the broader product-risk competency area, requiring candidates to distinguish between similar but technically different financial risks. Reference: Section 2.2 Investment Risks.

NEW QUESTION: 127
Which of the following statements is permissible for a registered representative (RR) to say to their customer?
A. "This stock has a beta coefficient of 2.0; therefore, it will outperform the market."
B. "Based on the firm's most recent 'Buy' recommendation, the firm will reimburse you in the unlikely event of a loss."
C. "Having considered your risk tolerance, investment objectives and liquidity needs, I believe that an investment in Company XYZ is the best choice for you at this time."
D. "Since your investment objective is preservation of capital, you should look at low-risk investments to minimize the chances of losing money. Considering the low-risk nature of investing in Company ABC, my firm has decided that it will guarantee against any downside, which makes this the best choice for you at this time."
Answer: C (LEAVE A REPLY)
The permissible statement is C because it reflects a suitability-style recommendation that is grounded in the customer's investment profile-risk tolerance, objectives, and liquidity needs-without making improper guarantees or misleading claims. FINRA standards for communications and conduct require that recommendations be based on a reasonable basis and customer-specific suitability considerations. Statement C is framed as a professional recommendation after considering relevant customer factors, which is consistent with expected RR behavior.
Statement A is not permissible as written because it makes a misleading inference: a beta of 2.0 indicates higher volatility relative to the market, not guaranteed outperformance.

Beta measures sensitivity to market movements; it does not promise superior returns. Claiming it "therefore will outperform" is unjustified and could be misleading.
Statement B is impermissible because it promises reimbursement in the event of a loss- this is effectively a guarantee against loss, which is prohibited. Broker-dealers and associated persons cannot guarantee investment results or reimburse losses as part of sales communications.
Statement D is also impermissible because it contains an explicit guarantee against any downside and implies that a particular investment is "low-risk" in a way that can be misleading. Guarantees against loss (outside of very limited contexts like certain insurance guarantees within the contract terms of specific products) are prohibited in broker-dealer sales practice communications.
On the SIE, this is tested under communications with the public, prohibited practices, and ethical standards:
RRs must avoid guarantees and misleading performance assertions, while basing recommendations on customer needs and suitability considerations.

NEW QUESTION: 128
A 50-year-old customer wants to establish an individual retirement account (IRA) that will allow tax-free withdrawals when they retire in 15 years. Which of the following account types will satisfy their needs?
A. Roth IRA
B. Traditional IRA
C. Simplified Employee Pension (SEP) IRA
D. Savings Incentive Match Plan for Employees (SIMPLE) IRA
Answer: A (LEAVE A REPLY)
A Roth IRA is designed to provide tax-free qualified withdrawals, which makes A correct. With a Roth IRA, contributions are generally made with after-tax dollars (no up-front tax deduction), but if the investor meets the qualified distribution rules-typically satisfying the 5-year aging requirement and taking distributions after meeting an eligible reason such as reaching the applicable retirement age threshold-withdrawals of earnings can be tax-free. The question's key phrase is "tax-free withdrawals when they retire," which points directly to Roth treatment.
A Traditional IRA (choice B) generally provides tax benefits upfront (potential deductibility of contributions, depending on income and plan coverage), but distributions are typically taxed as ordinary income when withdrawn. SEP IRAs (choice C) and SIMPLE IRAs (choice D) are employer-sponsored IRA arrangements designed for small businesses and employee retirement savings. While they are retirement accounts, their tax treatment is generally similar to traditional arrangements-contributions are typically pre-tax (or tax-deductible to the employer), and withdrawals are generally taxable. They do not match the "tax-free withdrawals" objective as cleanly as the Roth IRA.

On the SIE, the high-level distinction is: Roth = tax now, tax-free later (if qualified); Traditional/SEP
/SIMPLE = tax benefit now, taxed later. The customer's age (50) and time horizon (15 years) also fits the typical framework that they can potentially satisfy the Roth holding period requirements by retirement.

NEW QUESTION: 129

At least how often Is a firm required to provide a customer with a statement In writing as to the availability of an Investor brochure posted on the MSRB website?
(AC?)

A. Monthly
B. Once every three years
C. Annually
D. Quarterly

Answer: C (LEAVE A REPLY)

NEW QUESTION: 130

A summary prospectus for a mutual fund must contain which of the following information?

A. Projected return
B. Investment objectives
C. Fund's portfolio holdings
D. Control persons and principal owners of the fund

Answer: B (LEAVE A REPLY)

Step by Step Explanation:
* Summary Prospectus Content: Must include key information such as the fund's investment objectives, risks, fees, and past performance. This helps investors make informed decisions.
* Incorrect Options:
* A: Projected returns are speculative and not included in the prospectus.
* C & D: Detailed portfolio holdings and control persons are included in the full prospectus, not the summary.
SEC Rule 498 (Summary Prospectuses): SEC Prospectus Requirements.

NEW QUESTION: 131

A customer purchased $80,000 of Fund XYZ two years ago. He now wants to buy $50,000 of Fund LMN offered within the same fund family, which offers a $100,000 breakpoint under right of accumulation. Which of the following statements is true?

A. The additional investment qualifies for a $100,000 breakpoint.
B. Each fund requires contributions of $100,000 to qualify for a breakpoint.
C. The customer must sign a new letter of intent to receive the $100,000 breakpoint on the additional purchase.

D. The customer will receive a sales charge discount on his next purchase after the account balance of the fund reaches $100,000.

Answer: (SHOW ANSWER)

Step by Step Explanation:

Right of Accumulation: Allows an investor to combine the value of existing investments within the same fund family to qualify for a breakpoint (reduced sales charge) on new purchases.

Current Holdings: $80,000

New Purchase: $50,000

Total: $130,000, qualifying for the $100,000 breakpoint.

Incorrect Options:

B: Contributions from all funds within the same family can be aggregated.

C: A new letter of intent is unnecessary; right of accumulation applies automatically.

D: Discounts apply immediately, not retroactively.

FINRA Guidance on Breakpoints: FINRA Breakpoints.

NEW QUESTION: 132

In which of the following ways is interest income from Treasury issues taxed?

A. Exempt from federal and state income taxes

B. Subject to federal and state income taxes

C. Subject to federal income tax but exempt from state income tax

D. Subject to state income tax but exempt from federal income tax

Answer: C (LEAVE A REPLY)

Interest income from U.S. Treasury securities is subject to federal income tax but exempt from state and local income taxes. Treasury bills, notes, and bonds are direct obligations of the U.S. government, and their tax treatment is a core fixed-income concept tested on the SIE. Choice C is correct. Choice A is incorrect because Treasury interest is not exempt from federal income tax. Choice B is incorrect because Treasury interest is not subject to state income tax. Choice D reverses the correct treatment and is therefore wrong. This tax distinction is important when comparing Treasury securities with municipal bonds.

Municipal bond interest is often federally tax-exempt and may also be exempt from state tax if issued in the investor's state of residence.

Treasury securities follow the opposite pattern: taxable federally, exempt at the state and local level. The SIE outline includes Treasury securities under debt instruments and requires candidates to understand income generation, coupon payments, yield, and the basic features of fixed-income products. Reference: Section 2.1.2 Debt Instruments; Treasury securities; investment income characteristics.

NEW QUESTION: 133

Pursuant to FINRA rules, which of the following content is inappropriate to link to from a business-related social media site?

A. A link to the firm ' s website discussing its products and services
B. A link to an investment ' s website stating the investment ' s performance over the next five years
C. A link to information on a mutual fund that discusses previous performance over the last five years
D. A link to a company ' s filing on EDGAR that contains information on a press release about the company
Answer: B (LEAVE A REPLY)
Under FINRA Rule 2210, firms must avoid making predictions or projections of future investment performance.
B is correct because it involves prohibited predictive statements.
A, C, and D are acceptable under FINRA guidelines, as they do not involve prohibited content.
Reference: FINRA Rule 2210 (Communications with the Public)

NEW QUESTION: 134
How frequently must a firm send statements for a brokerage account with no activity?
A. Monthly
B. Quarterly
C. Semiannually
D. Annually
Answer: B (LEAVE A REPLY)
The correct answer is B, Quarterly. Under FINRA rules, specifically those governing customer account statements, broker-dealers are required to provide account statements to customers at least quarterly if there is no activity in the account.
Step-by-step, if an account has activity (such as trades, deposits, or withdrawals), statements must be sent monthly. However, if there is no activity during a given period, the firm is still required to provide an update so the customer can review holdings, balances, and account status. In such cases, the minimum requirement is once every calendar quarter.
Choice A (monthly) applies only when there is account activity, not inactivity. Choice C (semiannually) and Choice D (annually) are incorrect because they do not meet FINRA's minimum reporting standards and would fail to provide sufficient oversight and transparency to customers.
Providing regular statements-even when there is no activity-is an important investor protection measure. It allows customers to monitor their accounts, verify holdings, and detect any unauthorized activity or discrepancies.
Thus, for inactive accounts, firms must send statements at least quarterly, making Answer B correct.

NEW QUESTION: 135

Which of the following terms describes the use of overnight loans of excess reserves between banks to maintain their reserve requirements?

A. Federal funds

B. Commercial paper

C. Money market loans

D. Bankers' acceptances

Answer: A (LEAVE A REPLY)

Federal funds are overnight loans between banks, typically involving excess reserves held at Federal Reserve Banks. Banks with surplus reserves lend to banks that need reserves to meet regulatory reserve requirements or internal liquidity needs. The interest rate charged on these overnight loans is the federal funds rate, a key short-term interest rate that influences broader money market conditions, bank lending, and monetary policy transmission. Choice A is correct because the question specifically describes overnight interbank lending of excess reserves. Commercial paper is an unsecured short-term debt instrument issued by corporations to meet working capital needs, not an overnight reserve loan between banks. "Money market loans" is too general and is not the precise SIE term. Bankers' acceptances are short-term instruments used primarily in trade finance, especially international commerce. The SIE outline includes the Federal Reserve, monetary policy, interest rates, the federal funds rate, and money market instruments as core capital markets topics. This question tests the candidate's ability to identify a specific short-term banking and monetary-policy instrument. Reference:

Section 1.3.1 Federal Reserve Board's Impact on Business Activity and Market Stability; Section 2.1.2 Debt Instruments.

NEW QUESTION: 136

If a corporation calls its bonds at 107.45, it will pay:

A. $1,000.00 per bond plus $74.50 interest

B. $1,000.00 per bond plus $107.45 interest

C. $1,074.50 per bond plus accrued interest to the call date

D. $1,074.50 per bond less accrued interest to the call date

Answer: C (LEAVE A REPLY)

Bond prices are quoted as a percentage of par. A call price of 107.45 means 107.45% of the bond's $1,000 par value. Multiplying $1,000 by 107.45% produces a call price of $1,074.50. When an issuer calls a bond, it pays the call price plus any accrued interest owed up to the call date. Choice C is correct. Choice A incorrectly treats $74.50 as interest rather than the call premium over par. Choice B incorrectly treats 107.45 as an interest amount instead of a quoted percentage of par. Choice D is incorrect because accrued interest is paid to the bondholder; it is not subtracted from the call price. Callable bonds give the issuer the right to redeem the bonds before maturity, usually when doing so is economically favorable, such as when interest rates decline.

The SIE outline includes debt instruments, par value, coupon value, yield, callable features, and the relationship between price and interest rates. This question tests both bond quote conversion and call settlement mechanics. Reference: Understanding Products and Their Risks; Debt Instruments; Par Value; Callable Features.

NEW QUESTION: 137
Which of the following actions will best hedge a short put?
A. Buying the stock
B. Selling short the stock
C. Selling a put with an earlier expiration
D. Buying a call with a higher strike price
Answer: A (LEAVE A REPLY)
The correct answer is A, Buying the stock. A short put position means the investor has sold (written) a put option and is obligated to buy the underlying stock at the strike price if the option is exercised. The primary risk is that the stock price falls significantly, forcing the writer to purchase shares at a price above market value.
Step-by-step, the best hedge is to own the underlying stock. If the investor already owns the stock, then being assigned on the short put simply results in acquiring more shares, which can offset losses or align with their investment strategy. More importantly, owning the stock reduces the overall directional risk exposure.
Choice B (selling short the stock) would increase risk because it creates a bearish position, which is inconsistent with the bullish/neutral nature of a short put. Choice C (selling another put) increases exposure and risk rather than hedging. Choice D (buying a call) does not effectively hedge downside risk from a falling stock price.
Thus, the most appropriate hedge for a short put is to buy or own the underlying stock, making Answer A correct.

NEW QUESTION: 138
Which of the following statements best describes a characteristic of 529 savings plan accounts?
A. There are no contribution limits to the account.
B. The number of contributors to the account is limited.

C. Using funds for undergraduate or graduate studies is permissible.
D. Earnings are taxed to the donor at the time of a qualified withdrawal.
Answer: (SHOW ANSWER)
Step by Step Explanation:
* 529 Savings Plans: These plans allow tax-advantaged savings for education expenses. They can be used for both undergraduate and graduate studies, as well as certain K-12 expenses.
* Contribution Limits: Contributions are subject to gift tax limits but have no specific statutory maximum under federal law.
* Tax Treatment: Earnings grow tax-deferred and are tax-free if used for qualified education expenses.
IRS Section 529 Guidance: IRS 529 Plans.

NEW QUESTION: 139
Which of the following statements is true of a tax-free municipal revenue bond?
A. The bond proceeds are treated as general revenue to the issuer.
B. The bondholders are entitled to be paid from any revenue received by the issuer.
C. The bondholders are entitled to be paid only from a specified source of revenue received by the issuer.
D. The bondholders are entitled to a specified percentage of the revenue received by the issuer each year.
Answer: C (LEAVE A REPLY)
A municipal revenue bond is secured by and payable from a specific source of revenue, such as tolls from a bridge, fares from a transit system, fees from a water/sewer utility, or revenues from an airport authority.
Bondholders rely on that pledged revenue stream rather than the issuer's general taxing power. That is why the correct statement is C: bondholders are entitled to be paid only from a specified source of revenue.
Choice A is incorrect because revenue bond proceeds are typically earmarked for the project or enterprise, and repayment is not treated as "general revenue" in the GO sense.
Choice B is incorrect because bondholders do not have a claim on any revenue of the issuer; that description aligns more with general obligation backing or a broad pledge.
Choice D is incorrect because bondholders are owed debt service per the bond's terms (interest and principal), not a "specified percentage" of issuer revenue.
The phrase "tax-free" refers to the typical federal tax-exempt status of municipal bond interest (subject to exceptions), but it does not change the fundamental revenue bond structure: repayment depends on the project' s performance and revenue collection. This is a key SIE distinction between GO bonds (supported by full faith and credit/taxing power) and revenue bonds (supported by a designated revenue stream).

NEW QUESTION: 140

Which of the following statements is true about a general obligation (GO) municipal bond?
A. It does not carry an attached legal opinion.
B. It carries no exemption from federal or state income taxes.
C. It is backed by the full faith and credit of the issuing jurisdiction.
D. It is payable solely from the revenues of the facility against which the bonds were issued.
Answer: C (LEAVE A REPLY)
A general obligation (GO) municipal bond is backed by the full faith and credit of the issuing municipality or governmental unit, which is why choice C is correct. In practical terms, this means the issuer pledges its general taxing power and overall resources to meet debt service-interest and principal payments. GO bonds are typically supported by the issuer's ability to levy taxes (often property taxes, subject to legal limits), making their repayment source broader than that of revenue bonds.
Choice D describes a revenue bond, which is payable only from a specific revenue stream (e.g., tolls from a bridge, fees from a water/sewer system, or revenues from an airport). Revenue bonds do not rely on the issuer' s general taxing power; instead, bondholders depend on the project's or enterprise's revenues. That is a key GO vs. revenue distinction tested heavily on the SIE.
Choice A is incorrect because municipal securities customarily include a legal opinion addressing validity and tax status, especially for tax-exempt issues; the presence of a legal opinion is not something GO bonds uniquely lack. Choice B is incorrect because many municipal bonds, including many GO bonds, are federally tax-exempt on interest (and may also be state/local tax-exempt for in-state residents), though there are exceptions such as taxable munis and AMT considerations in certain cases. The question's best, universally correct feature of a GO bond is the backing by the issuing jurisdiction's full faith and credit. This question aligns with SIE product knowledge of municipal securities, including repayment sources and how those sources affect credit considerations.

NEW QUESTION: 141
Which of the following responses describes a covered call?
A. Short stock and long calls
B. Long stock and short calls
C. Long calls and long puts
D. Long two calls and short one call
Answer: B (LEAVE A REPLY)
A covered call consists of a long stock position combined with a short call written against that stock. The call is considered covered because the investor already owns the shares that may need to be delivered if the call is exercised. Choice B is correct. The strategy is generally used by an investor who is neutral to moderately bullish and wants to generate premium income from a stock position. The upside potential is limited because if the stock rises above the strike price, the investor may be obligated to sell the shares at the strike

price. The downside risk remains substantial because the investor still owns the stock and can lose if the stock price declines, although the premium received provides limited downside offset. Choice A describes a short stock position protected by a long call, not a covered call. Choice C is a long straddle. Choice D describes a ratio or spread-type option position, not a standard covered call. The SIE outline requires knowledge of puts and calls, covered versus uncovered options, premiums, exercise, assignment, and long and short option strategies.
Reference: Section 2.1.3 Options.

NEW QUESTION: 142
Under which of the following circumstances is a member firm required to report a customer interaction as a complaint?
A. The customer calls the registered representative to express concern over recent trading activity in the account.
B. The customer emails the registered representative to inform him that the account profile information is incorrect.
C. The customer emails the registered representative stating that the customer was unable to place an order because the customer could not reach the representative and lost the opportunity to sell at the high of the week.
D. The customer's son communicates with the registered representative's firm via social media that his father did not understand the options-writing activity on his long-held, low-basis stock positions.
Answer: C (LEAVE A REPLY)
A reportable customer complaint generally involves a written grievance by a customer alleging misconduct, failure, error, or improper activity by the firm or an associated person. Choice C is correct because the customer sent an email, which is a written communication, alleging that the representative's unavailability caused a lost trading opportunity. That is a written grievance involving the firm's service or an associated person's conduct. Choice A is not the best answer because it is an oral expression of concern, not a written complaint. Choice B is a written communication, but it merely states that account profile information is incorrect; without an allegation of misconduct or grievance, it is more administrative than complaint-based.
Choice D involves a communication from the customer's son rather than the customer, and the facts do not establish that the son is authorized to act on the customer's behalf. The SIE outline includes customer complaints, written customer complaints, books and records, and reportable events under employee conduct and prohibited activities. This question tests the written-grievance threshold used in recognizing complaints.
Reference: Section 4.2.1 Employee Conduct; FINRA Rule 4513 Written Customer Complaints; Section 3.2.4 Books and Records.

NEW QUESTION: 143

Which of the following rates is the interest rate at which banks borrow and lend to each other on an overnight basis?
A. Prime rate
B. Discount rate
C. Federal funds rate
D. LIBOR
Answer: C (LEAVE A REPLY)
Step by Step Explanation:
Federal Funds Rate: The rate at which depository institutions lend reserves to each other overnight. It is set by the Federal Open Market Committee (FOMC).
Other Rates:
Prime Rate: Rate banks charge their most creditworthy customers.
Discount Rate: Rate the Federal Reserve charges banks for borrowing directly from it.
LIBOR: Interbank lending rate used internationally, now being phased out.
Federal Reserve Explanation of Rates: Federal Funds Rate.

NEW QUESTION: 144
Offering 403(b) tax-sheltered annuity accounts to which of the following groups is permissible?
A. Volunteer workers
B. Small business owners
C. Active duty military personnel
D. Employees of a nonprofit hospital
Answer: D (LEAVE A REPLY)
Step by Step Explanation:
403(b) Accounts: These tax-advantaged retirement plans are specifically for employees of public schools, tax- exempt organizations, and certain other nonprofit employers, such as hospitals.
Incorrect Options:
Volunteer Workers: Ineligible unless they are also employees.
Small Business Owners and Military Personnel: These groups typically qualify for other retirement plans, not
403(b).
IRS Publication 571 (403(b) Plans): IRS 403(b) Guidance.

NEW QUESTION: 145
A registered representative of Firm ABC plans to give a gift to the treasurer of Company XYZ as a thank you for recent transactions. If no other gifts were given to the treasurer during the year, which of the following gifts would violate FINRA rules?
A. $75 bottle of wine
B. $90 concert ticket

C. $100 sports event ticket
D. $125 store gift card
Answer: (SHOW ANSWER)
FINRA's gifts rule (commonly tested as the $100 per person per year limit) restricts the value of gifts that a member or associated person may give to any one person where the gift is in relation to the recipient's business. The key test concept is: gifts tied to business cannot exceed $100 annually per recipient (with certain distinctions for bona fide personal gifts and "ordinary and usual business entertainment"). In this question, the gifts are explicitly "as a thank you for recent transactions," so the business-related gift limit applies. A $125 store gift card exceeds $100, making choice D the violation.
Choices A ($75), B ($90), and C ($100) are at or below the typical annual limit, so they would not violate the
$100 threshold (assuming they are gifts-not entertainment-and there are no other gifts to that recipient in the year). The $100 sports event ticket is right at the limit and is generally permissible as a gift under the cap, again assuming no other gifts and treating it as a gift rather than business entertainment.
A common SIE nuance: business entertainment (like taking a client to a game where the RR is present) is often treated differently from a "gift" because it is not simply handing something over-however, a ticket given without the RR attending can be treated as a gift. This question is testing the straightforward dollar cap, not the entertainment distinction. Because the only option that clearly breaches the cap is $125, that is the correct answer. The broader compliance theme is managing conflicts and improper influence: the gifts rule helps prevent business decisions from being swayed by excessive personal benefit.

NEW QUESTION: 146
Which of the following statements is typically true of investors in open-end mutual funds?
A. Class A share investors do not pay a sales charge when purchasing shares.
B. Class A share investors do not pay a sales charge when redeeming shares.
C. Class C share investors purchase shares at the public offering price (POP).
D. Class C share investors do not pay a sales charge when redeeming shares within the first year.
Answer: (SHOW ANSWER)
The correct answer is B, Class A share investors do not pay a sales charge when redeeming shares. Class A shares are known as front-end load funds, meaning the sales charge is paid at the time of purchase, not when the shares are sold.
Step-by-step, Class A shares are purchased at the public offering price (POP), which includes the net asset value (NAV) plus the front-end sales charge. Once the investor has paid this upfront load, there is typically no additional sales charge upon redemption. Choice A is incorrect because Class A shares do have a front-end sales charge when purchased. Choice C is incorrect because Class C shares are typically purchased at NAV (no front-end load), not POP. Choice D is incorrect because Class C shares often have a

contingent deferred sales charge (CDSC) if redeemed within a short period (usually one year), meaning investors may pay a fee if they sell early.
Thus, the key distinguishing feature is that Class A shares charge at purchase, not redemption, making Answer B correct.

NEW QUESTION: 147
A customer writes a call for XYZ stock with a strike price of $35 and receives a premium of $7. The stock is currently trading at $40. What is the time value of this option?
A. $0
B. $2
C. $5
D. $7
Answer: B (LEAVE A REPLY)
An option's premium consists of intrinsic value and time value:
* Intrinsic value = Current stock price - Strike price = $40 - $35 = $5.
* Time value = Total premium - Intrinsic value = $7 - $5 = $2.
* B is correct because $2 represents the time value.
* A, C, and D are incorrect because they miscalculate the time value based on the option's total premium.
Reference: SIE Study Guide, Chapter 8: Options Pricing

NEW QUESTION: 148
Which of the following statements is true regarding customers who own bond funds?
A. When interest rates rise, customers may experience an increase in net asset value.
B. When interest rates rise, customers who decide to sell may not receive their full investment.
C. Customers of long-term bond funds are less exposed to interest rate risk than short-term bond fund holders.
D. Customers who own bond funds will have a net asset value that remains stable in both a rising and falling interest rate environment.
Answer: B (LEAVE A REPLY)
Bond fund net asset values generally decline when interest rates rise because the prices of existing bonds in the portfolio tend to fall. If a customer sells bond fund shares after rates have risen and the fund's NAV has declined, the customer may receive less than the original investment. Choice B is correct. Choice A reverses the typical price-rate relationship. Choice C is incorrect because long-term bond funds are generally more exposed to interest rate risk than short-term bond funds. Longer maturities and longer durations produce greater price sensitivity to rate changes. Choice D is incorrect because bond fund NAVs fluctuate with the market value of portfolio holdings; they are not guaranteed to remain stable. The SIE outline requires knowledge of debt instruments, bond prices, yields, maturities, interest-rate risk, and the relationship between price and

interest rates. It also includes open-end funds and net asset value under packaged products. This question integrates bond pricing mechanics with mutual fund NAV behavior. Reference: Understanding Products and Their Risks; Debt Instruments; Packaged Products; Investment Risks.

NEW QUESTION: 149

For which of the following account types will the partial ownership pass into an estate account upon the death of one of the individuals listed on the account?

A. Partnership

B. Trust corporation

C. Tenants in common

D. Joint tenants with right of survivorship (JTWROS)

Answer: (SHOW ANSWER)

In a tenants in common account, each owner has a distinct percentage of ownership. Upon the death of one owner, their share does not transfer to the surviving owner(s); instead, it becomes part of the deceased's estate.

* C is correct because ownership is divided, and the deceased's share passes to their estate.
* A is incorrect because partnerships have different agreements governing ownership transitions.
* B is incorrect because trust corporations are governed by trust agreements, not estate processes.
* D is incorrect because JTWROS accounts pass ownership directly to the surviving account holder(s).

Reference: SIE Study Guide, Chapter 9: Account Ownership and Beneficiaries

NEW QUESTION: 150

Which of the following investors is permitted to purchase shares in an equity initial public offering (IPO)?

A. A portfolio manager of a bank for their own account

B. An individual that is defined as an institutional customer

C. An individual employed at a broker-dealer (BD) in a non-registered capacity

D. A registered representative at a BD that is not involved with the IPO

Answer: (SHOW ANSWER)

FINRA rules restrict allocations of shares in certain equity IPOs to prevent improper practices and conflicts of interest, especially involving industry insiders and "restricted persons." However, institutional customers are generally permitted to purchase IPO shares, subject to the firm's allocation policies and applicable restrictions. Therefore, the best answer is B.

Choice A is problematic because a bank portfolio manager purchasing "for their own account" may fall into restricted categories depending on role and affiliations; the phrasing

suggests a financial industry professional acting personally, which raises restricted person concerns. Choice C is also generally restricted: persons associated with a broker-dealer (even in a non-registered role) may be considered restricted persons for IPO allocations, depending on the specifics, because the rule is designed to keep IPO shares from being funneled to industry insiders who could benefit improperly. Choice D is similarly suspicious because registered representatives at any broker-dealer may be restricted from buying IPO shares for their own accounts even if their firm is not involved in the offering; the restriction focuses on associated persons and conflicts, not just participation in the specific deal.
On the SIE, the tested concept is that IPO allocations are subject to rules designed to protect fairness and prevent "spinning" or insider favoritism. Institutional customers are generally not the prohibited category in this set of options, making them the clean permitted choice.

NEW QUESTION: 151
A customer instructs his registered representative (RR) to purchase $35,000 Class A shares of Growth Fund ABC. As the RR enters the order, she overhears her customer speaking to his wife about purchasing $100,000 of Emerging Markets Fund ABC once he gets his year-end bonus. Which of the following statements is true about receiving a breakpoint discount for the current purchase?
A. It is available due to right of accumulation.
B. It is available if the customer signs a letter of intent.
C. It is not available as the purchase amount is less than the $50,000 initial breakpoint level.
D. It is not available as the customer has not made the $100,000 Emerging Markets Fund purchase.
Answer: B (LEAVE A REPLY)
The correct answer is B, It is available if the customer signs a letter of intent (LOI).
Breakpoint discounts for Class A mutual fund shares reduce the sales charge when larger investment thresholds are met.
Step-by-step, the customer is currently investing $35,000, which is below the typical first breakpoint (often
$50,000). However, the RR overhears the customer planning to invest an additional $100,000 in the same fund family in the near future. This is key.
A Letter of Intent (LOI) allows the investor to commit to investing a larger total amount (e.g., $135,000) over a specified period (usually 13 months). By signing an LOI, the investor can immediately receive the reduced sales charge based on the total intended investment, even though the full amount has not yet been invested.
Choice A is incorrect because rights of accumulation apply only to existing holdings, not future intended purchases. Choice C is incorrect because breakpoints can still be achieved

through LOI. Choice D is incorrect because the future purchase does not need to be completed yet-only committed via LOI.
Thus, by signing a Letter of Intent, the investor qualifies for the breakpoint discount now, making Answer B correct.
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NEW QUESTION: 152
A customer is unhappy about a $5,000 loss in a stock that the registered representative (RR) recommended and threatens to call FINRA's Securities Helpline for Seniors about the matter. What is the most appropriate next step for the RR to take?
A. The RR should notify their supervisor about the customer's dissatisfaction.
B. The RR is permitted to reimburse the customer for the loss to resolve the customer's complaint.
C. The RR should alert their compliance department to update their Form U4 with the complaint details.
D. The RR should call FINRA's Securities Helpline for Seniors before the customer does and explain their side of the story.
Answer: (SHOW ANSWER)
The most appropriate next step is to notify a supervisor (or follow the firm's escalation procedures), so A is correct. When a customer expresses dissatisfaction-especially a senior customer and especially when the customer threatens to contact FINRA-this should be treated as a serious compliance matter. Firms have supervisory systems designed to address complaints promptly, document the issue, evaluate suitability and communications, and ensure that required reporting and recordkeeping obligations are met. Escalating to a supervisor is the correct immediate action because it triggers oversight and ensures the firm responds appropriately and consistently.
Choice B is incorrect because a registered representative generally may not reimburse a customer for a loss to resolve a complaint, as that can violate rules regarding improper use of funds, conflicts, and firm policies.
Reimbursement decisions, if ever allowed, are typically tightly controlled and would require firm approval, and it is not the RR's unilateral decision. Choice C is incorrect because not every expression of dissatisfaction automatically requires a Form U4 update; U4 reporting

relates to specified disclosure events. The proper first step is internal escalation so the firm can determine whether it constitutes a formal complaint and what reporting is required. Choice D is inappropriate because the RR should not try to preempt the customer by calling FINRA "to explain their side." The correct process is to handle the complaint through firm supervision and compliance channels.
On the SIE, this ties to customer complaint handling, supervision, and senior investor protections: identify concerns, escalate internally, document, and follow firm procedures rather than attempting self-help solutions.

NEW QUESTION: 153
The Options Clearing Corporation (OCC) is a registered clearing agency for which of the following products?
A. Listed stocks
B. Over-the-counter bonds
C. Exchange-traded funds (ETFs)
D. Long-term Equity Anticipation Securities (LEAPS)
Answer: D (LEAVE A REPLY)
The Options Clearing Corporation (OCC) is responsible for issuing and guaranteeing the performance of listed options contracts, including Long-term Equity Anticipation Securities (LEAPS), which are long-term options.
* D is correct because LEAPS are a type of listed options contract cleared by the OCC.
* A is incorrect because listed stocks are not options contracts.
* B is incorrect because over-the-counter bonds are not cleared by the OCC.
* C is incorrect because ETFs are not options, though ETF options may be cleared by the OCC.
Reference: SIE Study Guide, Chapter 8: Options and Clearing

NEW QUESTION: 154
A hedge fund is similar to a mutual fund in that both:
A. Are subject to the same valuation requirements.
B. Are subject to the same registration requirements.
C. Are required to provide the same level of disclosure.
D. Pool investors' money and invest in an effort to make a positive return.
Answer: D (LEAVE A REPLY)
Both hedge funds and mutual funds pool investor money and invest that capital with the objective of generating investment returns. That broad structural similarity makes choice D correct. However, the two products are very different in regulation, disclosure, liquidity, eligibility, and operating flexibility. Mutual funds are registered investment companies, typically offered broadly to the public, priced at net asset value, and subject to detailed disclosure and regulatory requirements. Hedge funds are generally privately offered pooled investment vehicles, commonly structured as limited partnerships or similar entities, and

are often available only to accredited or qualified investors. They may use leverage, short selling, derivatives, concentrated positions, and less liquid strategies. Choices A, B, and C are incorrect because hedge funds and mutual funds are not generally subject to the same valuation, registration, or disclosure requirements. The SIE outline separately identifies open-end investment companies under packaged products and hedge funds as products requiring knowledge of "minimum investment," "partnership structure," "private equity," and "generally illiquid." This contrast supports the answer while preserving the one shared feature: pooled investment for return. Reference: Section 2.1.4 Packaged Products; Section 2.1.8 Hedge Funds.

NEW QUESTION: 155
How long are unused funds permitted to remain in a Coverdell education savings account?
A. All funds must be distributed when the beneficiary's age reaches 21 years old.
B. All funds must be distributed when the beneficiary's age reaches 30 years old.
C. All funds must be distributed when the beneficiary's age reaches 59 ½ years old.
D. There is no age limit preventing funds from remaining in a beneficiary's account.
Answer: B (LEAVE A REPLY)
Coverdell Education Savings Accounts (ESAs) require that all funds be distributed by the time the beneficiary reaches 30 years old. If the funds are not used for qualified educational expenses, they may be subject to taxes and penalties.
* B is correct because funds must be distributed by age 30 unless transferred to another eligible family member.
* A is incorrect as age 21 is not relevant for Coverdell ESAs.
* C is incorrect because age 59 ½ applies to retirement accounts like IRAs.
* D is incorrect because there is a distribution deadline for Coverdell accounts.
Reference: IRS Publication 970: Tax Benefits for Education

NEW QUESTION: 156
Which of the following terms is used to describe a measure of the price volatility or correlation of a security in relation to movements in the overall market?
A. Beta
B. Alpha
C. Sharpe ratio
D. Price-to-earnings (P/E) ratio
Answer: A (LEAVE A REPLY)
Beta measures how sensitive a security's returns are to movements in a broader market index (often described as the security's volatility relative to the market). That makes choice A correct. Conceptually, beta estimates the degree to which a stock tends to move when the overall market moves. A beta of 1.0 suggests the security tends to move in line with the market. A beta greater than 1.0 indicates the security has historically been more volatile

than the market (tending to rise more in up markets and fall more in down markets). A beta less than
1.0 indicates lower relative volatility. A negative beta (rare) indicates the security tends to move opposite the market.
Alpha, in contrast (choice B), is typically discussed as a measure of risk-adjusted excess return versus a benchmark-how much a manager or security outperformed/underperformed after accounting for market risk.
The Sharpe ratio (choice C) measures risk-adjusted return using total volatility (standard deviation) and compares return above a risk-free rate per unit of risk; it is not a correlation-to-market measure. The P/E ratio (choice D) is a valuation metric (price per share divided by earnings per share) and does not measure volatility or correlation.
On the SIE, beta is most commonly tested as a systematic (market) risk concept. It relates to how much of a security's risk is tied to broad market movements versus diversifiable company-specific factors.
Understanding beta helps in portfolio construction and in explaining why some stocks are considered more aggressive or more defensive relative to market swings.

NEW QUESTION: 157
Which of the following transactions gives a U.S. citizen the most efficient means to invest in the stock of an overseas corporation that trades only on a foreign exchange?
A. Purchase an ETF on the foreign exchange
B. Purchase an option on the stock on a domestic exchange
C. Purchase a U.S.-based mutual fund that invests in foreign stocks
D. Purchase an American Depositary Receipt (ADR) on a domestic exchange
Answer: D (LEAVE A REPLY)
American Depositary Receipts (ADRs) allow U.S. investors to efficiently invest in foreign corporations without the need to trade on foreign exchanges. ADRs are traded on U.S. exchanges and represent shares of foreign companies.
* D is correct because ADRs are designed for this purpose, simplifying currency exchange and reporting requirements for U.S. investors.
* A is incorrect because directly purchasing an ETF on a foreign exchange requires additional steps, such as foreign account setup.
* B is incorrect because options are derivative products, not direct investments in the stock.
* C is less efficient because mutual funds may not provide direct exposure to the specific corporation.
Reference: SIE Study Guide, Chapter 7: ADRs

NEW QUESTION: 158
A customer has four traditional Individual retirement accounts (IRAs): two are at banks, one Is held directly at a mutual fund, and one Is held in her brokerage account. In order to

meet her required minimum distribution (RMD), which of the following actions is she required to take?

A. Take a distribution based on the value of all of the accounts at the previous year end
B. Take a distribution from the smallest account based on current value
C. Take a distribution from the largest account based on current value
D. Take a distribution from one of the bank IRAs and either the mutual fund or brokerage IRA
Answer: A (LEAVE A REPLY)

NEW QUESTION: 159
Which of the following rates is subject to the most frequent changes?
A. Prime
B. Call loan
C. Discount
D. Federal funds
Answer: (SHOW ANSWER)
The federal funds rate, which is the interest rate banks charge each other for overnight loans, changes frequently due to daily fluctuations in bank reserves and market conditions.
* D is correct as it is the most sensitive to short-term market forces.
* A, B, and C change less frequently.
Reference: SIE Study Guide, Chapter 2: Interest Rates

NEW QUESTION: 160
An open-end mutual fund is best described as a type of investment company that pools money from multiple investors to purchase a portfolio of:
A. diverse investments with intraday trading and pricing.
B. diverse investments with end-of-day trading and pricing.
C. cash equivalents and short-term debt instruments with end-of-day trading and pricing.
D. illiquid investments with a set redemption schedule and a performance-based management fee.
Answer: B (LEAVE A REPLY)
The correct answer is B, diverse investments with end-of-day trading and pricing. An open-end mutual fund pools money from many investors and invests in a diversified portfolio of securities, such as stocks, bonds, or other assets, depending on its investment objective. A key feature of open-end funds is that they are priced once per day, after the market closes, based on the fund's net asset value (NAV).
Investors buy and redeem shares directly from the fund company, not in the secondary market. All transactions occur at the end-of-day NAV, regardless of when the order is placed during the trading day.
Choice A is incorrect because intraday trading applies to exchange-traded funds (ETFs), not mutual funds.

Choice C describes a money market fund, which is a specific type of mutual fund focused on short-term debt instruments, not all open-end funds. Choice D describes characteristics of hedge funds or private investments, which are illiquid and often charge performance fees.
Thus, the defining features of open-end mutual funds are diversification and end-of-day pricing, making choice B the correct answer.

NEW QUESTION: 161

SEC regulations permit a company to issue securities exempted from registration requirements of the Securities Act of 1933 under which of the following conditions?

A. Offerings sold inside of the U.S. to non-U.S. persons

B. Offerings sold with no more than 40 accredited investors

C. Offerings sold with an aggregate price exceeding $5 million

D. Offerings with no more than 35 non-accredited investors and an unlimited number of accredited investors

Answer: D (LEAVE A REPLY)

Step by Step Explanation:
Regulation D (Rule 506(b)): Allows offerings to an unlimited number of accredited investors and up to 35 non-accredited investors, provided certain disclosure requirements are met.
Incorrect Options:
A: Refers to Regulation S, which governs offshore offerings, not domestic exemptions.
B: There is no 40-investor limit in Regulation D.
C: The $5 million limit applies to Rule 504, not Rule 506(b).
SEC Regulation D: SEC Regulation D.

NEW QUESTION: 162

A primary purpose of the IRS is to perform which of the following activities?

A. Administer and supervise the execution of tax laws

B. Regulate broker-dealers by enforcing federal securities laws

C. Issue criminal penalties for intentional circumvention of federal banking laws

D. Apply Office of Foreign Assets Control requirements to sanction wrongdoing by targeted foreign entities

Answer: (SHOW ANSWER)

The Internal Revenue Service is the federal agency responsible for administering and enforcing U.S. tax laws.
Its functions include collecting taxes, processing tax returns, issuing tax guidance, and supervising compliance with the Internal Revenue Code. Choice A is correct. The IRS does not regulate broker-dealers under the federal securities laws; that role primarily belongs to the SEC, while FINRA functions as a self- regulatory organization for broker-dealers. Choice C is not the best answer because criminal enforcement related to intentional circumvention of banking laws may involve law enforcement agencies and

prosecutors, not the IRS as the primary securities-industry regulator. Choice D describes the Office of Foreign Assets Control, which administers and enforces economic and trade sanctions, not the IRS. The SIE outline identifies the Department of the Treasury and IRS under "Other Regulators and Agencies," requiring candidates to understand the basic function of agencies that interact with the securities industry. The question is not asking about securities regulation specifically; it asks for the IRS's primary governmental function.
Reference:
Knowledge of Capital Markets; Other Regulators and Agencies; Department of the Treasury/IRS.

NEW QUESTION: 163
A market maker typically trades in which of the following capacities?
A. Agent
B. Broker
C. Principal
D. Fiduciary
Answer: (SHOW ANSWER)
A market maker typically trades as principal. Acting as principal means the firm buys and sells securities for its own account and stands ready to provide liquidity by quoting bid and ask prices. The market maker buys at the bid and sells at the ask, earning the spread as compensation for committing capital and assuming inventory risk. Choice C is correct. An agent or broker acts on behalf of a customer and generally earns a commission rather than trading from inventory. Although a firm can act in different capacities in different transactions, the defining role of a market maker is principal trading. "Fiduciary" describes a legal standard of care, often associated with investment advisers, not the trading capacity of a market maker. The SIE outline identifies traders and market makers as market participants and also requires candidates to understand trade capacity, including principal versus agency. This question tests that distinction directly: brokers arrange trades for others, while dealers and market makers trade for their own accounts. Reference: Section 1.1.4 Market Participants and Their Roles; Section 3.1.1 Orders and Strategies.

NEW QUESTION: 164
An investment company product that is actively managed and continuously offered is a description of which of the following products?
A. Open-end fund
B. Closed-end fund
C. Variable annuity
D. Unit investment trust (UIT)
Answer: A (LEAVE A REPLY)
The correct answer is A, Open-end fund. An open-end fund, commonly known as a mutual fund, is an investment company that is actively managed by a portfolio manager and

continuously offers new shares to investors. This means that investors can buy shares directly from the fund at the fund's net asset value (NAV) at the end of each trading day, and the fund will issue new shares to meet demand.
A key characteristic of open-end funds is that they are continuously offered, unlike closed-end funds, which issue a fixed number of shares in an initial public offering (IPO) and then trade on the secondary market like stocks. Additionally, open-end funds are typically actively managed, meaning the portfolio manager makes ongoing decisions to buy and sell securities in an effort to meet the fund's investment objectives.
Choice B, Closed-end fund, is incorrect because these funds are not continuously offered and trade in the secondary market. Choice C, Variable annuity, is an insurance product, not an investment company under the Investment Company Act in the same way. Choice D, UIT, is not actively managed; it has a fixed portfolio.
Thus, the description clearly matches an open-end fund, making choice A correct.

NEW QUESTION: 165
When are registered persons required to fulfill their Continuing Education (CE) Regulatory Element requirement?
A. Annually
B. Semiannually
C. After the initial three-year requirement and then every two years
D. Upon the receipt of a customer complaint
Answer: (SHOW ANSWER)
FINRA's Continuing Education (CE) requirements include the Regulatory Element, which must be completed:
* Within 120 days of the second anniversary of a registered representative's initial registration.
* Every three years thereafter (changed to every two years as of 2023).
* C is correct because registered persons must complete the CE Regulatory Element after their initial requirement and then every two years.
* A and B are incorrect because CE is not required annually or semiannually.
* D is incorrect because CE is not tied to customer complaints.
Reference: FINRA Rule 1240 (Continuing Education Requirements)

NEW QUESTION: 166
Rising economic activity is most likely to increase revenues of which of the following sectors?
A. Utilities
B. Healthcare
C. Consumer staples
D. Consumer discretionary
Answer: D (LEAVE A REPLY)

Step by Step Explanation:
* Consumer Discretionary Sector: Includes products and services that are not essential, such as luxury items, travel, and entertainment. Revenues increase as disposable income rises during economic expansion.
* Consumer Staples and Utilities: These sectors are defensive and less impacted by economic cycles.
* Healthcare: Also less correlated with economic cycles due to its essential nature.
SEC and FINRA Guidance on Sectors: Investopedia Sector Overview.

NEW QUESTION: 167
An investor owns 100 shares of a company's stock and is very interested in electing a particular individual to the board of directors of the corporation. There are 20 individuals running to fill 10 board seats. If the corporation uses the cumulative voting method, what is the maximum number of votes the investor is permitted to cast for this particular director?
A. 50 votes
B. 100 votes
C. 1,000 votes
D. 2,000 votes
Answer: C (LEAVE A REPLY)
In cumulative voting, shareholders can allocate all their votes to a single candidate. The total number of votes is calculated by multiplying the number of shares owned by the number of seats available:
* Total votes = 100 shares × 10 seats = 1,000 votes.
* The investor can allocate all votes to one candidate.
* C is correct because cumulative voting allows all votes to be concentrated.
Reference: SIE Study Guide, Chapter 5: Corporate Governance

NEW QUESTION: 168
A registered representative (RR) reads an article online about a thinly traded security that the RR believes has a high likelihood of rapid growth and price appreciation. The RR purchases shares of the security in their own account and recommends to a number of high net worth customers that they purchase shares as well. After the RR's customers

make several purchases of the security, the price appreciates, as the RR expected. The RR liquidates their position for a profit and subsequently recommends to customers that they do the same thing.

Which of the following statements is true regarding this scenario?

A. This is a deceptive practice that violates FINRA conduct rules.

B. This is an acceptable practice if the customers' profits were equal to or greater than the RR's.

C. The RR's recommendations are appropriate as the customers are all high net worth individuals.

D. The RR violated FINRA rules that state RRs are only permitted to accept unsolicited orders for thinly traded securities.

Answer: A (LEAVE A REPLY)

This fact pattern describes a classic conflict-and-manipulation style scenario: the RR buys first, promotes purchases to customers in a thinly traded security, benefits from the price increase that customer buying helps create, then sells for a profit and tells customers to sell afterward. In FINRA terms, this is consistent with a deceptive practice that violates standards of commercial honor and fair dealing (e.g., conduct rules requiring ethical behavior and prohibiting manipulative or deceptive devices). Thinly traded securities are especially vulnerable because relatively small buying pressure can move the price materially; when an RR uses their position and influence over customers to create demand that benefits the RR's own account, regulators view that as improper and potentially manipulative.

Choice B is wrong because "customers also made money" does not cure a deceptive or manipulative practice.

The issue is the RR's conduct, conflicts, and potential misuse of customer recommendations to profit personally. Choice C is wrong because suitability and ethical standards apply regardless of a customer's wealth level; high net worth does not make conflicted or deceptive conduct permissible. Choice D is wrong because there is no rule that representatives may only accept unsolicited orders for thinly traded securities.

Firms may accept solicited orders if recommendations are suitable and communications are fair and balanced, but the scenario here is about deceptive/conflicted trading behavior.

On the SIE, this falls under prohibited practices and market manipulation concepts, including ethics, conflicts of interest, and improper trading ahead of customers.

NEW QUESTION: 169

The Investment Company Act of 1940 requires that investment companies limit the percentage of interested persons that serve on their boards of directors. This limitation seeks to mitigate or eliminate which of the following risks?

A. Insider trading

B. Money laundering

C. Conflicts of interest

D. Market manipulation
Answer: (SHOW ANSWER)
The Investment Company Act of 1940 includes governance requirements intended to protect fund shareholders by ensuring a meaningful degree of board independence. Limiting the percentage of "interested persons" on a fund's board reduces the likelihood that the board will be dominated by individuals with material ties to the fund's adviser, underwriter, or other service providers. The purpose is to mitigate conflicts of interest, which is why choice C is correct. An independent board is better positioned to oversee critical areas such as advisory contract approvals, fee reasonableness, compliance, and potential self-dealing risks.
Choice A (insider trading) is not the primary target of this board composition requirement. While good governance may indirectly discourage misuse of information, insider trading concerns are addressed through broader securities laws and compliance controls. Choice B (money laundering) is addressed through AML programs and customer identification procedures at financial institutions and broker-dealers, not primarily through investment company board independence rules. Choice D (market manipulation) is also not the core focus of board independence; manipulation is addressed through trading and anti-fraud rules and market regulation rather than investment company board composition.
The SIE commonly tests the concept that investment companies are structured to protect investors through transparency, fiduciary oversight, and independent governance. By ensuring that a substantial portion of directors are "uninterested," the Act helps prevent the adviser or affiliated parties from unduly influencing decisions that directly affect shareholder outcomes-particularly fees, expense arrangements, and conflicts between the fund's interests and the adviser's profit motive.