CHARTERED INSTITUTE FOR SECURITIES AND INVESTMENT (CISI) LEVEL 3 PRACTICE EXAM (SAMPLE)

STUDY GUIDE

SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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Introduction

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

This guide was designed to help you do exactly that.

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

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

• Practice answering questions under realistic conditions,

• Improve accuracy and speed,

• Review explanations to strengthen weak areas, and

• Approach the exam with greater confidence.

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

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

Let's begin.

How to Use This Guide

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

1. Start with a Diagnostic Review

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

2. Study in Short, Focused Sessions

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

3. Learn from the Explanations

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

4. Track Your Progress

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

5. Simulate the Real Exam

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

6. Repeat and Review

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

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

Questions

1. **Which statement correctly identifies the second stage of the financial planning process?**
    - A. Determine the client's requirements
    - B. Revisit the recommended investments
    - C. Implement the strategy by selecting suitable products
    - D. Formulate a strategy to meet the client's objectives

2. **Which statement best describes robo advice?**
    - A. Advice provided by a human adviser using modern technology.
    - B. A discretionary investment service guided by a financial planner.
    - C. The application of technology to provide financial advice without a financial adviser, usually focused on index funds and ETFs.
    - D. A form of advice limited to high-net-worth clients.

3. **What is the main scope of the Financial Policy Committee (FPC)?**
    - A. Micro-prudential regulation of individual institutions.
    - B. Macro-prudential regulation to ensure the stability and resilience of the financial system.
    - C. Consumer protection in retail markets only.
    - D. Regulation of market conduct.

4. **Which statement correctly describes the two policy instruments the FPC can use to influence the FCA and PRA?**
    - A. Power of directions and Power of recommendation
    - B. The two instruments are financial penalties and public admonitions
    - C. Power of directions and binding mediation
    - D. Only advisory guidance notes

5. **Which of the following best represents the GDP formula?**
    - A. GDP equals the sum of consumer spending, government spending, and investment
    - B. GDP equals consumer spending plus government spending plus investment plus exports minus imports
    - C. GDP excludes depreciation
    - D. GDP equals the total income generated domestically

6. A bonus issue is also known as what?

A. Rights issue
B. Stock split
C. Dividend reinvestment plan
D. Scrip or capitalisation issue

7. Who typically issues certificates of deposit (CDs)?

A. Banks
B. Corporations
C. Central banks
D. Governments

8. Which feature defines conventional UK government bonds?

A. Fixed coupon and single redemption date
B. Floating coupon with multiple redemption dates
C. Inflation-indexed coupon and redemption
D. Strippable into separate cash flows

9. Which organization is the professional body for investment funds, specifically OEICs and Unit trusts?

A. Depositary and Trustee Association (DATA)
B. PIMFA
C. Association of British Insurers (ABI)
D. Tax Incentivised Savings Association (TISA)

10. Critical illness cover is usually paid in which form and to which age range is it typically available?

A. Lump sum; 18 to 64
B. Lump sum; 18 to 75
C. Monthly payments; 18 to 64
D. Lump sum; 16 to 63

Answers

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

Explanations

1. Which statement correctly identifies the second stage of the financial planning process?

A. Determine the client's requirements

B. Revisit the recommended investments

C. Implement the strategy by selecting suitable products

D. Formulate a strategy to meet the client's objectives

In the financial planning process, you start by understanding and agreeing what the client wants and needs, then you move to turning those objectives into a concrete plan. The second stage is formulating a strategy to meet the client's objectives because after you know the goals, the next step is to design an approach that shows how those goals can be achieved. This sets the path for later steps like selecting products and implementing the plan. The other activities occur at different times in the process: gathering the client's requirements happens first to capture what they want; implementing the strategy by choosing suitable products comes after you've developed the plan; and revisiting the investments is part of ongoing review and monitoring.

2. Which statement best describes robo advice?

A. Advice provided by a human adviser using modern technology.

B. A discretionary investment service guided by a financial planner.

C. The application of technology to provide financial advice without a financial adviser, usually focused on index funds and ETFs.

D. A form of advice limited to high-net-worth clients.

Robo advice is technology-driven investment guidance provided without a human financial adviser. It relies on automated algorithms to assess your goals and risk tolerance, then selects and manages a diversified portfolio—often using low-cost index funds or ETFs—with automated rebalancing and sometimes tax considerations. This description fits best because it captures the essence of automated, adviser-free guidance and the typical use of index funds or ETFs to build simple, low-cost portfolios. The other statements imply a human planner or discretionary management, or suggest it's limited to high-net-worth clients, which do not describe robo advice accurately.

3. What is the main scope of the Financial Policy Committee (FPC)?

A. Micro-prudential regulation of individual institutions.

B. Macro-prudential regulation to ensure the stability and resilience of the financial system.

C. Consumer protection in retail markets only.

D. Regulation of market conduct.

The Financial Policy Committee focuses on macro-prudential regulation to protect the stability and resilience of the financial system as a whole. Macro-prudential work looks at risks that can affect many institutions and markets at once—like a credit boom, liquidity stress, or complex interconnections between banks—and uses tools across the system (such as capital buffers and liquidity requirements) to dampen those risks. It operates at the level of the Bank of England and coordinates with the PRA and FCA, but it isn't about regulating any single firm. In contrast, micro-prudential regulation targets individual institutions, while consumer protection and market conduct fall under the FCA. So the main scope is macro-prudential regulation to ensure systemic stability.

4. Which statement correctly describes the two policy instruments the FPC can use to influence the FCA and PRA?

A. Power of directions and Power of recommendation

B. The two instruments are financial penalties and public admonitions

C. Power of directions and binding mediation

D. Only advisory guidance notes

The FPC has two formal ways to influence the FCA and PRA: issuing directions and using binding mediation. Directions are binding orders the FPC can give to the FCA and PRA to require them to take, or refrain from, actions to address financial stability risks. If there's a disagreement between the FPC and the regulators, binding mediation provides a mechanism to reach a decision that both must follow. Other options describe tools that the FPC does not have—recommendations aren't binding, penalties are not a FPC instrument, and relying only on advisory notes would not exert mandatory influence. So the combination of directions and binding mediation best fits how the FPC can steer the regulators.

5. Which of the following best represents the GDP formula?

A. GDP equals the sum of consumer spending, government spending, and investment

B. GDP equals consumer spending plus government spending plus investment plus exports minus imports

C. GDP excludes depreciation

D. GDP equals the total income generated domestically

GDP, from the expenditure side, is the total spending on domestically produced final goods and services. It adds up consumer spending (C), business investment (I), government purchases (G), and net exports (exports minus imports, NX). The reason net exports appear is that spending on imports is on goods made abroad, so it doesn't add to domestic production, while exports are produced domestically and do increase domestic output. Put together, the formula is GDP = C + I + G + (Exports − Imports). Depreciation is tied to a different measure: net domestic product (NDP) = GDP − depreciation. So GDP is the gross measure of production, not reduced by depreciation. While GDP can also be represented via the income approach, the standard "best-fit" formula in this context is the expenditure one that includes net exports.

6. A bonus issue is also known as what?

A. Rights issue

B. Stock split

C. Dividend reinvestment plan

D. Scrip or capitalisation issue

A bonus issue is a capitalisation action: the company uses its reserves or retained earnings to convert that amount into additional share capital and issues new shares to existing shareholders at no extra cost. Because it is funded from the company's own profits and simply enlarges the share base, it is also called a scrip issue or a capitalisation issue. The overall value held by shareholders stays the same, but the number of shares increases and the price per share typically falls accordingly. This differs from a rights issue, which raises new funds by offering shares for cash to investors; a stock split, which merely increases the number of shares without tapping reserves; and a dividend reinvestment plan, which reinvests dividends into more shares rather than issuing new shares through capitalisation.

7. Who typically issues certificates of deposit (CDs)?

A. Banks

B. Corporations

C. Central banks

D. Governments

CDs are time deposits that banks issue to customers, offering a fixed term and a fixed interest rate in exchange for keeping the money deposited until maturity. This is why banks are the typical issuers of certificates of deposit. Corporations mainly issue other short-term debt instruments like commercial paper, not standard consumer CDs. Central banks and governments don't issue CDs for retail investors; they issue monetary policy tools and sovereign securities instead. So, the issuer you're most likely to encounter for CDs is a bank.

8. Which feature defines conventional UK government bonds?

A. Fixed coupon and single redemption date

B. Floating coupon with multiple redemption dates

C. Inflation-indexed coupon and redemption

D. Strippable into separate cash flows

Conventional UK government bonds are defined by a fixed coupon paid on the bond's face value and a single redemption date at maturity. This means the coupon rate stays constant for the life of the bond, with regular payments, and the principal is repaid in full when the bond matures. This differs from inflation-linked gilts where coupons and redemption adjust for inflation, floating-rate notes with variable coupons, or stripped gilts where cash flows can be separated into individual pieces. So the key feature is a fixed coupon with one maturity date.

9. Which organization is the professional body for investment funds, specifically OEICs and Unit trusts?

A. Depositary and Trustee Association (DATA)

B. PIMFA

C. Association of British Insurers (ABI)

D. Tax Incentivised Savings Association (TISA)

The key idea is governance and oversight for investment funds. OEICs and Unit Trusts rely on a depositary or trustee to safeguard assets and oversee compliance, so the professional body that represents those depositaries and trustees across these funds is the Depositary and Trustee Association. This organization focuses on standards, guidance, and best practices for the fund governance roles involved in OEICs and unit trusts. The other bodies serve broader or different parts of the industry (investment management and advisers, insurers, or savings/product associations) and are not the specialist professional body for fund depositaries and trustees.

10. **Critical illness cover is usually paid in which form and to which age range is it typically available?**

A. Lump sum; 18 to 64

B. Lump sum; 18 to 75

C. Monthly payments; 18 to 64

D. Lump sum; 16 to 63

Critical illness cover is designed to pay a single lump sum if you're diagnosed with a defined serious illness. That upfront payment helps with medical costs, rehabilitation, or repaying debts, giving you flexibility in how you use the funds. Because it's intended as a one-off payout, monthly income-style payments aren't the norm for this product. As for eligibility, most providers offer this cover up to about age 64. The upper limit around 64 reflects underwriting and product design, making 18 to 64 the typical available range. Options proposing monthly payments reflect different types of protection (like income protection) and age bands such as 18 to 75 or 16 to 63 are not the standard for critical illness cover.

Next Steps

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

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

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

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

https://cisilevel3.examzify.com

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