

CHARTERED INSTITUTE OF STOCKBROKERS (CISI) PROFESSIONAL PRACTICE EXAM (SAMPLE) STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	16

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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

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- 1. What distinguishes fundamental analysis from technical analysis?**
 - A. Fundamental analysis focuses on price movement
 - B. Fundamental analysis involves analyzing financial health and performance
 - C. Technical analysis relies solely on financial statements
 - D. Technical analysis projects future earnings potentials
- 2. What characterizes a block trade?**
 - A. A small volume transaction executed on the open market
 - B. A large volume transaction executed to minimize market impact
 - C. A type of trade that occurs exclusively in commodities
 - D. A transaction type that involves only foreign securities
- 3. What distinguishes "active" investment strategies from "passive" strategies?**
 - A. Active strategies focus on market replication
 - B. Passive strategies involve frequent trading
 - C. Active strategies seek to outperform a market index
 - D. Passive strategies require detailed market analysis
- 4. What may influence an investor's choice of benchmarks?**
 - A. Personal preference for asset types
 - B. Market trends and economic conditions
 - C. Investment advisors' opinions only
 - D. Historical performance of the investor's own portfolio
- 5. What is the primary purpose of performance benchmarks for investors?**
 - A. To increase the overall investment portfolio value
 - B. To compare portfolio returns against standard indexes
 - C. To minimize investment risks
 - D. To diversify investment options

- 6. What is the significance of the term "regulatory compliance" in the CISI exam?**
- A. It refers to market pricing strategies
 - B. It refers to adhering to laws and regulations governing financial services to protect consumers and maintain market integrity
 - C. It relates to internal company policies
 - D. It is about maximizing investment returns
- 7. What type of knowledge is assessed in the "Investment Products" section of the exam?**
- A. Knowledge of corporate finance
 - B. Knowledge related to various investment products, including stocks, bonds, mutual funds, and derivatives
 - C. Knowledge on trading strategies
 - D. Knowledge of financial reporting standards
- 8. What is a main advantage of a repayment mortgage compared to other mortgage types?**
- A. The mortgage is secured against the property
 - B. It has a fixed interest rate for the entire term
 - C. The mortgage is guaranteed to be paid off at the end of the term
 - D. The monthly payments decrease over time
- 9. What does PSNCR stand for in financial terms?**
- A. Public Sector Net Cash Requirement
 - B. Private Sector Net Cash Revenue
 - C. Public Sector Non-Cash Receipts
 - D. Private Sector Net Cash Return
- 10. What is the amount received in a defined contributions occupational pension scheme dependent upon?**
- A. Employee tenure
 - B. The investment performance
 - C. Company profits
 - D. Market conditions

Answers

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

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Explanations

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1. What distinguishes fundamental analysis from technical analysis?

- A. Fundamental analysis focuses on price movement
- B. Fundamental analysis involves analyzing financial health and performance**
- C. Technical analysis relies solely on financial statements
- D. Technical analysis projects future earnings potentials

Fundamental analysis is distinguished by its emphasis on evaluating a company's financial health and performance. This approach involves examining key financial metrics such as earnings, revenue, profit margins, and overall economic conditions to determine the intrinsic value of a security. Investors who utilize fundamental analysis seek to understand the underlying factors that can influence a company's performance over the long term, including management effectiveness, market position, and competitive advantages. In contrast, other approaches, such as technical analysis, focus primarily on price movements and trading patterns rather than the company's fundamentals. Technical analysis utilizes stock price data and volume over time to identify trends and make investment decisions, without considering the financial statements or the underlying health of the company itself. Therefore, the essence of fundamental analysis lies in its comprehensive examination of financial performance, which is not a characteristic of technical analysis.

2. What characterizes a block trade?

- A. A small volume transaction executed on the open market
- B. A large volume transaction executed to minimize market impact**
- C. A type of trade that occurs exclusively in commodities
- D. A transaction type that involves only foreign securities

A block trade is characterized by a large volume transaction executed to minimize market impact. This type of trade typically involves a significant number of shares or contracts, which, if traded on the open market, could lead to fluctuations in the price due to the sheer volume of the order. To avoid this potential disruption, block trades are often negotiated privately before execution or processed through specific mechanisms designed for high-volume transactions. The aim is to ensure that the execution does not adversely affect the market price, allowing the trader to buy or sell a large stake without causing significant price movement. This practice is especially pertinent in environments where liquidity may be constrained, making it important for investors to consider the implications of their trades on market dynamics. In contrast, the other choices describe transaction types that do not align with the defining characteristics of a block trade. Small volume transactions executed on the open market do not require the same considerations as block trades, nor do they typically aim to minimize market impact in the same way. A type of trade that occurs exclusively in commodities and a transaction type that involves only foreign securities are also too narrow in scope and do not reflect the broader definition of block trades, which can occur across various asset classes.

3. What distinguishes "active" investment strategies from "passive" strategies?

- A. Active strategies focus on market replication
- B. Passive strategies involve frequent trading
- C. Active strategies seek to outperform a market index**
- D. Passive strategies require detailed market analysis

Active investment strategies are characterized by the objective to outperform a specific market index or benchmark. Investors employing active strategies engage in extensive research, analysis, and trading decisions aiming to identify undervalued securities or favorable market conditions to gain higher returns than the overall market. This involves frequent trading and adjusting portfolio allocations based on market trends and economic indicators, thus actively managing the portfolio. In contrast, passive investment strategies focus on replicating market indices, with minimal trading activity. These approaches typically involve buying and holding a diversified set of securities that aim to mirror the performance of a market index, rather than trying to beat it. Therefore, the pursuit of excess returns relative to a benchmark through active management clearly differentiates active investment strategies from passive ones.

4. What may influence an investor's choice of benchmarks?

- A. Personal preference for asset types
- B. Market trends and economic conditions**
- C. Investment advisors' opinions only
- D. Historical performance of the investor's own portfolio

Choosing a benchmark for investing is a critical step that can be influenced by a variety of factors, with market trends and economic conditions being particularly significant. Investors typically look for benchmarks that reflect the environment in which they are operating, as these factors can greatly impact the performance of investment assets. Market trends might indicate a shift toward certain asset classes or sectors, prompting an investor to choose a benchmark that aligns closely with these movements. Economic conditions, such as interest rates, inflation, and overall economic growth, also play a crucial role in determining which benchmarks are appropriate for measuring performance. For instance, in a growing economy, an investor might use a benchmark that focuses on equities, while in a recession, a fixed-income benchmark might be more relevant. While personal preference for asset types, the opinions of investment advisors, and a portfolio's historical performance can all contribute to the decision-making process, they do not carry the same weight as the influence of current market dynamics. These factors may shape overall strategy but are considered secondary to the broader market context when selecting a benchmark. Therefore, understanding and responding to market trends and economic conditions is vital for setting relevant and achievable performance standards.

5. What is the primary purpose of performance benchmarks for investors?

- A. To increase the overall investment portfolio value
- B. To compare portfolio returns against standard indexes**
- C. To minimize investment risks
- D. To diversify investment options

The primary purpose of performance benchmarks for investors is to compare portfolio returns against standard indexes. Benchmarks serve as a reference point that investors and portfolio managers use to assess the performance of an investment portfolio. By measuring returns against a benchmark, such as a relevant index or market average, investors can determine how well their portfolio is performing relative to the broader market. This comparison helps in evaluating the effectiveness of investment strategies and in understanding whether the investment decisions made are yielding satisfactory outcomes. Using benchmarks allows investors to gauge both absolute performance and relative performance. For instance, if a portfolio manager claims to have achieved a 10% return, investors can assess whether that exceeds, matches, or falls short of the benchmark's return over the same period. Such comparisons can also inform decisions on asset allocation, strategy adjustments, and ultimately improve future investment performance through informed choices. In contrast, while the other choices mention important aspects of investing, they do not encapsulate the primary role of benchmarks. Increasing portfolio value, minimizing risks, and diversifying options are valuable objectives; however, they do not specifically address the function of performance benchmarks in providing a comparative standard for assessing performance.

6. What is the significance of the term "regulatory compliance" in the CISI exam?

- A. It refers to market pricing strategies
- B. It refers to adhering to laws and regulations governing financial services to protect consumers and maintain market integrity**
- C. It relates to internal company policies
- D. It is about maximizing investment returns

The term "regulatory compliance" holds significant importance within the context of the CISI exam because it encapsulates the required adherence to laws and regulations that govern the financial services industry. This compliance is essential to ensure consumer protection and uphold the integrity of financial markets. Regulatory bodies impose these laws to create a fair and transparent environment where investors' rights are safeguarded. Organizations must ensure their practices align with these regulations to avoid legal repercussions and to foster trust with their clients and the public. This protective framework not only aims to mitigate risks associated with financial misconduct but also helps in maintaining stability within the financial system, which is crucial for investor confidence and long-term market sustainability. The other options do not encompass the concept of regulatory compliance effectively. Strategies regarding market pricing or maximizing investment returns focus on market-oriented tactics rather than the adherence to regulatory frameworks. Similarly, internal company policies are often shaped by compliance requirements but are not synonymous with the concept itself. Thus, understanding regulatory compliance is fundamental for professionals in finance, as it influences their operational practices and ethical standards.

7. What type of knowledge is assessed in the "Investment Products" section of the exam?

- A. Knowledge of corporate finance
- B. Knowledge related to various investment products, including stocks, bonds, mutual funds, and derivatives**
- C. Knowledge on trading strategies
- D. Knowledge of financial reporting standards

The assessment in the "Investment Products" section focuses on understanding the various types of investment vehicles available in the market, which is essential for anyone involved in stockbroking or investment services. This includes a comprehensive knowledge of stocks, bonds, mutual funds, and derivatives. Mastery of these products is crucial because each has unique characteristics, risk profiles, and potential returns, which investors must understand to make informed decisions. Examining the context of the other options, knowledge of corporate finance, trading strategies, and financial reporting standards, while valuable in the broader field of finance, are not the primary focus of the investment products section. This section specifically seeks to evaluate an individual's familiarity with and practical understanding of different investment options, enabling them to advise clients effectively on their investment choices. Thus, option B accurately identifies the essential area of knowledge being tested.

8. What is a main advantage of a repayment mortgage compared to other mortgage types?

- A. The mortgage is secured against the property
- B. It has a fixed interest rate for the entire term
- C. The mortgage is guaranteed to be paid off at the end of the term**
- D. The monthly payments decrease over time

A significant advantage of a repayment mortgage is that it is structured to ensure that the loan is fully paid off at the end of the loan term. This is accomplished through a payment plan where each monthly payment includes both interest and a portion of the principal, leading to a gradual reduction of the outstanding balance. By the time the mortgage term concludes, the borrower will have repaid the full amount borrowed, providing peace of mind and security in knowing that they own the property outright. In contrast, some other mortgage types, like interest-only mortgages, do not require the principal to be paid down during the term, which can leave borrowers with a substantial amount due at the end. While secured loans provide certain protections to lenders, and fixed-rate mortgages offer stability in monthly payments, neither of these features guarantees repayment of the loan principal by the end of the term. Thus, the repayment mortgage stands out for its assurance that the debt will be completely eliminated upon completion of the payment schedule.

9. What does PSNCR stand for in financial terms?

A. Public Sector Net Cash Requirement

B. Private Sector Net Cash Revenue

C. Public Sector Non-Cash Receipts

D. Private Sector Net Cash Return

PSNCR stands for Public Sector Net Cash Requirement, which refers to the amount of cash that the public sector needs to fund its operations and obligations during a specific period. This measure is vital for understanding the financial health of the public sector, as it indicates how much borrowing may be necessary to cover expenses. It essentially helps in assessing a nation's fiscal position and the need for government borrowing. In this context, the term emphasizes the net cash flows of the public sector, considering both its revenues and expenditures. A significant PSNCR suggests that the public sector is spending more than it is receiving in terms of cash, which could have implications for national debt levels and economic policy. This understanding is crucial for stakeholders such as policymakers, investors, and financial analysts who are evaluating the economic climate and fiscal sustainability of the public sector.

10. What is the amount received in a defined contributions occupational pension scheme dependent upon?

A. Employee tenure

B. The investment performance

C. Company profits

D. Market conditions

In a defined contributions occupational pension scheme, the amount received at retirement primarily depends on the investment performance. This type of scheme operates by accumulating the contributions made by both the employee and the employer over time, which are then invested in various assets. The total value of these investments at retirement determines the benefits received. Therefore, if the investments perform well and yield high returns, the final amount available to the employee can be significantly larger. Conversely, underperforming investments can lead to a lower retirement payout. This reliance on investment performance distinguishes defined contributions schemes from defined benefit schemes, which assure a specific payout based on a predetermined formula regardless of investment fluctuations. While employee tenure, company profits, and market conditions can influence aspects of the scheme, such as contribution levels or the investment options available, they do not fundamentally determine the retirement benefit itself. The main factor that directly impacts the amount received is indeed the performance of the investments chosen within the scheme.

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://cisi.examzify.com>

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

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