

CISI REGULATORY 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

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- 1. What is a requirement for the FCA to ensure accountability?**
 - A. Report to the public annually
 - B. Report to HMT annually
 - C. Conduct quarterly reviews
 - D. Engage in yearly budget planning

- 2. What action can a plc take if a shareholder fails to disclose holdings under the Companies Act Section 793?**
 - A. Increase their shares
 - B. Remove their voting/dividend rights
 - C. Fine them
 - D. Stop their shares from trading

- 3. What document may the offeree issue in response to an offer?**
 - A. A letter of intent
 - B. An audited defense document
 - C. A summary of stakeholder opinions
 - D. A financial statement

- 4. What type of market products does the MAR apply to?**
 - A. Only regulated securities
 - B. Traded OTC products affecting prices
 - C. Derivatives exclusively
 - D. Only commodities

- 5. Which of the following is NOT a requirement for a non-MIFID company to qualify as a per se professional client?**
 - A. Balance sheet of at least 12.5m EUR
 - B. Average of 300 employees
 - C. Turnover of at least 25m EUR
 - D. Must have representative office in the UK

- 6. What is one of the responsibilities of the Takeover Panel?**
- A. Reducing corporate taxes
 - B. Ensuring equal voting rights for all shareholders
 - C. Drafting and maintaining the City Code
 - D. Investigating fraudulent activity in mergers
- 7. What document must be approved by the NOMAD for a private placing in AIM?**
- A. The full investment prospectus
 - B. The admission document
 - C. The financial disclosure report
 - D. The corporate governance report
- 8. Which of the following is NOT a recognized Regulated Investment Exchange (RIE)?**
- A. LSE
 - B. CBOE
 - C. Euronext
 - D. NYSE
- 9. What is a requirement for approving a Reverse takeover transaction?**
- A. Shareholder electronic voting
 - B. Ordinary resolution approval
 - C. Board meeting approval
 - D. Written consent from all directors
- 10. What is the primary source of funding for the FCA?**
- A. The Treasury
 - B. The Financial Industry
 - C. Consumer taxes
 - D. Government allocations

Answers

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

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Explanations

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1. What is a requirement for the FCA to ensure accountability?

- A. Report to the public annually
- B. Report to HMT annually**
- C. Conduct quarterly reviews
- D. Engage in yearly budget planning

The requirement for the Financial Conduct Authority (FCA) to report to Her Majesty's Treasury (HMT) annually is rooted in the structure of accountability and oversight established by the UK's regulatory framework. This reporting obligation aligns with the FCA's role within the financial system, as it provides HMT with insights into its activities, performance, and regulatory objectives. This annual report is crucial for maintaining transparency and provides an opportunity for HMT to assess how effectively the FCA is fulfilling its statutory objectives and duties. By reporting to HMT, the FCA ensures that there is a dialogue between itself and the government, which is essential for accountability to the public and to the national interests in regulating financial markets. This process allows HMT to hold the FCA accountable for its performance and for the impact of its regulatory decisions on consumers and the financial system as a whole. In contrast, the other options, such as annual public reporting and conducting quarterly reviews, do not specifically address the requirement for direct accountability to HMT. While engaging with the public and various stakeholders is important for transparency, the primary accountability mechanism mandated involves reporting to the Treasury. Yearly budget planning, while a critical aspect of financial management, does not in itself ensure accountability relative to performance oversight.

2. What action can a plc take if a shareholder fails to disclose holdings under the Companies Act Section 793?

- A. Increase their shares
- B. Remove their voting/dividend rights**
- C. Fine them
- D. Stop their shares from trading

A public limited company (plc) has specific rights regarding shareholders who fail to disclose their holdings as mandated by the Companies Act Section 793. If a shareholder does not provide the necessary disclosures about their shareholdings, the company can take the action of removing their voting rights and/or rights to dividends. This action serves as a mechanism to ensure compliance with disclosure requirements and to maintain an orderly and fair system of governance within the company. Removing voting and dividend rights acts as a crucial tool for the plc to enforce its regulations and encourage transparency among its investors. By doing so, the company aims to protect the integrity of its shareholder base and ensure that all investors contribute to the accountability structures inherent in a public limited company. In contrast, increasing shares would not be a direct response to a disclosure failure; imposing fines is not typically within the remit of a plc regarding shareholder disclosures; and stopping shares from trading does not directly address the shareholder's failure to disclose. These alternatives do not specifically fall under actions sanctioned by the Companies Act concerning undisclosed holdings.

3. What document may the offeree issue in response to an offer?

- A. A letter of intent
- B. An audited defense document**
- C. A summary of stakeholder opinions
- D. A financial statement

The correct document the offeree may issue in response to an offer is a letter of intent. This document typically expresses the intention of the offeree to proceed with the terms of the offer, often outlining the main points of agreement and the next steps in the process. It is commonly used in negotiations to demonstrate interest and set the stage for formal agreements. In contrast, options such as an audited defense document, a summary of stakeholder opinions, or a financial statement do not serve the same purpose in the context of responding to an offer. An audited defense document relates to financial audits or compliance measures, and a summary of stakeholder opinions might share perspectives but lacks the formal intent or commitment associated with an offer. A financial statement provides insight into the financial health of an entity but does not communicate acceptance or conditional acceptance of an agreement. Thus, a letter of intent stands out as the appropriate response to indicate a willingness to engage further in negotiations.

4. What type of market products does the MAR apply to?

- A. Only regulated securities
- B. Traded OTC products affecting prices**
- C. Derivatives exclusively
- D. Only commodities

The Market Abuse Regulation (MAR) primarily applies to a broad range of financial instruments that can impact market integrity and ensure that all investors are treated fairly. This regulation is designed to prevent market abuse including insider trading and the manipulation of the market. Focusing on traded over-the-counter (OTC) products affecting prices, this highlights the significance of all products that can influence the market conditions. OTC products, which are traded directly between parties rather than on an exchange, can significantly affect the pricing of underlying assets and overall market dynamics. Thus, any activity concerning these products falls under the purview of MAR, as they can lead to unfair advantages in the market if manipulated. In contrast to the other options, the scope of MAR is not restricted to just regulated securities or commodities; it encompasses a more extensive range of financial instruments, including those not listed on an exchange. Although derivatives are covered under MAR, the regulation's applicability is much broader, ensuring comprehensive coverage of practices that could harm market integrity. This understanding is crucial when considering the regulatory landscape and ensuring compliance within the financial markets.

5. Which of the following is NOT a requirement for a non-MIFID company to qualify as a per se professional client?

- A. Balance sheet of at least 12.5m EUR
- B. Average of 300 employees
- C. Turnover of at least 25m EUR
- D. Must have representative office in the UK**

To qualify as a per se professional client, a non-MIFID company must meet specific criteria regarding its financial status. The requirements typically include metrics related to its balance sheet size, employee count, and annual turnover. Having a balance sheet of at least 12.5 million EUR, an average of 300 employees, and a turnover of at least 25 million EUR are all established financial thresholds that indicate a level of operational scale and financial sophistication. These criteria help ensure that the entity has the necessary resources and experience to understand the risks associated with the types of investment activities that a professional client might engage in. On the other hand, having a representative office in the UK is not a requirement for a non-MIFID company to qualify as a per se professional client. The focus of the qualification process is more on the company's financial standing and operational scale rather than its geographical presence or specific office locations. Therefore, this criterion does not align with the foundational requirements set for per se professional client status.

6. What is one of the responsibilities of the Takeover Panel?

- A. Reducing corporate taxes
- B. Ensuring equal voting rights for all shareholders
- C. Drafting and maintaining the City Code**
- D. Investigating fraudulent activity in mergers

One of the key responsibilities of the Takeover Panel is to draft and maintain the City Code, which governs the conduct of takeovers and mergers in the UK. The City Code is designed to protect the interests of shareholders and ensure that the takeover process is conducted fairly and transparently. It establishes rules regarding disclosure, timing, and the treatment of stakeholders involved in the takeover process. This helps promote integrity within the financial markets and fosters trust among investors, which is vital for the smooth operation of capital markets. In contrast, the other options do not align with the core functions of the Takeover Panel. Reducing corporate taxes is outside its mandate, as tax policy falls under the jurisdiction of governmental financial authorities. Ensuring equal voting rights for shareholders is more a principle of corporate governance than a specific responsibility of the Takeover Panel. Investigating fraudulent activity in mergers may involve other regulatory bodies or legal authorities, but it is not a primary duty of the Takeover Panel itself. Thus, the primary focus of the Takeover Panel is its role in drafting and overseeing adherence to the City Code.

7. What document must be approved by the NOMAD for a private placing in AIM?

- A. The full investment prospectus
- B. The admission document**
- C. The financial disclosure report
- D. The corporate governance report

In the context of private placings on the Alternative Investment Market (AIM), the admission document is the key document that must be approved by the nominated adviser (NOMAD). This document is critical as it contains essential information about the company and the securities being offered to potential investors. It provides details about the business, its financials, management, and corporate governance structures, all of which are important for investors to make informed decisions. The role of the NOMAD is to ensure that the admission document complies with AIM rules and regulations, thereby facilitating transparency and integrity in the market. This oversight is crucial because private placings are often not subjected to the same level of scrutiny as public offers, making the NOMAD's approval an essential component of the process to protect investors. Other documents mentioned, like the full investment prospectus, are more relevant in different contexts, such as public offerings. The financial disclosure report and the corporate governance report serve important functions but do not specifically require NOMAD approval for private placings on AIM. Hence, the admission document stands out as the necessary document for this scenario.

8. Which of the following is NOT a recognized Regulated Investment Exchange (RIE)?

- A. LSE
- B. CBOE
- C. Euronext
- D. NYSE**

The question is centered on identifying which market is not designated as a Regulated Investment Exchange (RIE). The New York Stock Exchange (NYSE), despite being one of the largest and most prominent stock exchanges globally, operates under a framework that focuses primarily on providing a platform for stock trading rather than fitting the regulatory framework typically associated with RIEs, as defined in specific jurisdictions. In contrast, the London Stock Exchange (LSE), Cboe (Chicago Board Options Exchange), and Euronext are recognized as regulated exchanges due to their adherence to stringent regulatory standards, oversight by financial authorities, and their roles in providing liquid and transparent markets for a variety of financial instruments. These exchanges are subject to comprehensive regulation to protect investors and maintain fair and orderly markets. Understanding the distinctions among different exchange types is crucial for navigating investment landscapes and adhering to compliance standards. RIEs play a vital role in ensuring market integrity, which is why recognizing which exchanges meet these criteria is essential—leading to the conclusion that NYSE does not align with the definition of an RIE in this context.

9. What is a requirement for approving a Reverse takeover transaction?

- A. Shareholder electronic voting
- B. Ordinary resolution approval**
- C. Board meeting approval
- D. Written consent from all directors

In the context of approving a Reverse Takeover (RTO) transaction, the requirement for ordinary resolution approval is critical. An ordinary resolution typically requires a simple majority of votes cast at a shareholder meeting, which enables shareholders to collectively agree to significant corporate changes such as mergers, acquisitions, or reverse takeovers. The rationale here is that RTOs often involve significant transactions that can drastically affect the company's structure and operations. By requiring ordinary resolution approval, regulatory standards ensure that a substantial portion of shareholders have a say in the decision, prioritizing shareholder democracy and safeguarding their interests. The other options, while they may reflect different aspects of corporate governance or decision-making processes, do not specifically capture the legally mandated procedure for RTO approvals. Electronic voting, while it can be a method employed, is not a regulatory requirement in itself. Similarly, board meeting approval or written consent from all directors pertains more to internal governance and less to the necessary shareholder backing required for such significant transactions. Thus, ordinary resolution approval stands out as the fundamental step mandated for these critical decisions.

10. What is the primary source of funding for the FCA?

- A. The Treasury
- B. The Financial Industry**
- C. Consumer taxes
- D. Government allocations

The primary source of funding for the Financial Conduct Authority (FCA) comes from the financial industry itself. This is achieved through fees that the FCA levies on the firms it regulates, which include banks, investment firms, insurance companies, and other financial services organizations. By obtaining funds from the financial industry, the FCA is able to maintain its independence and ensure that it is effectively overseeing and protecting consumer interests within that sector. This approach aligns the financing of regulatory activities with those who are regulated, fostering a system where the costs are borne by the firms that benefit from operating within a regulated environment. The alternative sources mentioned, such as Treasury funding, consumer taxes, and government allocations, do not serve as the primary means for the FCA's financing. Instead, these options suggest a structure where funding would be reliant on taxpayer money or government budgets, which could lead to conflicts of interest and undermine the FCA's independence in its regulatory role. By relying on industry fees, the FCA ensures that its operations remain focused on the needs and behaviors of the financial markets it oversees.

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:

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

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