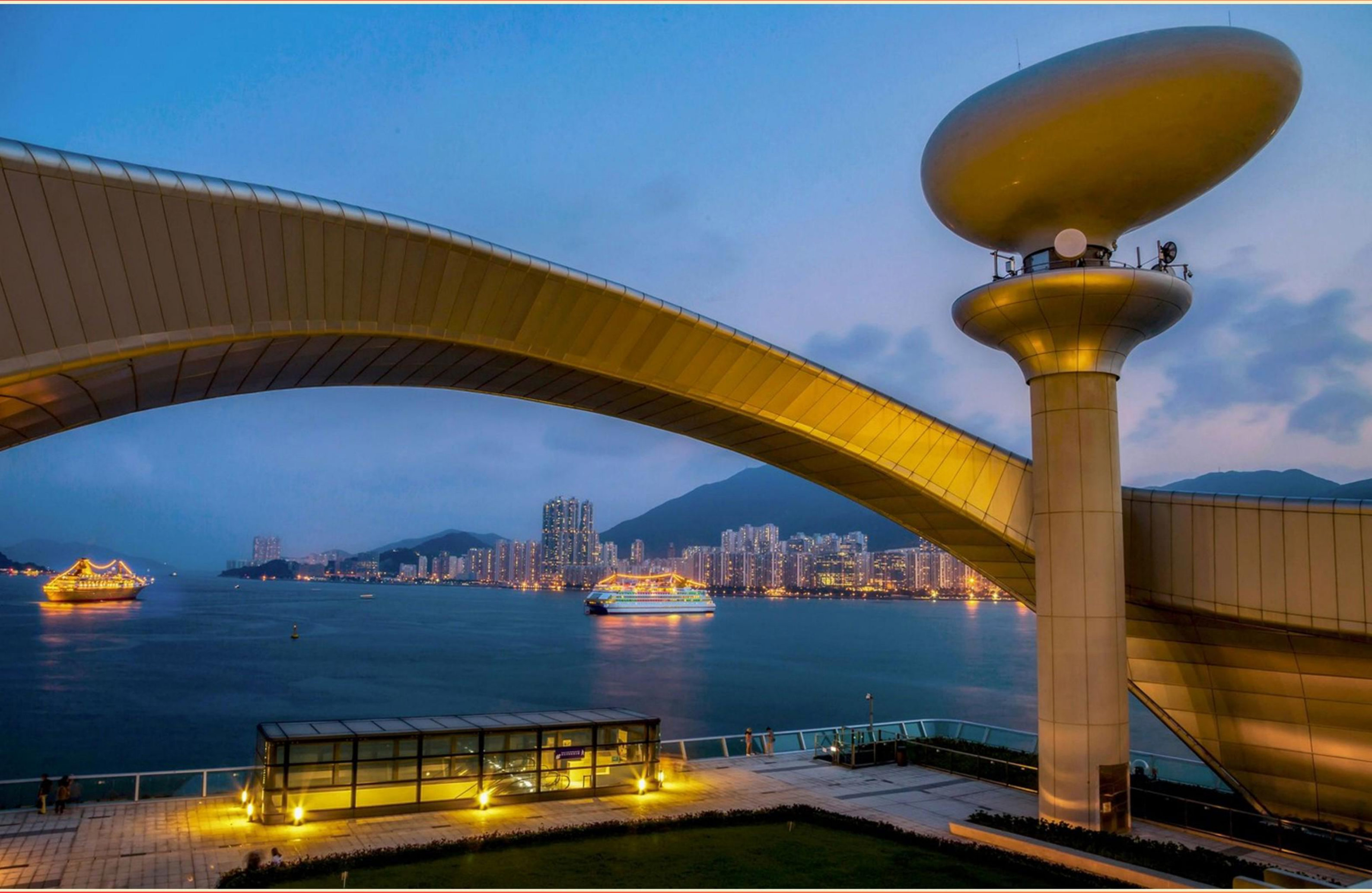
HKSI PAPER 1 PRACTICE EXAM (SAMPLE)

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. Type 3 regulated activity?

A. Dealing in futures
B. Leveraged FX trading
C. Dealing in securities
D. Advising on securities

2. Which statements correctly describe Professional Investors?

A. A corporation with at least HK$40 million in assets
B. A high-net-worth individual with at least HK$8 million portfolio
C. Both A and B
D. Neither A nor B

3. What must promotional materials describing financial products or services include?

A. Celebrities testimonials
B. Risk disclosures and must be accurate and not misleading
C. Guarantees of returns
D. Only legal disclaimers

4. What is IOSCO?

A. Global group of securities regulators; SFC is a member
B. Local association of brokers
C. Insurance regulatory body
D. Financial market operator

5. What is the proper initial response to allegations of market misconduct by staff?

A. Investigate, suspend activities if warranted, notify management and regulators as required, and take corrective action
B. Terminate all staff involved without investigation
C. Ignore the allegations until regulators contact you
D. Publicly disclose the allegations to clients immediately

6. What is the Code's stance on advertising and promotional materials?

A. Can exaggerate returns to attract clients.

B. Must be accurate, not misleading, balanced with risk disclosures, and comply with standards; avoid guaranteed returns.

C. May omit risk disclosures if margins are high for firm.

D. Advertising is not regulated.

7. Does the Registrar of Companies regulate companies, limited partnerships, trustees, money lenders or open-ended funds directly?

A. Yes

B. No - not directly

C. Only indirectly

D. Only for governance matters

8. Which organization is associated with the Chinese Gold & Silver Exchange Society?

A. The Chinese Gold Exchange

B. The Hong Kong Futures Exchange

C. The Chinese Gold & Silver Exchange Society

D. The Securities and Futures Commission

9. Why is full disclosure of costs and charges important?

A. It reduces compliance risk.

B. It improves sales incentives.

C. Ensures clients understand total costs, enabling informed decisions and preventing hidden charges.

D. It is optional.

10. Insider dealing is prohibited at all times. Which statement about this rule is true?

A. It is prohibited at all times

B. It is prohibited only during market hours

C. It is prohibited only when trading on non-public information

D. It is prohibited but there are carve-outs for certain clients

Answers

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

Explanations

1. Type 3 regulated activity?

A. Dealing in futures

B. Leveraged FX trading

C. Dealing in securities

D. Advising on securities

Type 3 regulated activity refers to leveraged foreign exchange trading. This category covers businesses that deal in currencies on margin, offering or using leverage to amplify exposure, which makes the activity high-risk and subject to licensing. The other items belong to different regulated activities: dealing in futures is a separate category, dealing in securities is another, and advising on securities fits a different licensing type. So leveraged FX trading is the activity that specifically sits under Type 3.

2. Which statements correctly describe Professional Investors?

A. A corporation with at least HK$40 million in assets

B. A high-net-worth individual with at least HK$8 million portfolio

C. Both A and B

D. Neither A nor B

The defining idea is how professional investors are identified under Hong Kong rules. In Hong Kong, a corporation becomes a professional investor if it has net assets of at least HK$40 million, and an individual becomes a professional investor if their investments amount to at least HK$8 million in a portfolio. These thresholds are the standard criteria used to grant professional-investor status, which can affect eligibility for certain private placements and exemptions from some protective requirements. Since both conditions described match these criteria, they both correctly describe professional investors.

3. What must promotional materials describing financial products or services include?

A. Celebrities testimonials

B. Risk disclosures and must be accurate and not misleading

C. Guarantees of returns

D. Only legal disclaimers

Promotional materials for financial products must present clear risk disclosures and be accurate and not misleading. This ensures investors understand the potential losses and uncertainties involved before making a decision, rather than being swayed by promises or vague statements. Risk disclosures should be easy to understand and prominently shown, reflecting the true nature of the product rather than overstating benefits or concealing downsides. Endorsements or testimonials don't substitute for this essential information, and guarantees of returns are inappropriate because they create unrealistic expectations. Relying only on legal disclaimers is not enough; substantive risk information must be communicated.

4. What is IOSCO?

A. Global group of securities regulators; SFC is a member

B. Local association of brokers

C. Insurance regulatory body

D. Financial market operator

IOSCO, the International Organization of Securities Commissions, is a global network of securities regulators. It brings together regulator authorities from many countries to develop and promote high standards for securities regulation, share information, and cooperate on -border enforcement and policy issues that affect global markets. Being a member, like the SFC in Hong Kong, shows how regulators work together internationally to harmonize practices and address cross-border challenges. This is why IOSCO is described as a global group of securities regulators. It isn't a local brokers' association, an insurance regulator, or a financial market operator, so those options don't fit.

5. What is the proper initial response to allegations of market misconduct by staff?

A. Investigate, suspend activities if warranted, notify management and regulators as required, and take corrective action

B. Terminate all staff involved without investigation

C. Ignore the allegations until regulators contact you

D. Publicly disclose the allegations to clients immediately

When faced with allegations of market misconduct by staff, the first priority is to respond in a controlled, compliant way that protects markets and clients while you determine the facts. Start with a prompt internal investigation to establish what happened, preserve relevant evidence, and assess the severity and potential ongoing risk. If there is a real risk that ongoing activities could cause harm, temporarily suspend those activities to prevent further damage. Escalate the matter to management to ensure appropriate governance and decision-making, and notify regulators as required by policy or applicable regulations. This shows due regard for supervisory obligations and helps maintain market integrity. After the facts are known, take corrective action to address any control weaknesses, implement fixes, and apply disciplinary measures if warranted. Other approaches fail because they either skip the investigation, risking unfair treatment and missed facts; delay action and leave clients or markets exposed; or disclose unverified information to clients before the facts are established, which can cause unnecessary panic and harm to reputation.

6. What is the Code's stance on advertising and promotional materials?

A. Can exaggerate returns to attract clients.

B. Must be accurate, not misleading, balanced with risk disclosures, and comply with standards; avoid guaranteed returns.

C. May omit risk disclosures if margins are high for firm.

D. Advertising is not regulated.

Advertising and promotional materials must be accurate, not misleading, and present a balanced view with clear risk disclosures, in line with the standards of the Code. They should avoid any guaranteed or promised returns and ensure that all claims are compliant with regulatory requirements. This approach protects investors by providing a truthful picture of potential benefits and risks and by avoiding deceptive impressions. Exaggerating returns, omitting risk disclosures, or claiming that advertising is unregulated do not fit these standards.

7. Does the Registrar of Companies regulate companies, limited partnerships, trustees, money lenders or open-ended funds directly?

A. Yes

B. No - not directly

C. Only indirectly

D. Only for governance matters

The Registrar of Companies functions as a registration and records authority, not as a regulator of business conduct. It handles the formation, filing, and maintenance of company and related records, including certain registered entities, but it does not oversee or license how those entities operate on an ongoing basis. Regulation of companies, limited partnerships, trustees, money lenders, or open-ended funds is carried out by other regulators and statutory bodies (for example, the Securities and Futures Commission covers financial products and services, while other agencies handle specific areas like money lending or trusts). The Registrar can enforce compliance with filing requirements and remove entities that fail to meet those duties, but that's administrative oversight rather than direct regulatory supervision of their activities. So, it does not regulate these entities directly.

8. Which organization is associated with the Chinese Gold & Silver Exchange Society?

A. The Chinese Gold Exchange

B. The Hong Kong Futures Exchange

C. The Chinese Gold & Silver Exchange Society

D. The Securities and Futures Commission

The key idea is to know who actually runs the gold and silver trading market in Hong Kong. The Chinese Gold & Silver Exchange Society is the body that operates and governs that market, a self-regulatory organization dedicated to gold and silver trading. It is distinct from the futures market, which is handled by a separate exchange, and from the regulator that oversees markets. The other options refer to different entities, so the organization most closely associated with the Chinese Gold & Silver Exchange Society is the Chinese Gold & Silver Exchange Society itself.

9. Why is full disclosure of costs and charges important?

A. It reduces compliance risk.

B. It improves sales incentives.

C. Ensures clients understand total costs, enabling informed decisions and preventing hidden charges.

D. It is optional.

Full disclosure of costs and charges is essential because it removes information gaps and lets the client see the true price of a product or service. When all fees are shown—upfront charges, ongoing management or advisory fees, transaction costs, and any incidental expenses—the client can assess the total cost of ownership and the net returns they should expect. This transparency supports informed decision-making, helps clients compare options accurately, and prevents surprises or hidden charges that could erode value or undermine trust. It also aligns with professional obligations to act in clients' best interests and strengthens the client-advisor relationship through honesty. While other points like compliance considerations can be relevant, the main benefit is enabling clients to understand total costs so they can choose what best fits their goals and protect themselves from unexpected fees. For example, two products with similar performance can differ greatly in fees; full disclosure lets the client compare the true costs and select the better option.

10. **Insider dealing is prohibited at all times. Which statement about this rule is true?**

A. It is prohibited at all times

B. It is prohibited only during market hours

C. It is prohibited only when trading on non-public information

D. It is prohibited but there are carve-outs for certain clients

Insider dealing is prevented to protect market integrity by making the use or disclosure of non-public information illegal at all times. The rule targets not just trading, but any act that uses inside information or passes it on to someone who might trade on it. This means that even outside of trading hours or in private settings, dealing on material non-public information—or tipping it to others who might trade—remains prohibited. There are no carve-outs for certain clients; the prohibition applies broadly to anyone who possesses inside information. So the statement that it is prohibited at all times is the true one.

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://hksipaper1.examzify.com

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