

Investment Company and. Variable Contracts Products Principals (Series 26) Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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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. After receiving a claim, how long does the respondent have to respond to both the director and the claimant?**
 - A. 30 days**
 - B. 45 days**
 - C. 60 days**
 - D. 90 days**
- 2. How long is the customer's account frozen after a sellout if payment is not made?**
 - A. 30 days**
 - B. 60 days**
 - C. 90 days**
 - D. 120 days**
- 3. What is the maximum time allowed to invest toward a breakpoint using a Letter of Intent (LOI)?**
 - A. 6 months**
 - B. 9 months**
 - C. 12 months**
 - D. 13 months**
- 4. What is the filing deadline for less detailed FOCUS IIA reports for fully disclosed firms?**
 - A. 10 days**
 - B. 17 days**
 - C. 30 days**
 - D. 45 days**
- 5. How often must the regulatory element be completed after the second anniversary?**
 - A. Every year**
 - B. Every 2 years**
 - C. Every 3 years**
 - D. Every 5 years**

- 6. What constitutes retail communication, according to the definition provided?**
- A. Written communication to more than 25 retail investors within a 15-day period**
 - B. Written communication to more than 25 retail investors within a 30-day period**
 - C. Written communication to more than 50 retail investors within a 30-day period**
 - D. Written communication to more than 100 retail investors within a quarterly period**
- 7. After a resignation is submitted, what condition must be met for it to take effect?**
- A. Indebtedness must be paid in full**
 - B. Client notifications must be completed**
 - C. Regulatory approvals must be obtained**
 - D. No complaints or actions pending**
- 8. After purchasing an Immediate Annuity, when do the insurance companies typically start paying out benefits?**
- A. 30 days**
 - B. 45 days**
 - C. 60 days**
 - D. 90 days**
- 9. After exceeding the threshold of 25 securities transactions, how long do members have to register new locations as branch offices?**
- A. 10 days**
 - B. 30 days**
 - C. 45 days**
 - D. 60 days**
- 10. If an applicant fails the qualification exam, how long must they wait before retaking it?**
- A. 10 days**
 - B. 20 days**
 - C. 30 days**
 - D. 40 days**

Answers

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

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Explanations

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1. After receiving a claim, how long does the respondent have to respond to both the director and the claimant?

A. 30 days

B. 45 days

C. 60 days

D. 90 days

The correct timeframe for a respondent to reply to both the director and the claimant after receiving a claim is indeed 45 days. This period is established to ensure that all parties involved in the claim process have a reasonable opportunity to review the claims, gather necessary information, and provide a comprehensive response. Understanding the timeline is crucial because it establishes the responsibilities of the parties involved and helps maintain an orderly process in handling claims. Respondents must adhere to this timeframe to ensure that the claim can proceed effectively and efficiently through whatever dispute resolution mechanism is in place. A shorter response time may not provide sufficient opportunity for adequate investigation, while a longer time would unnecessarily prolong the resolution process. Therefore, 45 days is a balanced period designed to promote timely communication and resolution.

2. How long is the customer's account frozen after a sellout if payment is not made?

A. 30 days

B. 60 days

C. 90 days

D. 120 days

When a customer's account experiences a sellout due to non-payment, it is frozen for a specific duration to prevent further trading and avoid additional financial risk for both the brokerage and the customer. The correct response indicates that the customer's account is frozen for a period of 90 days following the sellout. This timeframe allows the brokerage firm to manage the consequences of the sellout, providing a buffer during which they can address the underlying issues that led to the non-payment. This policy serves to protect both the firm and other customers by ensuring that accounts with outstanding debts are not immediately reactivated for trading, which could lead to further complications or losses. Understanding this crucial aspect of trading and account management is essential for principals overseeing investment operations since the management of frozen accounts can impact the business's financial stability and customer relationships.

3. What is the maximum time allowed to invest toward a breakpoint using a Letter of Intent (LOI)?

- A. 6 months**
- B. 9 months**
- C. 12 months**
- D. 13 months**

Using a Letter of Intent (LOI) allows an investor to secure a breakpoint discount on mutual fund investments by committing to invest a certain amount over a specified period. The maximum time allowed to complete this investment and qualify for the breakpoint using an LOI is typically 13 months. This timeframe grants investors the flexibility to reach their investment goals while benefiting from lower sales charges that come with larger investments. The LOI serves as an agreement between the investor and the fund, ensuring that as long as the investor fulfills their commitment within that 13-month period, they can enjoy the reduced fees associated with breakpoint levels. This approach encourages investors to consolidate their investments or consider larger contributions without immediate outlay, effectively providing a bridge between their current investment capabilities and long-term financial planning.

4. What is the filing deadline for less detailed FOCUS IIA reports for fully disclosed firms?

- A. 10 days**
- B. 17 days**
- C. 30 days**
- D. 45 days**

The filing deadline for less detailed FOCUS IIA reports for fully disclosed firms is indeed 17 days. This requirement is part of the regulatory framework established to ensure that firms provide timely and accurate financial information to regulatory entities. The FOCUS (Financial and Operational Combined Uniform Single) reports are crucial for monitoring the financial status and operations of brokerage firms, and the specific deadline is set to balance the need for timely information with the practical considerations of preparing accurate financial statements. Fully disclosed firms have fewer reporting requirements compared to introducing brokers, which is reflected in the use of the FOCUS IIA report. The emphasis on a 17-day deadline ensures that even with a smaller scope of detail required, the compliance obligations are still met in a timely manner, allowing regulators to maintain oversight of these firms' financial health without overwhelming them with excessive reporting burdens.

5. How often must the regulatory element be completed after the second anniversary?

- A. Every year**
- B. Every 2 years**
- C. Every 3 years**
- D. Every 5 years**

The requirement to complete the regulatory element every three years after the second anniversary is established to ensure that registered individuals remain up-to-date with current industry standards, regulations, and practices. This periodic training helps maintain the competence of the professionals within the securities industry and addresses any changes in regulations or best practices that may affect their duties. By having this training requirements set every three years, it provides a structured approach to ongoing education while balancing the need for participation with the time constraints professionals face. This interval supports continuous professional development and reinforces the importance of staying informed about regulatory developments, thus enhancing overall compliance and ethical standards in the industry. The other intervals mentioned—every year, every two years, or every five years—do not align with the established regulatory requirements, which specifically mandates the three-year interval after the second anniversary.

6. What constitutes retail communication, according to the definition provided?

- A. Written communication to more than 25 retail investors within a 15-day period**
- B. Written communication to more than 25 retail investors within a 30-day period**
- C. Written communication to more than 50 retail investors within a 30-day period**
- D. Written communication to more than 100 retail investors within a quarterly period**

The definition of retail communication is formulated based on specific criteria related to the frequency and audience size of the communication. In this case, written communication directed to more than 25 retail investors within a 30-day period is considered retail communication. This definition is important for regulatory purposes as it delineates the boundaries for what must comply with certain rules and regulations governing the securities industry. The reasoning behind using a 30-day period instead of other timeframes is to align with the typical practices in the industry regarding how communications are monitored and deemed as reaching a significant audience. By establishing the threshold at 25 investors, the definition effectively captures communications that could potentially have a broader impact and thus requires adherence to regulations aimed at protecting investors. Understanding the specifics of this definition helps broker-dealers and registered representatives maintain compliance with regulatory requirements when planning their communications with the investing public.

7. After a resignation is submitted, what condition must be met for it to take effect?

A. Indebtedness must be paid in full

B. Client notifications must be completed

C. Regulatory approvals must be obtained

D. No complaints or actions pending

For a resignation to take effect in a regulatory or financial context, it is essential that any outstanding indebtedness be settled in full. This ensures that the individual resigning has no outstanding obligations or liabilities that could impact both their personal and professional financial responsibilities. When an individual resigns, unresolved debts could potentially complicate matters, leading to claims or legal actions against them even after leaving a position. Therefore, clearing debts is a prerequisite, ensuring that the resignation is not contingent upon unresolved financial issues. In many regulatory environments, parties are required to fulfill their financial commitments before they can officially step down from their roles, promoting ethical practices and maintaining the integrity of the profession.

8. After purchasing an Immediate Annuity, when do the insurance companies typically start paying out benefits?

A. 30 days

B. 45 days

C. 60 days

D. 90 days

When an individual purchases an Immediate Annuity, the payouts typically begin almost immediately—hence the name "immediate" annuity. However, while the first payment is usually scheduled to occur within a short time frame after the contract is established, insurance companies generally set a specific period for these initial payments to commence. In most cases, the payments are designed to start after about 30 days. However, many insurance companies may establish a standard waiting period before the first payment is issued, which often can extend to 60 days or even longer. The choice of 60 days reflects a common practice among insurers, indicating that benefits could begin roughly two months after the annuity is purchased. Thus, the expectation that payments begin regularly on a monthly schedule around that time frame (60 days) aligns with typical industry standards.

9. After exceeding the threshold of 25 securities transactions, how long do members have to register new locations as branch offices?

A. 10 days

B. 30 days

C. 45 days

D. 60 days

When a member exceeds the threshold of 25 securities transactions, it is essential for regulatory compliance that they register any new locations as branch offices within a specific timeframe. The correct answer indicates that they have 30 days to complete this registration. This requirement ensures that all operational locations handling securities transactions are adequately monitored and adhere to the regulations set out by governing bodies, such as the Financial Industry Regulatory Authority (FINRA). This 30-day period aligns with the regulatory intent to maintain oversight and ensure that branch offices are properly supervised and can operate within the bounds of legal and compliance standards. Timely registration is critical to keep the integrity of the market and protect investors. Failing to register within this period may lead to operational risks and penalties for the member firm. The other timeframes presented do not meet the regulatory expectations as effectively as the 30-day requirement does, as they would either be too short or unnecessarily prolonged, which could hinder the regulatory process and oversight.

10. If an applicant fails the qualification exam, how long must they wait before retaking it?

A. 10 days

B. 20 days

C. 30 days

D. 40 days

When an applicant fails the qualification exam for investment and variable contracts principals, they are required to wait a specific duration before they are eligible to retake the exam. In this context, the correct answer indicates that the waiting period is 30 days. This regulation is in place to ensure that applicants have ample time to prepare and review the material they may have struggled with during their initial attempt. The mandated waiting period helps maintain a standard of readiness and competently assess the candidate's understanding of the material. By allowing for this gap, the exam administration also ensures that candidates are not overwhelmed and can approach the exam with improved knowledge and confidence. Having a structured waiting period such as this contributes to the integrity of the qualification process, enhancing the competence of individuals entering positions that require regulatory oversight and comprehensive understanding of investment products.

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://finra-series26.examzify.com>

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