SERIES 65 PRACTICE EXAM (SAMPLE)

STUDY GUIDE

SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR THE FULL VERSION STUDY GUIDE

https://series65.examzify.com

Table of Contents

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. Who is responsible for registering municipal securities dealers with the Securities and Exchange Commission?

A. Securities and Exchange Commission

B. Municipal Securities Rulemaking Board

C. Federal Reserve

D. State securities regulator

2. Before age 59.5, what is the penalty on the taxable portion of withdrawals?

A. 5%

B. 10%

C. 15%

D. 0%

3. If two bonds have the same duration, higher convexity offers what?

A. Greater interest rate protection.

B. Less protection.

C. No effect.

D. Greater credit risk.

4. How are REIT distributions taxed?

A. They are always tax-exempt

B. They are qualified dividends taxed at preferential rates

C. They are taxed as ordinary income and are not qualified dividends

D. They are taxed as capital gains only

5. In the High-Water Mark method for index annuities, what value is compared to the beginning-of-year value?

A. The lowest index value reached

B. The average index value for the year

C. The highest index value reached between anniversaries

D. The current contract value

6. Which statement best defines technical analysis?

A. A method of evaluating a stock's fundamental value using earnings and assets.

B. A method of predicting stock trends over the near term based on current price trends and their relationship to prior trends, using charts of price movements.

C. A method of forecasting interest rates using macroeconomic indicators.

D. A method of assessing a company's credit risk.

7. A registered securities exchange must be registered with the SEC, and the application is reviewed in how many days?

A. 30 days

B. 60 days

C. 90 days

D. 120 days

8. Which entity is NOT included in the definition of an investment company under the act?

A. Bank or savings and loan

B. Unit Investment Trust

C. Management Company

D. Face-amount certificate company

9. Which of the following is NOT an advantage of investing in foreign bonds?

A. Potentially higher returns

B. Diversification

C. Hedging against a drop in value of the US dollar

D. Generally higher liquidity

10. Matched Orders refer to which type of manipulation?

A. Offsetting buy and sell orders to create the impression of activity and price movement

B. Front-running a client's order

C. Creating a riskless arbitrage

D. Pooling orders to fix the price

Answers

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

Explanations

1. Who is responsible for registering municipal securities dealers with the Securities and Exchange Commission?

A. Securities and Exchange Commission

B. Municipal Securities Rulemaking Board

C. Federal Reserve

D. State securities regulator

Municipal securities dealers are covered by federal securities laws, and the agency responsible for registering them is the Securities and Exchange Commission. The MSRB writes the rules that govern the municipal market and is overseen by the SEC, but it does not register dealers itself. The Federal Reserve does not handle dealer registration, and state regulators handle other duties but not this federal registration. So registering municipal securities dealers with the SEC is the correct authority.

2. Before age 59.5, what is the penalty on the taxable portion of withdrawals?

A. 5%

B. 10%

C. 15%

D. 0%

Taking money out of a traditional IRA or other qualified retirement plan before age 59½ triggers a 10% early withdrawal penalty on the portion of the distribution that is includible in taxable income. This penalty is in addition to the ordinary income tax due on the distribution. Exceptions exist (disability, death, certain medical expenses, first-time homebuyer under certain limits, substantially equal periodic payments, etc.), but without an applicable exception the penalty is 10%. So the taxable portion of pre 59½ withdrawals is charged a 10% penalty.

3. If two bonds have the same duration, higher convexity offers what?

A. Greater interest rate protection.

B. Less protection.

C. No effect.

D. Greater credit risk.

Convexity measures how much a bond's price-yield relationship bends beyond the straight-line approximation provided by duration. When two bonds have the same duration, the one with higher convexity responds more favorably to yield movements: its price rises more if yields fall and falls less if yields rise. That means greater protection against interest rate risk, because larger moves in rates don't erode the price as much and can even boost it when rates drop. So higher convexity translates to greater interest rate protection.

4. How are REIT distributions taxed?

A. They are always tax-exempt

B. They are qualified dividends taxed at preferential rates

C. They are taxed as ordinary income and are not qualified dividends

D. They are taxed as capital gains only

REIT distributions are taxed as ordinary income to the extent the REIT has current and accumulated earnings and profits. They are not eligible for the lower, qualified-dividend tax rates. A portion of the distribution may be a return of capital, which reduces your basis and is not taxed as income until you sell the shares. Any amount over your basis is taxed as a capital gain. Some distributions may be capital gains distributions if the REIT has capital gains, but the typical tax treatment is ordinary income rather than qualified dividends or tax-exempt income.

5. In the High-Water Mark method for index annuities, what value is compared to the beginning-of-year value?

A. The lowest index value reached

B. The average index value for the year

C. The highest index value reached between anniversaries

D. The current contract value

In this approach the growth credited for the year is determined by how much the index rises from the start-of-year value to its highest point reached during the year. The key measure is the intrayear peak—the highest index value reached between anniversaries. That peak is compared back to the beginning-of-year level to determine any credited interest. If the index never surpasses the start value, no gain is credited. This is why the high-water mark uses the highest intrayear index value, not the lowest, average, or the current contract value, as the benchmark.

6. Which statement best defines technical analysis?

A. A method of evaluating a stock's fundamental value using earnings and assets.

B. A method of predicting stock trends over the near term based on current price trends and their relationship to prior trends, using charts of price movements.

C. A method of forecasting interest rates using macroeconomic indicators.

D. A method of assessing a company's credit risk.

Technical analysis focuses on price movements and trading volume to forecast near-term price directions. It uses charts to identify patterns and to compare the current price trend with prior trends, looking for continuations or reversals. Because it relies on historical price action rather than a company's fundamentals, it isn't about evaluating intrinsic value from earnings or assets. It also doesn't involve forecasting macro variables like interest rates or assessing a company's credit risk. For example, a breakout above a resistance level or a moving-average crossover might suggest the near-term price could continue higher, based on the observed price pattern and its relationship to past trends.

7. A registered securities exchange must be registered with the SEC, and the application is reviewed in how many days?

A. 30 days

B. 60 days

C. 90 days

D. 120 days

The key idea is the SEC's review timeframe for registering a national securities exchange. When an exchange file for registration with the SEC, the agency has 90 days to complete its review of the application and decide whether to grant registration, deny it, or request further information. This 90-day window ensures a timely determination so the exchange can operate under regulatory standards covering governance, disclosure, and market surveillance. The period is the baseline; if additional information is needed, the process can extend beyond that, but the standard duration is 90 days.

8. Which entity is NOT included in the definition of an investment company under the act?

A. Bank or savings and loan

B. Unit Investment Trust

C. Management Company

D. Face-amount certificate company

Under the Investment Company Act, an investment company is defined by its business of investing, reinvesting, or trading in securities, or by presenting itself as an investment company. The statute specifically recognizes three forms: unit investment trusts, management companies, and face-amount certificate companies. A bank or savings and loan is not included in that definition because its primary function is depository services and lending, governed as a depository institution rather than an investment company. If a bank sponsors a mutual fund, the fund itself is the investment company, while the bank is not.

9. Which of the following is NOT an advantage of investing in foreign bonds?

A. Potentially higher returns

B. Diversification

C. Hedging against a drop in value of the US dollar

D. Generally higher liquidity

The key idea is comparing the typical benefits of foreign bonds. Foreign bonds can offer potentially higher returns through higher yields and the chance of capital gains in markets outside the U.S., and they add diversification by exposing a portfolio to different economies and interest-rate cycles. They can also help hedge against a decline in the U.S. dollar if the foreign currency strengthens or if foreign interest rates are attractive, providing a currency-related benefit. However, liquidity in foreign bond markets is usually not higher than in the domestic bond market. These markets tend to be smaller, have fewer participants, and involve more complexities such as currency risk and cross-border settlement, which can widen bid-ask spreads and make large transactions harder to execute without moving prices. Because of these factors, "generally higher liquidity" is not an advantage of investing in foreign bonds, making that option the one that does not fit.

10. Matched Orders refer to which type of manipulation?

A. Offsetting buy and sell orders to create the impression of activity and price movement

B. Front-running a client's order

C. Creating a riskless arbitrage

D. Pooling orders to fix the price

Matched orders involve a broker-dealer offsetting a buy and a sell for the same security to create the appearance of trading activity and price movement. This deception makes it look like there's real market interest and liquidity when there isn't, influencing other investors' perceptions and potentially moving prices for the practitioner's benefit. It's a form of market manipulation focused on creating fake activity. This differs from front-running, which is trading ahead of a customer's order based on inside information; and from legitimate arbitrage, which seeks to profit from price differences without misleading the market. Pooling or coordinating orders to fix a price is another manipulation tactic, but it's a different mechanism than matched orders—matched orders specifically describe the on-the-record pairing of opposite trades to simulate activity.

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://series65.examzify.com

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