

# SIE (Securities Industry Essentials) Practice Exam (Sample)

## Study Guide



**Everything you need from our exam experts!**

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# Table of Contents

<b>Copyright</b> .....	<b>1</b>
<b>Table of Contents</b> .....	<b>2</b>
<b>Introduction</b> .....	<b>3</b>
<b>How to Use This Guide</b> .....	<b>4</b>
<b>Questions</b> .....	<b>5</b>
<b>Answers</b> .....	<b>9</b>
<b>Explanations</b> .....	<b>11</b>
<b>Next Steps</b> .....	<b>17</b>

SAMPLE

# 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 violation is being instigated by suggesting to sell stock at a loss and then buy it back to report capital loss?**
  - A. Market Manipulation**
  - B. Insider Trading**
  - C. Wash Sale**
  - D. Pump and Dump**
  
- 2. How does the U.S. ensure that hedge fund investors are sophisticated?**
  - A. Credit history checks**
  - B. Investment quizzes**
  - C. Background investigations**
  - D. All of the above**
  
- 3. When the economy enters a phase of slowing down from peak efficiency, this phase is called:**
  - A. Expansion**
  - B. Peak**
  - C. Contraction**
  - D. Recovery**
  
- 4. When is it permissible to make telemarketing calls to prospects according to the telemarketing consumer protection act?**
  - A. Between 9 am and 5 pm**
  - B. Between 8 am and 9 pm**
  - C. 24/7 with consent**
  - D. Between 10 am and 6 pm**
  
- 5. If an investor pays an issuer a set amount of money in a lump sum with a guaranteed set sum at a later date, which type of investment are they exercising?**
  - A. Bond Purchase**
  - B. Stock Investment**
  - C. Fully Paid FAC**
  - D. Mutual Funds**

- 6. A customer has a cash balance in her account together with long positions in several securities. She has made no securities transactions in the account during the past 18 months. How often must the firm send her an account statement?**
- A. Monthly**
  - B. Quarterly**
  - C. Biannually**
  - D. Annually**
- 7. Which of the following security types provides investors with a stated maturity date, a floating interest rate, and an option to put the security back to a financial intermediary on a daily or weekly basis?**
- A. Variable rate demand note**
  - B. Fixed-rate bond**
  - C. Certificate of deposit**
  - D. Common stock**
- 8. At withdrawal, pre-tax contributions and earnings in a traditional IRA are:**
- A. Not taxed**
  - B. Taxed at a reduced rate**
  - C. Taxed at the capital gains rate**
  - D. Taxed at the investor's ordinary income rate**
- 9. Under a system of statutory voting, a common stockholder has as many votes for each vacancy on the board of directors as the number of:**
- A. shares owned by the stockholder**
  - B. stock options available**
  - C. total shares issued by the company**
  - D. board members currently serving**

**10. Barbara is a 56 year old that just lost her sanitation job and needs to withdraw money from one of her retirement accounts to make due. Which account would be best to withdraw from at the current time?**

- A. IRA**
- B. 401(k)**
- C. 457(b)**
- D. Roth IRA**

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## Answers

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

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## **Explanations**

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**1. What violation is being instigated by suggesting to sell stock at a loss and then buy it back to report capital loss?**

- A. Market Manipulation**
- B. Insider Trading**
- C. Wash Sale**
- D. Pump and Dump**

Suggesting to sell stock at a loss and then buying it back to report capital loss is known as a "wash sale". A wash sale occurs when an investor sells a security at a loss and within 30 days before or after the sale, buys a "substantially identical" security, either in the same account or in a different account. This transaction is a violation because it manipulates the reporting of capital losses, which can result in lower tax liability. It is important for investors to understand the rules around wash sales to avoid potential penalties. Market manipulation (A), insider trading (B), and pump and dump (D) are all different types of securities fraud and do not apply to this specific scenario.

**2. How does the U.S. ensure that hedge fund investors are sophisticated?**

- A. Credit history checks**
- B. Investment quizzes**
- C. Background investigations**
- D. All of the above**

The correct answer is D because the U.S. government requires hedge fund investors to meet certain requirements in order to invest, and these requirements can include credit history checks, investment quizzes, and background investigations. These measures are in place to ensure that investors have a certain level of sophistication and understanding of the financial risks involved with hedge funds. Options A, B, and C might be used as part of the overall qualification process, but they are not the only methods used by the U.S. to ensure that investors are sophisticated.

**3. When the economy enters a phase of slowing down from peak efficiency, this phase is called:**

- A. Expansion**
- B. Peak**
- C. Contraction**
- D. Recovery**

During the contraction phase, the economy is not functioning at its full potential and is in decline. Option A, expansion, is the opposite of the contraction phase as it refers to a period of economic growth and increasing production. Option B, peak, is the highest point in the economic cycle and marks the end of the expansion phase and the beginning of the contraction phase. Option D, recovery, refers to the period of economic growth after a period of contraction, which is not what is being described in the question. Therefore, option C, contraction, is the most appropriate answer.

**4. When is it permissible to make telemarketing calls to prospects according to the telemarketing consumer protection act?**

**A. Between 9 am and 5 pm**

**B. Between 8 am and 9 pm**

**C. 24/7 with consent**

**D. Between 10 am and 6 pm**

Making telemarketing calls to prospects is only permissible between 8 am and 9 pm according to the telemarketing consumer protection act. Option A is incorrect because it does not adhere to the specific time frame laid out by the act. Option C is incorrect because consent is required for any telemarketing calls, regardless of the time. Option D is incorrect because it is still outside of the permissible time range. It is important for telemarketers to follow the guidelines set by the telemarketing consumer protection act to avoid any legal consequences.

**5. If an investor pays an issuer a set amount of money in a lump sum with a guaranteed set sum at a later date, which type of investment are they exercising?**

**A. Bond Purchase**

**B. Stock Investment**

**C. Fully Paid FAC**

**D. Mutual Funds**

The scenario described involves an investor making a lump-sum payment to an issuer with the expectation of receiving a guaranteed sum at a later date. This characteristic aligns with a Fully Paid Futures Account, commonly referred to as FAC. In this arrangement, the investor is essentially locking in a set amount that will be returned in the future, indicating a commitment to the terms agreed upon without ongoing obligation beyond that initial investment. In contrast, bond purchases involve lending money to an issuer (government or corporation) in exchange for periodic interest payments and the return of the principal at maturity, but it does not specifically describe the guaranteed lump-sum payout by the investor upfront without nuances of ongoing obligations. Stock investments would entail purchasing shares of equity in a company, providing ownership stakes rather than the fixed repayment structure presented. Mutual funds are pooled investments managed by professionals with funds collected from many investors, which typically do not involve a singular lump-sum guaranteed return, as the investment value fluctuates based on market performance. The nature of a Fully Paid FAC is distinctive in that it features a straightforward transaction where a set sum is laid out initially, culminating in a guaranteed repayment without the complexities associated with other investment types.

**6. A customer has a cash balance in her account together with long positions in several securities. She has made no securities transactions in the account during the past 18 months. How often must the firm send her an account statement?**

- A. Monthly**
- B. Quarterly**
- C. Biannually**
- D. Annually**

Customer account statements are required to be sent out by firms on a quarterly basis. This means that the customer will receive a statement every three months, or four times a year. Although the customer may have securities in her account, if there have been no transactions made in the past 18 months, it is not required for the firm to send monthly statements as there is no activity to report. Biannually, or every six months, and annually, or once a year, are also incorrect answers as they do not align with the requirement for quarterly statements.

**7. Which of the following security types provides investors with a stated maturity date, a floating interest rate, and an option to put the security back to a financial intermediary on a daily or weekly basis?**

- A. Variable rate demand note**
- B. Fixed-rate bond**
- C. Certificate of deposit**
- D. Common stock**

A variable rate demand note is a type of security that provides a stated maturity date, a floating interest rate, and an option to put the security back to a financial intermediary on a daily or weekly basis. This means that the investor has the ability to sell the security back to the intermediary at any point before the maturity date, providing them with flexibility. However, options B, C, and D do not offer these features. Fixed-rate bonds have a set interest rate and maturity date, and do not have an option to put the security back to the intermediary. Certificates of deposit also have a fixed interest rate and maturity date, but do not offer the option to put the security back. Common stock represents ownership in a company and does not have a stated maturity date or an option to put the security back to an intermediary. Therefore, the other options are incorrect because they do not offer the combination of features described in the question.

**8. At withdrawal, pre-tax contributions and earnings in a traditional IRA are:**

- A. Not taxed**
- B. Taxed at a reduced rate**
- C. Taxed at the capital gains rate**
- D. Taxed at the investor's ordinary income rate**

Withdrawals from a traditional IRA are taxed at the investor's ordinary income rate. This is because contributions to a traditional IRA are made with pre-tax dollars, and therefore are not taxed when they are initially contributed. However, when the funds are withdrawn during retirement, they are treated as taxable income at the investor's ordinary income tax rate. This is different from Roth IRAs, which are funded with after-tax dollars and thus have tax-free withdrawals in retirement. Options A, B, and C are incorrect because they do not take into account the fact that traditional IRA withdrawals are taxed as ordinary income.

**9. Under a system of statutory voting, a common stockholder has as many votes for each vacancy on the board of directors as the number of:**

- A. shares owned by the stockholder**
- B. stock options available**
- C. total shares issued by the company**
- D. board members currently serving**

Statutory voting is a type of voting system where each share of common stock gives the shareholder one vote per vacancy on the board of directors. This means that for each open seat on the board, the shareholder is entitled to one vote per share they own. This is different from other types of voting systems, such as cumulative voting, where shareholders can use all of their votes for one candidate or split them among multiple candidates. Option B, stock options available, is incorrect because stock options are not the same as stock ownership. Stock options give the holder the right to purchase stock at a future date, but they do not represent actual ownership of the stock. Option C, total shares issued by the company, is also incorrect because this number includes all types of stock, not just common stock. Under statutory voting, only common stockholders have voting rights, so only their shares would be considered. Option D, board members currently serving, is also incorrect because this number does not have a direct correlation to the number of vacancies on the board. Some board members may serve for longer terms or may not be up for re-election at the current time. In conclusion, under a system of statutory voting, a common stockholder's voting power is directly tied to the

**10. Barbara is a 56 year old that just lost her sanitation job and needs to withdraw money from one of her retirement accounts to make due. Which account would be best to withdraw from at the current time?**

**A. IRA**

**B. 401(k)**

**C. 457(b)**

**D. Roth IRA**

Barbara's situation is unfortunate, but she still has options to financially support herself. Of the four choices, the best account for Barbara to withdraw from at this time would be her 457(b) plan. An IRA and Roth IRA are individual retirement accounts that allow individuals to save for retirement. Both have tax advantages and can be withdrawn from at any time, but at age 56, Barbara would still need to pay income tax on the money withdrawn. A 401(k) is an employer-sponsored retirement plan, but there are typically penalties for early withdrawals before age 59 and a half. The 457(b) plan is also an employer-sponsored retirement plan, but it allows for penalty-free withdrawals at any age, as long as Barbara is no longer employed with the company. Therefore, the 457(b) plan would be the best option for Barbara at this time.

# 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](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://sie.examzify.com>**

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

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