

SIE (Securities Industry Essentials) 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

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- 1. If the last transaction in ABC 6s 2030 was at 98, this bond is selling at:**
 - A. par**
 - B. a premium**
 - C. a discount**
 - D. its face value**

- 2. Dani has been convicted of insider trading causing \$8 million worth of damages. What is the maximum her firm can be fined?**
 - A. \$5 million**
 - B. \$10 million**
 - C. \$25 million**
 - D. \$50 million**

- 3. Which of the following is NOT a function performed by the custodian bank?**
 - A. Custody of assets**
 - B. Fund accounting**
 - C. Selecting the investment manager**
 - D. Settlement of trades**

- 4. Which stock can be expected to rise rapidly during a period of economic expansion?**
 - A. Value stock**
 - B. Growth stock**
 - C. Bond-equivalent stock**
 - D. Dividend stock**

- 5. How often does a customer receive interest payments from a fully registered Exxon-Mobil debenture?**
 - A. Monthly**
 - B. Quarterly**
 - C. Twice a year**
 - D. Annually**

- 6. An investor is long 1 January 15 call at 7. What is the breakeven point?**
- A. 8**
 - B. 15**
 - C. 22**
 - D. 29**
- 7. What does Keynesian economic theory primarily deal with?**
- A. Controlling the economy through budget/government spending and taxation policies**
 - B. Regulating the stock market and its associated financial instruments**
 - C. Managing national defense and security measures**
 - D. Overseeing the operations of private sector companies**
- 8. When a corporation goes public, it is primarily issuing:**
- A. Common stock**
 - B. Bonds**
 - C. Preferred stock**
 - D. Debentures**
- 9. Which of the following is not considered insider information?**
- A. Unreleased earnings reports**
 - B. Planned mergers or acquisitions**
 - C. Declared stock dividends**
 - D. Pending lawsuits against the company**
- 10. At the time of issuance, which security normally has the longest period to expiration?**
- A. Bonds**
 - B. Common stocks**
 - C. Preferred stocks**
 - D. Warrants**

Answers

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

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Explanations

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1. If the last transaction in ABC 6s 2030 was at 98, this bond is selling at:
- A. par
 - B. a premium
 - C. a discount**
 - D. its face value

The last transaction in ABC 6s 2030 was at a price of 98, which is below the bond's face value of 100. This means that the bond is selling at a discount, since it is being sold for less than its face value. Option A is incorrect because par refers to a bond's face value, which is not equal to its selling price. Option B is incorrect because a premium is when a bond is sold for more than its face value. Option D is incorrect because its face value is the same as its par value, which is not equal to the selling price. Therefore, the correct answer is C, as the bond is being sold at a discount.

2. Dani has been convicted of insider trading causing \$8 million worth of damages. What is the maximum her firm can be fined?
- A. \$5 million
 - B. \$10 million
 - C. \$25 million**
 - D. \$50 million

If Dani has been convicted of insider trading causing \$8 million worth of damages, the maximum her firm can be fined is \$25 million. This is because the maximum fine for insider trading is three times the amount of the profits gained or the losses avoided, whichever is greater. In this scenario, the profits gained or losses avoided would be \$8 million, so the maximum fine would be \$24 million, which rounds up to \$25 million. Options A, B, and D are all lower than this maximum amount, so they are incorrect.

3. Which of the following is NOT a function performed by the custodian bank?
- A. Custody of assets
 - B. Fund accounting
 - C. Selecting the investment manager**
 - D. Settlement of trades

The custodian bank performs various functions such as custody of assets, fund accounting, and settlement of trades. However, the selection of an investment manager is not a function of the custodian bank. This task is typically done by the asset owner or investor. The custodian bank mainly provides support services to other financial institutions or larger investment firms, but is not involved in the decision-making process of selecting an investment manager. Therefore, option C is incorrect.

4. Which stock can be expected to rise rapidly during a period of economic expansion?

- A. Value stock
- B. Growth stock**
- C. Bond-equivalent stock
- D. Dividend stock

During economic expansion, companies are experiencing growth and generating revenue at a faster rate. This makes B Growth stock a more favorable option as these stocks are typically from companies with a strong potential for growth, such as in emerging industries or those with high technological advancements. On the other hand, A: Value stock may not experience the same rapid growth as they are typically from established and stable companies. C: Bond-equivalent stock may not be as attractive during economic expansion as they offer fixed interest payments and may not see much price appreciation. D: Dividend stock may also not rise rapidly during this period as they typically offer stable but slow growth.

5. How often does a customer receive interest payments from a fully registered Exxon-Mobil debenture?

- A. Monthly
- B. Quarterly
- C. Twice a year**
- D. Annually

A fully registered Exxon-Mobil debenture is a type of bond that is issued by the company and the ownership of this bond is registered with the company. Interest payments on this type of bond are typically made twice a year, also known as semi-annually. This means that the bondholder will receive interest payments every six months. The other options provided (monthly, quarterly, and annually) are incorrect because they do not align with the standard semi-annual interest payment structure for this type of bond. Monthly or quarterly interest payments would be more frequent than twice a year, and annual payments would be less frequent. Therefore, C is the best answer.

6. An investor is long 1 January 15 call at 7. What is the breakeven point?

- A. 8
- B. 15
- C. 22**
- D. 29

The breakeven point is the point at which the investor neither makes a profit nor takes a loss. In this scenario, the investor has purchased a call option for January 15 at a strike price of 7. This means that for the investor to make a profit, the underlying stock needs to increase in price above the strike price of 7. Since the investor is long 1 call, the breakeven point would be the strike price of 7 plus the premium paid for the option (in this case, the premium is not specified). Therefore, the breakeven point for the investor is $7 + \text{premium}$. If the premium was, for example, 15, then the breakeven point would be 22. Options A, B, and D are incorrect because they do not take into account the premium paid for the option, which is crucial in determining the breakeven point.

7. What does Keynesian economic theory primarily deal with?

- A. Controlling the economy through budget/government spending and taxation policies**
- B. Regulating the stock market and its associated financial instruments**
- C. Managing national defense and security measures**
- D. Overseeing the operations of private sector companies**

Keynesian economic theory primarily deals with using government spending and taxation policies to control and stabilize the economy. This theory is focused on the role of the government in managing economic fluctuations and promoting overall economic stability. Option B, regulating the stock market, is a part of a different economic theory known as supply-side economics. Option C, managing national defense and security measures, is a function of government but not directly related to economic policy. Option D, overseeing private sector companies, is a function of regulatory agencies and does not pertain to economic theory. Hence, option A is the most accurate and relevant answer.

8. When a corporation goes public, it is primarily issuing:

- A. Common stock**
- B. Bonds**
- C. Preferred stock**
- D. Debentures**

Going public refers to the process of a private company offering their stock to the public for the first time. This is commonly done through an initial public offering (IPO). When a corporation goes public, it can raise funds by issuing stocks or bonds. However, in this scenario, the primary type of security being issued is common stock. Common stock gives investors ownership in the company and potential for profit through dividends and share price appreciation. Bonds, preferred stocks, and debentures may also be issued, but these are typically used to raise additional funds or provide different terms of ownership for investors.

9. Which of the following is not considered insider information?

- A. Unreleased earnings reports**
- B. Planned mergers or acquisitions**
- C. Declared stock dividends**
- D. Pending lawsuits against the company**

Insider information refers to confidential information that is not available to the general public. Options A, B, and D all involve information that is not yet known by the public, and therefore would be considered insider information. However, stock dividends are a publicly declared distribution of a company's profits to its shareholders and are not considered confidential or privileged information.

10. At the time of issuance, which security normally has the longest period to expiration?

A. Bonds

B. Common stocks

C. Preferred stocks

D. Warrants

Warrants generally have the longest period to expiration at the time of issuance. A warrant is a type of security that gives the holder the right, but not the obligation, to buy or sell an underlying asset at a specific price, on or before a certain date in the future. Bonds have a fixed maturity date and common and preferred stocks have no predetermined expiration date, making warrants the correct answer.

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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://sie.examzify.com>

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

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