SIE Exam Practice Test

SIE Practice Exam: 10 Questions

An original printable practice test with a separate answer key. sieexampracticetest.com

Before you start

- Set a 13-minute timer. That matches the real exam's pace: FINRA allows 1 hour 45 minutes for 80 items.
- Work closed book: put your notes away.
- Use only a basic four-function calculator and blank paper, as at a test center.
- Mark one answer per question on the answer sheet. There is no penalty for guessing on the real SIE, so answer every question.
- Do not turn to the answer key until you have answered all 10.

The real SIE has 75 scored questions plus 5 unscored pretest questions. Take the full timed version free at sieexampracticetest.com/practice-exam.

These are original practice questions, not real exam questions. SIE Exam Practice Test is independent and is not affiliated with or endorsed by FINRA. Nothing here is investment advice. Facts checked October 24, 2026.

Questions

Section 1: Knowledge of Capital Markets

1. Which organization has the federal mission of protecting investors, maintaining fair securities markets, and facilitating capital formation?

A The Securities and Exchange Commission
B The Federal Reserve
C The Internal Revenue Service
D The Federal Deposit Insurance Corporation

2. Firm S sells 1,000 shares to Firm B on an exchange, and the trade is matched and validated at NSCC. Before settlement date, Firm B defaults. Who is now Firm S's counterparty for completing the trade?

A DTC, which stands behind every trade it settles
B NSCC, which replaced Firm B as legal counterparty
C Firm B, which remains bound as original counterparty
D The exchange, which guarantees trades matched on it

Section 2: Understanding Products and Their Risks

3. A customer buys an ADR listed in the United States. What does the receipt represent?

A A direct loan to the United States Treasury
B An insured deposit in a foreign central bank
C An interest in shares of a foreign company
D A right to buy any domestic stock at par

4. A customer wrote an XYZ call that is now deep in the money. XYZ goes ex-dividend tomorrow, and the call does not expire for another month. Which risk should the customer recognize?

A Assignment risk falls because holders prefer to keep their time value.
B Assignment cannot occur until the call's expiration date arrives.
C The dividend lowers the strike and removes the call's intrinsic value.
D Early assignment grows more likely as holders seek the dividend.

5. **A city places tax receipts it will need for payroll over the coming months into a local government investment pool (LGIP). According to the MSRB's glossary, what does the pool's investment advisor invest in line with?**

- A The long-term retirement horizon of public employees
- B The cash management needs of its participants
- C The trade instructions each participant submits
- D The ages of the participants' designated beneficiaries

6. **A hedge-fund investor has completed the initial lockup. Which contractual provision could still permit the fund to delay an otherwise eligible redemption request?**

- A Terms setting the fee charged on a completed redemption
- B Terms naming the currency in which redemption proceeds are paid
- C Terms authorizing suspension of redemptions under specified conditions
- D Terms specifying how NAV is calculated for an accepted redemption

Section 3: Understanding Trading, Customer Accounts and Prohibited Activities

7. **A stock gaps sharply downward through a customer's sell stop price. Which outcome is possible after the order triggers?**

- A Execution below the stop price
- B Conversion into a buy limit order
- C Automatic cancellation of every stop order
- D A guaranteed sale at the stop price

8. **A customer submits a 500-share IOC buy limit at $20. Only 200 shares can immediately be purchased at $20; additional offers are $20.10. Which outcome respects both instructions?**

- A Buy all 500 shares by paying $20.10 for the balance.
- B Cancel the entire order because IOC never permits a partial fill.
- C Buy 200 shares now and keep the balance open until the limit becomes available.
- D Buy the 200 available shares at $20 and cancel the unfilled balance.

9. **A customer applying for options trading asks why her firm approves accounts for a specific level instead of allowing every strategy. According to FINRA's investor guidance, what is this policy designed to do?**

- A Keep customers' positions within exchange position limits
- B Keep customers from trading beyond their abilities or means
- C Keep customers from losing more than the premium they pay
- D Keep firms from having to supervise options accounts

Section 4: Overview of the Regulatory Framework

10. A representative buys a passive interest in a business and takes no operating role. How does Rule 3270 treat passive investments?

A It categorically prohibits all passive investments

B It treats every passive holding as employment

C It exempts passive investments from that outside business notice requirement

D It requires the business to become a FINRA member

Answer sheet

Circle one letter per question.

Question	Your answer	Notes
1	A B C D	
2	A B C D	
3	A B C D	
4	A B C D	
5	A B C D	
6	A B C D	
7	A B C D	
8	A B C D	
9	A B C D	
10	A B C D	

Answer key

Question	Answer	FINRA section
1	**A**	Knowledge of Capital Markets
2	**B**	Knowledge of Capital Markets
3	**C**	Understanding Products and Their Risks
4	**D**	Understanding Products and Their Risks
5	**B**	Understanding Products and Their Risks
6	**C**	Understanding Products and Their Risks
7	**A**	Understanding Trading, Customer Accounts and Prohibited Activities
8	**D**	Understanding Trading, Customer Accounts and Prohibited Activities
9	**B**	Understanding Trading, Customer Accounts and Prohibited Activities
10	**C**	Overview of the Regulatory Framework

Explanations

1. Answer A: The Securities and Exchange Commission

The SEC has this three-part mission. The Federal Reserve focuses on monetary policy and the banking system rather than serving as the federal securities market regulator.

FINRA outline: 1.1.1 The SEC · Source: https://www.investor.gov/introduction-investing/investing-basics/role-sec

2. Answer B: NSCC, which replaced Firm B as legal counterparty

Through novation, NSCC becomes the legal counterparty to each validated trade, so Firm S looks to NSCC for completion. Treating the original buyer as Firm S's counterparty is the strongest misconception, because central clearing exists to remove that exposure. DTC carries out the transfer and the exchange matched the orders, but neither becomes the counterparty.

FINRA outline: 1.2.0 Depositories and clearing corporations · Source: https://www.dtcc.com/products-and-services/clearing-settlement-services/equities-clearing/cns

3. Answer C: An interest in shares of a foreign company

An ADR represents foreign company shares or a fraction or multiple of them. Trading in the United States does not turn it into a Treasury obligation.

FINRA outline: 2.1.1 Equity Securities · Source: https://www.investor.gov/introduction-investing/investing-basics/glossary/american-depositary-receipts-adrs

4. Answer D: Early assignment grows more likely as holders seek the dividend.

Call holders may exercise before the ex-dividend date to become stockholders and capture the dividend, so the writer's chance of early assignment rises. The belief that assignment waits for expiration ignores that equity options are American-style and can be exercised at any time.

FINRA outline: 2.1.3 Options · Source: https://www.optionseducation.org/referencelibrary/faq/options-exercise

5. Answer B: The cash management needs of its participants

The MSRB's glossary says an LGIP's investment advisor invests consistent with the cash management needs of its governmental participants. Beneficiary ages are the strongest wrong answer because they drive age-based 529 options, which serve individual education accounts and not public treasuries.

FINRA outline: 2.1.5 Municipal Fund Securities · Source: https://www.msrb.org/sites/default/files/2022-08/MSRB-Glossary-of-Municipal-Securities-Terms-Third_Edition-August-2013.pdf

6. Answer C: Terms authorizing suspension of redemptions under specified conditions

Hedge-fund terms can authorize redemption suspensions, including during market stress or difficulty selling investments. A NAV-calculation provision determines valuation; it does not by itself establish when a redemption request must be honored.

FINRA outline: 2.1.8 Hedge Funds · Source: https://www.investor.gov/introduction-investing/investing-basics/investment-products/private-investment-funds/hedge-funds

7. Answer A: Execution below the stop price

A triggered standard stop executes as a market order and may fill below the stop price in a fast market. The stop price is not a guaranteed minimum sale price.

FINRA outline: 3.1.1 Orders and Strategies · Source: https://www.investor.gov/introduction-investing/investing-basics/glossary/stop-order

8. Answer D: Buy the 200 available shares at $20 and cancel the unfilled balance.

IOC permits an immediate partial fill but cancels the remainder, while the buy limit prohibits paying above $20. The higher offer cannot be used simply to complete the requested quantity.

FINRA outline: 3.1.1 Orders and Strategies · Source: https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins-14

9. Answer B: Keep customers from trading beyond their abilities or means

FINRA says the approval policy is designed to protect investors from trading beyond their abilities or financial means, and to protect firms against potential defaults on margin accounts. Approval does not cap her losses at the premium, since FINRA warns that options trading can carry a significant risk of loss beyond the initial investment.

FINRA outline: 3.2.1 Account Types · Source: https://www.finra.org/investors/investing/investment-products/options

10. Answer C: It exempts passive investments from that outside business notice requirement

Rule 3270 expressly exempts passive investments from its requirement. That exemption should not be stretched to cover an active, compensated business role.

FINRA outline: 4.2.2 Reportable Events · Source: https://www.finra.org/rules-guidance/rulebooks/finra-rules/3270

Missed a section? Practice it by topic at sieexampracticetest.com.