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Exam : SIE

Title : Securities Industry Essentials Exam (SIE)

Version : DEMO

1.Which of the following terms describes an offer to purchase some or all shareholders' shares in a corporation, usually at a premium to the market price?
A. Tender
B. Stock split
C. Redemption
D. Class action
Answer: A
Explanation:
Tender Offer Definition: A tender offer is an offer to purchase a certain number of shares from shareholders, typically at a price above the current market value. This is often part of mergers, acquisitions, or corporate takeovers.
Stock Split: A stock split increases the number of shares but decreases the price per share without affecting the total value of an investor's holdings.
Redemption: Redemption refers to the repayment of a bond or preferred stock at maturity or at a predetermined date.
Class Action: A class action is a lawsuit filed by a group of people with similar grievances.
Reference: SEC Rule 14e on tender offers: SEC Tender Offers.

2.Which of the following statements best describes a characteristic of 529 savings plan accounts?
A. There are no contribution limits to the account.
B. The number of contributors to the account is limited.
C. Using funds for undergraduate or graduate studies is permissible.
D. Earnings are taxed to the donor at the time of a qualified withdrawal.
Answer: C
Explanation:
529 Savings Plans: These plans allow tax-advantaged savings for education expenses. They can be used for both undergraduate and graduate studies, as well as certain K-12 expenses.
Contribution Limits: Contributions are subject to gift tax limits but have no specific statutory maximum under federal law.
Tax Treatment: Earnings grow tax-deferred and are tax-free if used for qualified education expenses.
Reference: IRS Section 529 Guidance: IRS 529 Plans.

3.Which of the following statements is true regarding the ownership of investment company shares held as tenants in common?
A. All tenants must sign redemption requests.
B. Any income is distributed evenly among the tenants.
C. Each tenant has a fractional interest in the investment.
D. Upon the death of a tenant, all shares in the account are taxable in the estate of the deceased.
Answer: C
Explanation:
Tenants in Common: In this arrangement, each tenant owns a fractional interest in the account's assets, which can be unequal depending on the agreement.
Income Distribution: Income is distributed based on ownership percentage, not necessarily equally.
Redemption Requests: Only the owner of the fractional interest has authority to request redemption

for their portion.
Estate Taxation: Upon the death of a tenant, only their fractional interest is taxable in their estate.
Reference: FINRA Guidelines on Joint Accounts: FINRA Joint Accounts.

4.A broker-dealer (BD) creates a marketing postcard that includes a statement regarding FINRA's endorsement of the BD.
Which of the following responses is true?
A. The statement regarding FINRA's endorsement is not permissible.
B. The statement is permissible if a principal of the BD approves it in writing prior to use.
C. The statement is permissible if the statement is approved in writing by FINRA prior to use.
D. The statement is permissible if the postcard does not discuss specific investment opportunities.
Answer: A
Explanation:
FINRA Rule 2210: Firms are prohibited from suggesting or implying FINRA's endorsement or approval in any advertising materials.
Approvals: Even if a principal or FINRA approves the content, such a statement remains impermissible.
Key Point: FINRA's role is to regulate, not to endorse firms or their marketing.
Reference: FINRA Rule 2210 (Communications with the Public): FINRA Rule 2210.

5.According to FINRA rules, under which of the following circumstances, if any, is a member firm permitted to send gifts to a registered representative of another member firm?
A. Under no circumstances
B. When the value of all gifts during a period of one year does not exceed $100
C. When no single gift exceeds $100 and there is no limit on the number of gifts
D. When no single gift exceeds $100 in value and the maximum value of all gifts per year equals $250
Answer: B
Explanation:
FINRA Rule 3220: This rule limits gifts to $100 per person annually to prevent conflicts of interest.
Aggregate Limit: There is no provision for exceeding the $100 annual limit, regardless of the number of gifts.
Purpose: The rule ensures that gifts do not influence decisions or create unethical relationships.
Reference: FINRA Rule 3220 (Influencing or Rewarding Employees of Others): FINRA Rule 3220.