

Series63 PDF Dumps Real 2023 Recently Updated Questions [Q101-Q119]



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Released FINRA Series63 Updated Questions PDF

Q101. Which of the following are examples of the prohibited practice of manipulation in the securities markets?

- I. Broker-Dealer Joker is unhappy with its investment in the stock of a speculative firm and engages another broker-dealer to purchase a large number of shares from it, with the unofficial agreement to buy back those shares, offer more shares which the second broker-dealer will purchase, and so on.
- II. Broker-Dealer Joker has a large short position in the stock of a certain corporation. Joker offers a bonus to its agents who effect sale transactions in the stock.
- III. A client calls Broker-Dealer Joker with a request to purchase 20 bonds issued by Massachusetts Institute of Technology (MIT.) The bonds are currently selling for their par value of \$1,000. Knowing this, Joker offers to sell the client the bonds for \$120 per \$100 of par, or \$1,200 per \$1,000 bond.
- * I, II, and III
 - * I and II only
 - * I and III only

* I only

Explanation

Only Selections I and II are examples of manipulation in the securities market. It is considered to be manipulation if one firm engages another firm to make a series of purchases and sales that will make it appear that there is very active trading in the security; it is also considered manipulation if a broker-dealer encourages its agents to solicit sales of a security in which it has a short position since that broker-dealer is hoping that the sales will drive the price of the security down, thereby making the firm's position profitable. Although the offer to sell a client bonds at a much higher price than their market price is illegal, it is not an example of price manipulation.

Q102. Which of the following would not be a prohibited activity for a broker-dealer?

I. A broker-dealer tells a client that a municipal revenue bond offered by the city of Boston, Massachusetts is almost risk-free because it is backed by the taxes paid to the city, and the city generates a lot of tax dollars.

II. A broker-dealer sells a client some bonds that the broker-dealer has in its portfolio, after informing the client that it is acting as a seller in the transaction.

III. A broker-dealer purchases some stock that a client is selling for its own portfolio, after informing the client that it is acting as a buyer in the transaction.

IV. A broker-dealer purchases 1,000 shares of Southwest Airlines for a client who calls and asks the broker-dealer to buy some shares of a domestic airline stock at a good price for him and receives written discretionary authority from the client two days later, prior to the settlement date.

* I only

* II and III only

* I and IV only

* II, III and IV only

Explanation

Only Selections II and III describe activities that are not prohibited for a broker-dealer. A broker-dealer can act as a dealer and either sell securities that it owns to a client, as described in Selection II, or buy securities from a client, as described in Selection III, to hold in its own portfolio as long as it discloses to the client that it is doing so. A broker-dealer cannot tell a client that a revenue bond issued by the city of Boston, Massachusetts is almost risk-free since there is a risk of default, especially in the case of a revenue bond, which is not backed by the full taxing power of the city, but only by the revenues generated by a specific project. Moreover, there are other risks involved in bond investments, such as interest rate risk, so Selection I is a prohibited activity. A broker-dealer cannot make a discretionary trade for a client that involves more than just price and time within receiving written authorization prior to executing the trade, so Selection IV also describes a prohibited activity.

Q103. Ari Gaunt is a registered agent employed by Small & Associates Broker-Dealers. He has been notified of a

hearing regarding the revocation of his license for making unauthorized trades on some of his clients' accounts.

Which of the following statements is necessarily true?

* If Ari is found guilty and has his license revoked, Small & Associates will have its license revoked as

well and must reapply for reinstatement by filling out an application and paying the requisite filing fees.

* If Ari is found guilty and has his license revoked, Small & Associates will be subject to a fine.

* If Ari is found guilty and has his license revoked, he can appeal the decision in a court of law if he files

the appeal within sixty days.

* The Administrator of the state can assess Ari with both civil and criminal penalties.

If Ari is found guilty of making unauthorized trades on his clients' accounts and has his

license revoked, he can appeal the decision in a court of law if he files the appeal within sixty days. Small

& Associates license is not in danger as long as the firm has been providing competent supervision of Ari

and its other agents. It will not be required to pay a fine based on Ari's fraudulent activities. Ari may end

up with civil and criminal penalties, but the Administrator cannot assess them. Only a court of law can do

that.

Q104. Which of the following would be considered an issuer transaction?

* Jacob calls his broker and places an order to purchase 100 shares of Hasbro, Inc. on the open market.

* Maria purchases 500 shares of Dodge and Cox's International Fund, a mutual fund investing in foreign

securities.

* Kim sells an AT&T bond she holds that still has three years remaining to maturity.

* None of the above is an issuer transaction.

When Maria purchases shares of Dodge and Cox's International Fund, it is an issuer

transaction. Shares of mutual funds are bought and sold through the fund itself, so the money she pays

for the shares is received by Dodge and Cox, the issuer of the shares. Jacob's purchase of Hasbro stock

and Kim's sale of her AT&T bond are non-issuer transactions. Neither Hasbro nor AT&T receive the

proceeds from these transactions. In Jacob's case, another investor receives the cash; and in Kim's case,

she receives the cash.

Q105. Which of the following describes a prohibited practice in the sale of shares of investment companies?

I. Sandy Slacker hands her client the fund's prospectus and tells him that the prospectus will provide him all that he needs to know about loads and fees associated with the fund.

II. Elliot Eager tells a client who has an investment objective that includes current income that a certain bond fund has a current yield of 8% and provides the client with a prospectus so that the client can peruse the average annual returns that the fund has generated in past years when the client has the time.

III. After explaining all the fees and loads involved in two different bond funds as well as the difference between current yield and total return, Patty shows the client the data on the average annual returns that the two bond funds provided. She explains to the client that the municipal bond fund has a lower yield than the similar-risk corporate bond fund because the interest income the client will receive from the municipal bond fund will be free from federal taxation, while the interest income on the corporate bond fund is fully taxable.

* All the choices describe prohibited practices in the sale of shares of investment companies.

* I only

* I and II only

* I and III only

Explanation

Only the scenarios described in Selections I and II represent prohibited practices. The NASAA rules state that it is not enough to hand a client a prospectus, but that the agent must fully explain all sales charges and also to explain the difference between current yield and total return to the client and present that client with the fund's most recent average annual returns over the past year, 5-year, and 10-year periods. Sandy and Elliot have not done this in the scenarios described. In Selection III, Patty has done so and has also provided the client with accurate and useful information regarding why a municipal bond offers a lower yield than a corporate bond fund.

Q106. Finn Nance has recently passed his CFP exam and is now a certified financial planner. He has new business cards printed that have the words "Certified Financial Planner" printed under his picture. In doing so,

- * Finn has not violated any laws or engaged in any prohibited practices.
- * Finn has violated a securities law. The Uniform Securities Act prohibits anyone from using the word

"certified" on any advertisement for services.

* Finn has possibly violated a state securities regulation. The Administrator in many states prohibits the use of the word "certified" on any advertisement for services.

* Finn is not in violation of any laws as long as he has notified the state Administrator of his new designation and his new logo.

Explanation

Finn has not violated any laws or engaged in any prohibited practices in using the words "Certified Financial Planner" on his business cards. Had he indicated he had been certified or approved by the state, he would have been in violation, but he is allowed to indicate a certification with a professional organization in any advertising literature.

Q107. Which of the following is a security as defined by the Uniform Securities Act (USA)?

- * a debenture
- * a futures option contract on wheat
- * a term life insurance policy
- * Both A and B are securities as defined by the Uniform Securities Act.

Both a debenture and a futures option contract on wheat are securities as defined by the

USA. A debenture is a long-term, unsecured debt instrument and is specifically listed as a security in the

Act. Although commodity futures contracts are not considered to be securities as defined by the Act,

options on commodity futures contracts are.

Q108. Under NASAA Model Rules, it is permissible for the registered representative of a broker-dealer to split his or her commission with

I. a client.

II. the broker-dealer with which the registered representative is affiliated.

III. another registered representative working for the same broker-dealer.

IV. the administrative assistant who directs calls to the registered representative and provides other services for the agent.

- * I, II, III, and IV
- * I, II, and III only

* II, III, and IV only

* II and III only

Explanation

Only Selections II and III are correct. Under NASAA Model Rules, a registered representative of a broker-dealer is entitled to split his or her commission only with his or her broker-dealer or with another registered representative of that broker-dealer. He is not permitted to share commissions with a client or with anyone who works for the broker-dealer, but is not a registered agent.

Q109. To say a security is "exempt" means that

I. it is exempt from the state's anti-fraud laws.

II. it is exempt from state registration requirements.

III. any transaction involving it is considered to be an exempt transaction.

* I, II, and III

* I and II only

* II and III only

* II only

Explanation

To say a security is "exempt" means only that the security is exempt from state registration requirements. It is not exempt from the state's anti-fraud laws and may or may not be part of an exempt transaction. That is defined by the transaction.

Q110. Although an Administrator has broad powers, he or she cannot:

* issue subpoenas involving compulsory attendance.

* gather evidence.

* deliver a judicial injunction.

* formulate rules and orders.

An Administrator has broad powers, but he or she cannot deliver a judicial injunction

because an Administrator does not have the authority bestowed on a court of law. The Administrator can

issue subpoenas to require attendance, participate in evidence gathering, and formulate rules and orders.

Q111. Jack Bean is employed by Giant Investment Advisers, LLC. His job duties include advising clients on the

asset allocations of their portfolios. Jack Bean is

* an investment adviser representative.

* an investment adviser.

* an administrative assistant.

* an agent.

As an employee of Giant Investment Advisers who provides investment advice to clients,

Jack Bean is an investment adviser representative. Giant is the investment adviser. Agents are employed

by broker-dealers.

Q112. Sam Shyster had his day in court-and lost. His license to do business as an investment adviser in the state has been revoked.

What legitimate options does Sam have available to him now?

- * Sam can move to another state and apply for registration as an investment adviser there.
- * Sam has 45 days in which to file an appeal with the attorney general.
- * Sam can register with the SEC as an investment adviser, which will exempt him from state registration requirements.
- * Sam has 60 days to file an appeal of the decision in a court of law.

Explanation

Sam has the legitimate option of filing an appeal of the decision in a court of law within 60 days. He will not be able to register as an investment adviser with the SEC or with another state. His application will be denied when it is discovered that Sam has had his license revoked by one state.

Q113. The Administrator may require a firm to supply it with any prospectus, pamphlet, advertisement, or other sales literature intended for prospective investors unless the security

I. will be sold only through an investment advisory firm.

II. is a federal covered security.

III. is issued by a state credit union.

- * I, II and III
- * I only
- * II only
- * II and III only

Only Selections II and III are correct. The Administrator may require a firm to supply it with

any prospectus, pamphlet, advertisement, or other sales literature intended for prospective investors

unless the security is a federal covered security or is issued by a state credit union, both of which are on a

longer list of exempted securities. It doesn't matter whether or not the securities will be sold to clients of

an investment advisory firm.

Q114. When selling shares in a closed-end investment company, an agent must inform the client of any

I. commissions

II. underwriting fees

III. miscellaneous offering expenses

- * I, II and III
- * I only
- * I and II only
- * I and III only

When selling shares in a closed-end investment company, an agent must inform the client of

any commissions, underwriting fees, or miscellaneous other offering expenses involved.

Q115. Fly-By-Night Investment Advisers has closed its doors. Which of the following statements is true?

- * Fly-By-Night is required to shred all documentation of client transactions and communications.
- * Fly-By-Night must send all records of client transactions and communications to the state Administrator

for safekeeping.

- * Fly-By-Night must preserve and maintain all records, including client transactions and communications, advertising materials, and financial statements of the now-defunct business for five years.
- * Fly-By-Night must send each of its former clients its records of all that client's transactions and

communications with the firm over the past five years.

Even after Fly-By-Night has closed its doors, it is required to preserve and maintain all

records, including client transactions and communications, advertising materials, and the financial

statements of the business for five years, under the guidelines of the Uniform Securities Act.

Q116. Which of the following would fall under the definition of "agent" as defined by the Uniform Securities Act (USA)?

- * Joe works as an administrative assistant for broker-dealer GetErDone, doing data entry, filing client forms that contain confidential information, and directing calls to registered representatives of the firm.
- * Freedom broker-dealers executes the purchase and sale of securities for its customers.
- * TrustUs Bank has a subsidiary operation that sells mutual funds to the public.
- * None of the above would fall under the definition of "agent" as defined by the Uniform Securities Act

(USA.)

None of the selections describe an "agent" as defined by the Uniform Securities Act (USA.)

Joe is not executing trades for clients of the broker-dealer, and clerical assistants are not classified as

agents. Agents must be individuals, so a firm like Freedom broker-dealers would not be considered an

agent. A bank is not an individual, and banks are even excluded from the definition of a broker-dealer.

Q117. When a client has purchased securities on margin, the broker-dealer

- * may require that the client leave all his securities, even those not purchased on margin, in street name.
- * must keep the securities that the client paid cash for separate from the securities that the client

purchased on margin.

- * may use any securities that the client purchased on margin as collateral for a loan from a bank upon

receiving a written agreement signed by the client.

- * Both B and C are correct statements.

A broker-dealer is required to keep any securities a client paid cash for separate from the

securities that the client purchased on margin, and upon receiving a written agreement signed by the

client-a hypothecation agreement-may use those securities that were purchased on margin as collateral

for a loan from a bank. The broker-dealer may not require that a client leave securities purchased through cash transactions in street name.

Q118. Once a broker-dealer has applied for and been granted state registration, the registration remains valid

- * until December 31st.
- * for twelve months.
- * for three years.
- * for five years.

Once a broker-dealer has been granted state registration, that registration is valid until

December 31st of that year. Registration automatically terminates annually on December 31st although

an Administrator may elect to revoke or suspend a broker-dealer's registration at any time if the

Administrator finds just cause.

Q119. Mr. Noah Scruples is a registered representative with CanDo Broker-Dealers. A client calls and wants

Noah to purchase shares of a mutual fund the client has read about. CanDo is not authorized by this

particular fund to effect purchases or sales of the fund shares. Can Noah execute the order anyway?

- * No. This would be considered money laundering, which is highly illegal.
- * No. This is a prohibited practice known as selling away.
- * No. This is a prohibited practice known as front running.
- * Yes. Since this is an unsolicited trade, Noah can execute the transaction on behalf of his client.

No. If CanDo is not authorized to effect purchases and sales of the fund, Noah would be

engaged in the prohibited practice known as selling away if he were to execute the order. If his

broker-dealer is not authorized to trade a security, Noah can't either.

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