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with Online Practice

**by Steven M. Rice**

**for  
dummies<sup>®</sup>**  
A Wiley Brand

## Securities Industry Essentials Exam 2023–2024 For Dummies® with Online Practice

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# Introduction

**S**o you want to be a securities industry professional such as a stockbroker? The good news is that a career in the securities field can be extremely lucrative and rewarding. The not-so-good news is that anyone who plans to become a stockbroker and sell securities in any of the 50 states must first pass the Securities Industry Essentials (SIE) exam and one of the top-off exams. Even the SIE exam alone is quite a challenge for most people. To pass the SIE, you have to commit time and effort.

I passed all my securities exams the first time with very high scores, but they all required weeks of study and sacrifice. Those who aren't totally prepared on exam day are in for an unpleasant wake-up call. As a test prep instructor and tutor, I always had a few students in every class who had enrolled after they already failed one of their exams. Most of them initially expected the same easy ride that they'd experienced in high school or college. Not only were they wrong, but they also had to pay a significant amount of money to reregister for the exam and wait another 30 days — a rule of the Financial Industry Regulatory Authority (FINRA) — before they could retake the exam.

Back to the good news again. You're obviously interested in doing well, so you probably won't be one of those people. This book can help you pass the SIE exam and achieve your goal.

## About This Book

This book should be all you need to pass the exam, although I certainly encourage you to view other materials and take whatever exams you can get your hands on. But as a word of caution, if you're reviewing and taking tests from other books, please make sure that they're on target. I've seen more than a couple of books presenting information that is definitely not included in the SIE outline.

I cover the topics that appear on the test, offer formulas as needed, provide definitions, and go over the information you need to know. I also include lots of tips and a few memory tricks. But the real benefit of this book is finding out how to study and think through problems as well as you possibly can. That's why I help you choose a study program, explain how to handle specific question types, warn you about common mistakes, connect concepts, and show you how to pull questions apart and get to the bottom of what's being asked. Then you get to apply this knowledge in two full-length practice tests so you get a taste of the SIE exam experience.

This is a reference book, and most sections are self-contained. In other words, you can read a section and understand it without looking over the text that comes before it. When some background information is helpful, I give cross-references to related topics. Therefore, you can pretty much jump in and out whenever you find topics you like (and when you find those you don't). And like all good tour guides, I also point you to some other sites of interest — topics you can explore further on your own. If you're short on time (as you probably are) and aren't ready for a break just yet, you can skip the sidebars, those little gray boxes that contain interesting but nonessential information.

# Foolish Assumptions

While writing this book, I made a few assumptions about you and why you picked up this book. For starters, I assume that you're looking for a no-nonsense study guide to supplement your textbook or prep course — one that provides expert insider advice along with a ton of example questions and some sample exams. Look no further! Whether you're preparing to take the test for the first time, retaking the test after a less-than-stellar performance, or looking for a refresher before you recertify, this is the book for you!

## Icons Used in This Book

To make this book easier to read and use, I include some icons to help you find and fathom key ideas and information.



EXAMPLE

This icon highlights example SIE test questions (which I follow with helpful answer explanations).



TIP

This icon is attached to shortcuts and insider advice for studying for and passing the SIE exam.



REMEMBER

This icon points to information that's especially important to remember to do well on the test.



WARNING

This icon warns you away from actions that can harm your work and drop your score.

## Beyond the Book

In addition to the material in this book, this product comes with access to some really useful online material. For additional tips and tricks, check out this book's free Cheat Sheet by going to [www.dummies.com](http://www.dummies.com) and typing "Securities Industry Essentials Exam For Dummies cheat sheet" in the search box.

You also get access to an online database of exams for even more practice.

To gain access to the exams online, all you have to do is register. Just follow these simple steps:

1. **Register your book or ebook at [Dummies.com](http://Dummies.com) to get your personal identification number (PIN).**
2. **Go to [www.dummies.com/go/getaccess](http://www.dummies.com/go/getaccess).**
3. **Choose your product from the drop-down list on that page.**
4. **Follow the prompts to validate your product, and then check your email for a confirmation message that includes your PIN and instructions for logging in.**

If you do not receive this email within two hours, please check your spam folder before contacting us through our Technical Support website at <http://support.wiley.com> or by phone at 877-762-2974.

Now you're ready to go! You can come back to the practice material as often as you want; simply log on with the username and password you created during your initial login. You don't need to enter the access code a second time. Your registration is good for one year from the day you activate your PIN.

## Where to Go from Here

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Although you can read this book from start to finish, you can certainly work your way through it in more creative ways. Where you start is up to you, but please, please don't start with the practice final exams! Give yourself a good grounding in the content here and then use the practice final exams to evaluate your understanding and show you where to focus your studies. You can flip to the topics you think you understand fairly well to boost your confidence or skip directly to whatever's giving you trouble; let the index and the table of contents be your guides. If you have a good understanding of how to take the SIE exam, from how it's structured to how to tackle questions, you can go directly to the chapters in parts 2 and 3, which address types of securities. If you're feeling shaky on the legal aspects, check out the FINRA rules and regulations in Part 4. Everyone, however, can probably benefit from Part 1's test-taking basics and info on study plans. Wherever you go, feel free to take detours to your textbooks, flash cards, FINRA websites, and any other resources for more information. Just remember to come back so you don't miss anything here!



# 1

## Getting Started with the SIE Exam

### **IN THIS PART . . .**

Review the computerized exam format and the procedures for registering to take the SIE exam.

Select the right study course and materials to prepare yourself for exam day.

Understand how to organize your study time efficiently and effectively — even when your time is limited.

Examine test-taking tips to maximize your chances of selecting the correct answer choices.

Discover what to expect on test day (because the only surprises that day should involve the triumphant return of your social life).

#### IN THIS CHAPTER

- » Introducing the SIE
- » Taking a look at companion tests
- » Registering to take the exam
- » Uncovering topics tested on the SIE exam
- » Mastering the computerized exam format

## Chapter **1**

# Introducing the SIE (Securities Industry Essentials) Exam

**C**ongratulations on your interest in becoming a financial professional! But before you can lose yourself in the energy of the office, the eager voices of your clients, and the warm glow of success, you have to face the SIE as well as one of the top-off (qualification) exams such as the Series 7 or Series 6. In this chapter, I give you an overview of the SIE exam, including its purpose, structure, format, scoring, and some helpful tips to guide you through the registration procedure.

The first four chapters go over things like what the exam is, how to study for it, how to take the test, and so on. If you feel that you have a handle on those things, feel free to jump to Chapter 5 to get right into the meat and potatoes of what you need to learn.

## What Is the SIE Exam, Anyway?

Initially, the information in the SIE (Securities Industry Essentials) exam was included in books that covered the Series 6, Series 7, Series 22, and so on. The Financial Industry Regulatory Authority (FINRA) had the idea to strip similar information from these exams and create the SIE exam. What I've found is that besides stripping the information from these other exams, unfortunately for you and other exam-takers, FINRA added a lot more information. What this means is that you'll have to study a lot of information to answer 75 randomized questions.

The SIE is an introductory-level exam designed to test your basic knowledge of the securities industry and is open to anyone age 18 or older. Fortunately, association with a securities firm isn't required; individuals may take the SIE exam before or after being hired by a firm. You need

to know certain terminology used in the securities industry, different securities products, how the market is structured, how the market functions, different regulatory agencies and their purposes, as well as regulated and prohibited practices.

Because unsponsored individuals are allowed to take the exam, you can take a step toward becoming a securities professional prior to being hired. (Although you can take the SIE exam and one of the corequisite exams in any order, most people take the SIE first.)

The exam's purpose is to protect the investing public by ensuring that the individuals who sell or give information about securities have mastered the skills and general knowledge that competent practicing representatives need to have.

The SIE exam itself is a computer-based exam given by Prometric ([www.prometric.com/finra](http://www.prometric.com/finra)) at test centers throughout the United States or in your desired location (see the "So you want to take the test at your location" sidebar later in this chapter). The 75-question exam, administered by FINRA, is 105 minutes in duration. A score of 70 percent or better gets candidates a passing grade and puts big smiles on their faces. After you pass the SIE, the results remain valid for four years from the date you pass. The passing rate for those taking the SIE exam for the first time is around 74 percent. If you include those who have taken the exam more than once, it's closer to 82 percent.

The sections later in this chapter explain the setup of the SIE exam and give a rundown of how to register for the exam. If you have other questions, call the FINRA support team at (240) 386-4040 or visit [www.finra.org/industry/qualification-exams](http://www.finra.org/industry/qualification-exams).

## Profiling the SIE Exam-Taker

The SIE exam is a corequisite exam for people who want to become investment company reps, general securities reps, direct participation program (DPP) reps, securities traders, investment banking reps, private securities offerings reps, research analysts, or operations professionals.

The purpose of the SIE exam was to strip the information that was similar in all the aforementioned exams to make it easier for people to add licenses to their résumés. So to become a securities professional, you need to pass the SIE exam, one of the exams listed in the next section, and typically the North American Securities Administrators Association (NASAA) Series 63 or 66 exam.

People who have a long and sordid history of embezzlement, forgery, and fraud are generally disqualified and precluded from taking the exam. Candidates must disclose any criminal records, and the FINRA reviews applications on a case-by-case basis.

## One's Not Enough: Tackling the CoRequisite Exams

The SIE exam is just your starting point. To become an industry professional, you have to take one of the top-off exams and, in most cases, the Series 63 or Series 66 state exam. As far as which top-off exam(s) you'll have to take, the answer depends on the job you want and/or are hired to do. After you pass the SIE exam, the financial institution that hires you will tell you which exams you need to take and will help you schedule them.





REMEMBER

In addition to taking the SIE exam and one of the top-off or corequisite exams listed in the following sections, you'll likely have to take either the NASAA Series 63 exam or the NASAA Series 66 exam. These exams go into state securities laws as opposed to federal securities laws, which are the focus of exams like the SIE. The difference between the Series 63 and Series 66 is that the Series 66 allows holders to become investment advisers as well. Your employer will let you know which exam it wants you to take. More and more broker-dealers want their agents to take the Series 66. Don't worry too much; neither of these exams are the beasts that some of the other listed exams are.

## Series 6: Investment Company and Variable Products Representative Exam

Series 6 is the license required by most banks and insurance companies. This license allows the holder to sell products such as mutual funds, variable annuities, and variable life insurance (along with having an insurance license). To see the complete outline of what's covered, go to [www.finra.org/sites/default/files/Series\\_6\\_Content\\_Outline.pdf](http://www.finra.org/sites/default/files/Series_6_Content_Outline.pdf).

## Series 7: General Securities Representative Exam

Series 7 is the license exam that most people will be taking. This license is required by most broker-dealers. The Series 7 allows you to sell equity securities, mutual funds, bonds, direct participation programs, options, and so on. To see the complete outline of what's covered, go to [www.finra.org/sites/default/files/Series\\_7\\_Content\\_Outline.pdf](http://www.finra.org/sites/default/files/Series_7_Content_Outline.pdf).



TIP

As a side note, if you're taking the Series 7 exam after taking the SIE, I've also written *Series 7 Exam 2022-2023 For Dummies*, 5th Edition (John Wiley & Sons, Inc.), which is laid out in the same logical way as this book for ease of studying.

## Series 22: DPP Representative Exam

If you're planning to focus your career on selling direct participation programs (DPPs), the Series 22 exam is the one for you. This license allows you to solicit and sell limited partnership interest in DPPs such as real estate, oil and gas, and equipment leasing. To see the complete outline of what's covered, go to [www.finra.org/sites/default/files/Series\\_22\\_Content\\_Outline.pdf](http://www.finra.org/sites/default/files/Series_22_Content_Outline.pdf).

## Series 57: Securities Trader Exam

The Series 57 license allows holders to execute trades in securities. Typically, a Series 57-licensed person works in the trading department, executing trades for individuals or firms. To see the complete outline of what's covered, go to [www.finra.org/sites/default/files/Series\\_57\\_Content\\_Outline.pdf](http://www.finra.org/sites/default/files/Series_57_Content_Outline.pdf).

## Series 79: Investment Banking Representative Exam

The Series 79 Investment Banking Representative exam allows holders to work in the investment banking realm. As such, the holders' functions may include advising or facilitating equity or debt securities offerings through public offerings, private placements, and mergers and acquisitions.

To see the complete outline of what's covered, go to [www.finra.org/sites/default/files/Series\\_79\\_Content\\_Outline.pdf](http://www.finra.org/sites/default/files/Series_79_Content_Outline.pdf).

## Series 82: Private Securities Offerings Representative Exam

If you're planning to sell securities privately as opposed to publicly, Series 82 is the exam you'll need to pass. This exam tests you on the knowledge needed to perform functions of a private securities offerings rep, including the solicitation and sale of Regulation D private placement securities as part of a primary offering. To see the complete outline of what's covered, go to [www.finra.org/sites/default/files/Series\\_82\\_Content\\_Outline.pdf](http://www.finra.org/sites/default/files/Series_82_Content_Outline.pdf).

## Series 7 + Series 86 + Series 87: Research Analyst Exam

If you love taking exams, this is the one for you. You have to pass not only the SIE exam, but also the Series 7, Series 86, Series 87, and either the Series 63 or Series 66. Yikes! If you want to be a research analyst, however, this route is the one you'll need to go. A research analyst is required to prepare written and/or electronic communications that show an analysis of company securities and industry sectors. To see the complete outline of what's covered, go to [www.finra.org/sites/default/files/Series\\_7\\_Content\\_Outline.pdf](http://www.finra.org/sites/default/files/Series_7_Content_Outline.pdf) and [www.finra.org/sites/default/files/Series\\_86-87\\_Content\\_Outline.pdf](http://www.finra.org/sites/default/files/Series_86-87_Content_Outline.pdf).

## Series 99: Operations Professional Exam

People who have a Series 99 license have proved that they have the knowledge needed to perform the critical functions of an operations professional. As such, their functions include client onboarding (welcoming new clients, addressing client concerns, making sure clients understand the services available to them, and so on), receipt and delivery of securities and funds, account transfers, reinvestment and disbursement of funds, and so on. To see the complete outline of what's covered, go to [www.finra.org/sites/default/files/Series\\_99\\_Content\\_Outline.pdf](http://www.finra.org/sites/default/files/Series_99_Content_Outline.pdf).

# Signing Up

One of the things I really like about the SIE exam is that you don't need to be sponsored to take it (most of the other securities exams require sponsorship by a brokerage firm, bank, insurance company, and so on), which means that you can take the exam on your own prior to being hired. This strategy allows you to get a leg up on the competition and also shows your future employer that you're not fooling around.

## Filling out an application to enroll

The easiest way to enroll to take the SIE is to go to [www.finra.org/registration-exams-ce/qualification-exams/securities-industry-essentials-exam](http://www.finra.org/registration-exams-ce/qualification-exams/securities-industry-essentials-exam). Scroll down to the bottom of the page; look for the Enrollment Options section; and follow the instructions for individuals, which include creating an account, enrolling for the SIE, and paying for the exam (by credit card or Automated Clearing House [ACH] transfer).

## It's a date! Scheduling your exam

After you've completed the online application and received your enrollment notification, you can schedule an appointment to take the exam by contacting the Prometric testing center. Locate the test center nearest you by calling (800) 578-6273 during business hours or by visiting [www.prometric.com/FINRA](http://www.prometric.com/FINRA), where you can make an appointment to take the exam at a Prometric test center or online (remotely).

At the present time, online testing is only a couple of years old. See the sidebar “So you want to take the test at your location” at the end of this chapter for information on taking the exam online.

Like enrollment in other securities exams, your SIE exam enrollment is valid for 120 days; you have to take the exam within this time frame. When scheduling your exam appointment, be ready to provide the following information:

- » Your name and Social Security number and/or FINRA number
- » The name of the securities exam you're registering to take
- » Your desired test date

Getting an appointment usually takes one to two weeks, depending on the time of year. (You may wait longer in the summer than around Christmastime.) Prometric will confirm your appointment on the phone or via email.



TIP

I highly suggest putting pressure on yourself and scheduling the exam a little sooner than you think you'll be ready to take it; you can always move the test date back. (You'll be charged if you cancel within ten business days of your test date.) You know yourself best, but I think that most students study better when they have a target test date.

You have a choice of where to take the exam. If you're a travelin' man (or woman), you may want to schedule your exam at a location far away (maybe even in a different state) to get the test date you want. If you're having trouble scheduling the date and/or location of your choice, remember that you can take it on a computer of your choice (at home or work, at a family member's house, and so on). See the sidebar “So you want to take the test at your location” later in this chapter.

After you have your test date set, you may find that you're ready sooner or later than your scheduled appointment. The exam-center administrators are usually pretty accommodating about changing appointments and/or locations as long as you call before noon at least two business days before your test date, but a fee may be involved.

You can get an extension from the 120-day enrollment only if you call within ten days of your enrollment expiration and if no earlier test dates are available.

## Planning for special accommodations

If you require special accommodations when taking your securities exam, you can't schedule your exam online. You have to contact the FINRA Special Conditions Team at (800) 999-6647 or fill out the special-accommodations form at [www.finra.org/sites/default/files/SA-Eligibility-Questionnaire.pdf](http://www.finra.org/sites/default/files/SA-Eligibility-Questionnaire.pdf). Read on for info on what the test administrators can do if you have a disability or if English isn't your first language.

## TEST-CENTER AMENITIES

The test centers are required to comply with FINRA site guidelines, but some of the older centers may not have the amenities that the newer ones do (such as lockers and earplugs). To protect yourself from a variety of unpleasant, unexpected site surprises on exam day, the FINRA website ([www.finra.org](http://www.finra.org)) offers general information, including test-center security guidelines (including candidate ID requirements, personal items allowed, and provided aids), test-center rules of conduct, and so on. For more-specific questions, such as whether a cafeteria, vending machines, or lockers are on site, ask the center's administrator when you schedule your test date.

This book was written a couple of years into the COVID-19 pandemic. As of now, pretty much all the closed testing centers have reopened at either full or limited capacity. Certainly, due to state and local government mandates, some testing sites may be more affected than others. The situation remains fluid and may change as the number of virus-infected people increases or decreases. I suggest that you check the following link for the latest Prometric updates: [www.prometric.com/corona-virus-update](http://www.prometric.com/corona-virus-update). In addition, FINRA and NASAA recently set up an online testing service (discussed at the end of the chapter). For the latest, go to [www.finra.org/rules-guidance/key-topics/covid-19/exams](http://www.finra.org/rules-guidance/key-topics/covid-19/exams).



WARNING

Depending on your testing center, you may have to receive authorization to bring medical devices and supplies — such as insulin pumps, eyedrops, and inhalers — into the testing room. If you need authorization, call your local Prometric testing center, and a staff member will be able to guide you on the approval process.

### Americans with Disabilities Act (ADA) candidates

If you're disabled or learning-impaired, FINRA provides testing modifications and aids in compliance with the provisions of the Americans with Disabilities Act (ADA). To qualify for ADA provisions, your disabilities have to permanently limit a major life activity, such as learning, speech, hearing, or vision.

To apply for special accommodations, you need to submit documentation from your physician or licensed health-care professional to the FINRA, requesting the special arrangements. Additionally, you have to submit the FINRA Special Accommodations Eligibility Questionnaire and Special Accommodations Verification Request Form for all special arrangement requests. You can find links to these forms at [www.finra.org/industry/special-accommodations](http://www.finra.org/industry/special-accommodations).

You may request the accommodations you want. Possible aids include

- » Extra time
- » A written exam (pencil and paper)
- » A reader, writer, or recorder
- » A sign-language interpreter
- » A large-print exam booklet
- » Wheelchair-accessible locations

FINRA reserves the right to make final decisions about accommodations on a case-by-case basis.

## English as a Second Language (ESL) candidates

If English is your second language, you can request additional time to take the exam when you schedule your SIE test date. If FINRA approves, you receive a little extra time to complete the exam. In general, FINRA gives an extra 30 minutes for exams shorter than 2 hours and an extra hour for exams longer than 2 hours.

To qualify for extra time because English is your second language, fill out the form at [www.finra.org/sites/default/files/LEP-request-form.pdf](http://www.finra.org/sites/default/files/LEP-request-form.pdf).

## Just in case: Canceling as an option

If something comes up or if you feel that you're just not ready, you can cancel your appointment to take the SIE exam without penalty if you do so at least ten business days before the exam date. If a holiday falls within the cancellation period, you have to cancel an additional business day earlier. If you're scheduled to take the exam on a Wednesday, for example, you have to cancel on Tuesday two weeks before your exam date. If a holiday falls between those dates, you have to cancel on Monday two weeks before your exam date. For more information, visit [www.finra.org/industry/reschedule-or-cancel-your-appointment](http://www.finra.org/industry/reschedule-or-cancel-your-appointment).



WARNING

If you cancel after the prescribed deadline, if you don't show up to take the exam, or if you show up too late to take the exam, you'll be charged a cancellation fee equal to the cost of the exam fee you paid. I'm sure that the old "I forgot" excuse has been tried, but I've never heard of it being effective.

## Taking a Peek at the Tested Topics

As a practical exam, the SIE requires you to master vocabulary; handle customer accounts; understand the rules and regulations that govern the securities industry; and, yes, work with some math formulas (although very few). For ease of use, and because humans have a limited life span, this book focuses on the information you need to pass the SIE exam. Here's an overview of what to expect:

- » The underwriting process — how new securities come to market (Chapter 5)
- » Common and preferred stock (Chapter 6)
- » Corporate bonds and U.S. government securities (Chapter 7)
- » Securities issued by local governments (municipal bonds) (Chapter 8)
- » Investment companies, including mutual and closed-end funds (Chapter 9)
- » DPPs (limited partnerships) (Chapter 10)
- » Options (Chapter 11)
- » Customer accounts (Chapter 12)
- » Analyzing the benefits and risks associated with investments; making appropriate recommendations to customers (Chapter 13)
- » Following how new securities are brought to the market and how existing securities are traded in the market (Chapter 14)

- » Risk considerations and income tax implications that stock market investors face (Chapter 15)
- » Rules and regulations governing the purchase and sale of securities and the registered representative's responsibility for maintaining accurate records (Chapter 16)

FINRA has released a list of the distribution of questions on the SIE exam. See Table 1-1 for the number of questions devoted to each topic as applied to a registered rep's performance.

Pretty much each of these topics falls under multiple areas of study. To correctly answer questions that address the topic of handling customer accounts, for example, you have to know enough about different types of stocks, bonds, and so on to guide your customers, including which investments are most beneficial to retirees and which work best for investors who are just entering the workforce.

Although Table 1-1 shows the outline of the exam, this book (and most other study materials) breaks the chapters down by similar content to make your life easier and keep you from having to jump back and forth.

**TABLE 1-1** Distribution of SIE Exam Questions

Topic	Number of Questions	Percentage of Exam
Knowledge of capital markets	12	16
Understanding products and their risks	33	44
Understanding trading, customer accounts, and prohibited activities	23	31
Overview of regulatory framework	7	9
Total	75	100

## Understanding the Exam Format and Other Exam Details

To make sure that you don't walk into the testing center, take one look at the computer screen, go into shock, and start drooling on the keyboard, I use the next few sections to cover some of the testing details for the SIE exam.

### Reviewing the exam basics

The SIE exam is a computerized, closed-book (in other words, no book) exam that lasts 1 hour and 45 minutes. The exam consists of 85 multiple-choice questions, although only 75 of them count toward your score (see the next section).



TIP

Certainly, you can take bathroom breaks at any time, but the clock continues to tick away, so you may want to reconsider drinking a mega-jumbo iced latte the morning of your test.

For information on the types of questions to expect, see Chapter 3. Flip to Chapter 4 for an overview of how your exam day may progress.