

Uniform Securities Agent State Law Examination

1. Which of the following would not fall under the classification of "institutional investor"?

A. Prudential Insurance

B. Chase Bank

C. Neuring Investment Advisers

D. Franklin Templeton Mutual Funds

Answer(s): C

2. Ms. Ding is an administrative assistant to the manager of a mutual fund. Most of her day is spent entering

A. Ms. Ding needs to apply for registration as an agent since she is providing financial information.

B. Ms. Ding needs to apply for registration as an investment adviser representative since she is providing information about a specific mutual fund.

C. Ms. Ding will need to apply for registration as both an agent and an investment adviser representative in this case since she is providing information about a mutual fund.

D. Ms. Ding does not need to apply for any type of registration. She is merely supplying information and is not engaged in the purchase or sale of the fund shares.

Answer(s): D

3. "T + 3" refers to

A. the form, also known as a "trade ticket," that is filled out when an order is entered into the market.

B. the form that is filled out and sent to the client confirming that the trade has been executed.

C. the fact that the settlement date will be three business days after the trade date, which is the "regularway settlement" for transactions involving stocks and corporate and municipal bonds.

D. a procedure to minimize the potential for money laundering.

Answer(s): C

4. You had the misfortune of working as a registered agent for an unscrupulous broker-dealer. You weren't

A. you can simply find another broker-dealer to hire you and have your license transferred to him.

B. you are no longer a licensed agent with the state and must reapply for a license in order to work for another broker-dealer.

C. the state Administrator will assign you and any other affected agents to work for other broker-dealers registered with the state.

D. you must wait until the broker-dealer's day in court before you can work in the securities industry again because the Administrator will want to be certain that you knew nothing of it.

Answer(s): B

5. Which of the following is not a method that can be used to register securities with the state?

A. registration by exception

B. registration by notification

C. registration by coordination

D. registration by qualification

Answer(s): A

6. In which of the following instances is it permissible for an investment adviser to borrow money from a

A. It is never permissible for an investment adviser to borrow money from a client.

B. The investment adviser may borrow money from a client if the client is a bank.

C. The investment adviser may borrow money from a client if the client is a close friend of the majority owner of the investment advisory firm.

D. The investment adviser may borrow money in either of the scenarios described in B or C.

Answer(s): B

7. Mr. Bigwig, CEO of HiGrowth Corporation, meets with the president of BigFee Investment Bankers and

A. HiGrowth Corporation

B. Mr. Bigwig

C. BigFee Investment Bankers

D. GetErDone Broker-Dealers

Answer(s): D

8. Mr. Sailor is cruising through the Bahamas when he learns that a healthcare company in which he owns

A. Yes. This is a legitimate request from a client, and you are required to follow the client's instructions.

B. No, not unless you and your broker-dealer have a written document that gives Mr. Sailor's son the power-of-attorney to trade on his account.

C. Yes, as long as the son presents proper identification that proves his relationship to Mr. Sailor, such as a birth certificate.

D. Yes, as long as the son is at least 21 years old and not a minor child.

Answer(s): B

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

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

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

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

D. None of the above is an "issuer" transaction.

Answer(s): B

10. The 1988 Insider and Securities Enforcement Act indicates that a person convicted of insider trading can

A. up to 10 years in prison and a fine of \$1 million or up to 3 times the amount of profits gained, or

B. up to 3 years in prison, a \$5,000 fine, or both

C. up to 5 years in prison and a fine of \$1,500,000 or both

D. up to 7 years in prison and a fine equal to 200% of the amount of profits gained or losses avoided

Answer(s): A

11. A-2-Z Associates is a full service brokerage and is also in the investment advisory industry, charging its

A. A-2-Z can charge an individual client an advisory fee for its advice or a commission when it executes a trade that the client makes based on that advice, but not both.

B. A-2-Z can charge the client both an advisory fee for its advice and a commission on any trade the client makes based on the advice. This is all laid out in the advertising brochures full service brokerage firms like A-2-Z provide their prospective clients.

C. A-2-Z can charge the client both an advisory fee for its advice and a commission for the execution of a trade based on that advice, but it must inform the client of its potential conflict of interest in doing so and get the client's written consent.

D. A-2-Z can charge the client only an advisory fee when it is serving as an investment adviser; no commissions may be collected.

Answer(s): C

12. To say a security is "exempt," means that

A. I, II, and III

B. I and II only

C. II and III only

D. II only

Answer(s): D

13. MoeMoney Investment Advisers uses the services of two broker-dealers exclusively when it executes

A. Yes. Investment advisers are prohibited from receiving any soft dollar compensation whatsoever.

B. No. Investment advisers are entitled to receive soft dollar compensation from broker-dealers with which it has a relationship as long as they disclose this to their clients.

C. Yes. Although investment advisers are permitted to receive some forms of soft dollar compensation from broker-dealers with which it has a relationship, such as research or custodial

services, other forms of soft dollar compensation, including the payment of overhead expenses, are prohibited.

D. Yes. Investment advisers are required to use more than two broker-dealers when executing trades on its clients' accounts.

Answer(s): C

14. Don is a state-registered agent with GetErDone Broker-Dealers. He has three other friends who are

A. Huey only.

B. either Huey or Dewey or both

C. Dewey only.

D. Either Huey, Dewey, or Louie or any combination of the three

Answer(s): A

15. Sam Shade had his agent's license revoked by the state of Washington for repeatedly making misleading

A. Sunny Investment Advisers will not be held liable if it can prove that there was no way it could have or should have known of the revocation of Sam Shade's (aka Ian Creed) license.

B. Sunny Investment Advisers will be subject to criminal prosecution for employing an individual whose license had been revoked by the Administrator of another state since it obviously did not use due diligence in hiring Ian Creed, aka Sam Shade.

C. Sunny Investment Advisers will be subject to civil penalties for employing an individual whose license had been revoked by the Administrator of another state.

D. Sunny Investment Advisers will be subject to both criminal prosecution and civil penalties for employing an individual whose license had been revoked by the Administrator of another state since it obviously did not use due diligence in hiring Ian Creed, aka Sam Shade.

Answer(s): A

16. Most individual state securities laws today are based on:

A. the Uniform Securities Act of 1956.

B. the Uniform Securities Act of 2002.

C. the National Securities Markets Improvement Act of 1996.

D. the Gramm-Leach-Bliley Act of 1999.

Answer(s): A

17. Which of the following persons falls under the definition of "broker-dealer," as defined by the Uniform

A. Marge is a loan officer at Treadwater Bank and Trust.

B. Juan is employed by TrustUs Corporation to sell shares of the firm's stock to the firm's employees and receives a commission on the shares he sells.

C. Michaela is employed by GetErDone broker-dealers and sells both exempt and non-exempt securities to GetErDone's clients.

D. MyTrades is a sole proprietorship owned by Nathan Newmoney, who has established the firm solely to make trades on his own account, thereby avoiding the commissions he would have to pay a middleman.

Answer(s): D

18. Under the 2002 Uniform Securities Act, registration by coordination allows:

A. federal covered securities to be registered simultaneously with the SEC and with the states in which the securities will be offered for sale.

B. securities that do not fall within the category of federal covered securities to be registered simultaneously with the SEC and with the states in which the securities will be offered for sale.

C. both state-registered and out-of-state investment bankers to participate in the underwriting and registration of a new security issue.

D. issuers of federal covered securities to submit only a notice filing with the Administrator of states in which the securities will be offered for sale.

Answer(s): B

19. The Uniform Securities Act (USA) is

A. a body of laws governing the purchase and sale of securities within a single state.

B. a set of guidelines for individual states to follow when formulating their own securities' laws.

C. a group of laws requiring state-issued securities, such as municipal bonds, to be registered with

D. federal legislation that requires all states to adopt the same registration requirements for all

Answer(s): B

20. A tombstone advertisement is

A. an offer to sell a new security.

B. the announcement of a new security that may become available for purchase.

C. the only type of advertisement that an investment advisory firm is allowed to use.

D. an offer to sell a new security that is being issued by an Arizona firm.

Answer(s): B
