

Finance

*Series-63
Uniform Securities Agent State Law Examination*



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Question: 1

Which of the following does not constitute an offer to sell a security?

- A. Any attempt to purchase or to dispose of a security for value
- B. Stock dividends paid to shareholders
- C. A security given as a bonus in conjunction with the purchase of a security
- D. A gift of an assessable security

Answer: B

Explanation:

Stock dividends paid to shareholders are excluded from the definition of a sale or an offer to sell a security.

Question: 2

If an agent decides to file an appeal of the Administrator's order, it must be done:

- A. Within 45 days
- B. Within 60 days
- C. Within 10 days
- D. Within 30 days

Answer: B

Explanation:

An agent must file an appeal with the court within 60 days.

Question: 3

The following are all types of government issues except:

- A. Government agency obligations, such as options clearing issues
- B. Treasury bonds, obligations of the US government
- C. Obligations of foreign governments, such as Canadian bonds
- D. Obligations of state and local governments

Answer: A

Explanation:

Options clearing issues are corporate issues, option contracts on stocks, debt investments, market indices, and foreign currencies; government agency obligations are ones like Freddie Mac, Ginnie Mae, and Fannie Mae.

Question: 4

All of the following are true about the effective date and expiration of registrations except:

- A. All registrations become effective at noon
- B. Registrations become effective 30 days from the filing date
- C. All registrations expire on December 31, unless renewed
- D. If the registration application is amended, the registration becomes effective 60 days after the amendment filing date

Answer: D

Explanation:

If the registration application is amended, it becomes effective 30 days from the filing date of the amendment.

Question: 5

Under the Uniform Securities Act, which of the following is correct regarding a State Administrator's investigative powers?

- A. The Administrator may initiate an investigation anytime it appears a violation is about to occur
- B. The Administrator may initiate an investigation only if a complaint has been filed by a client
- C. The Administrator may initiate an investigation only if the person investigated is registered in the Administrator's state
- D. The Administrator may initiate an investigation only when he or she feels a violation has occurred

Answer: A

Explanation:

The Administrator may initiate an investigation if it appears that a violation of the Uniform Securities Act is about to occur. The Administrator need not wait for a violation to occur before starting an investigation.

Question: 6

As it is covered under the Uniform Securities Act, which of the following is a broker dealer?

- A. A firm with no office in the state executing orders for banks
- B. A person trading large blocks of stock for their own private account
- C. A firm with no office in the state executing orders for investment companies and accredited investors only
- D. A firm with no office in the state who executed orders for existing customers in state for less than 30 days

Answer: C

Explanation:

A firm with no office in the state who executes orders for accredited investors in state would be considered a broker dealer in the state and would have to register.

Question: 7

Which of the following is true relating to the XYZ Company during the issuing of securities?

- A. The company is not a person issuing securities because a company cannot be considered one person
- B. The company will be considered both an issuer and a person
- C. The company must hire an underwriter to sell the securities
- D. The company will only be considered an issuer

Answer: B

Explanation:

A person is considered to be an individual, a group, or an organization that can enter into a legally binding contract; as such, a person may either trade or issue securities.

Question: 8

As it relates to the Uniform Securities Act, which of the following are securities?

- I. A futures contract on a blue chip stock
- II. A futures contract on light sweet crude oil
- III. A put contract on the S & P 500
- IV. A variable annuity's separate account

- A. III and IV
- B. I, III and IV
- C. I, II, III, and IV
- D. I and IV

Answer: B

Explanation:

Options, separate accounts, and individual stock futures are all considered securities. A commodity future is not a security.

Question: 9

An issuer has registered securities within a state under coordination. Which of the following is not true?

- A. The issuer's registration must not yet be effective at the federal level
- B. The State Administrator sets specific fees for the issuer
- C. The issuer must be engaged in an intrastate offering of its securities
- D. The state registration will become effective within ten days or at the time the federal registration becomes effective

Answer: C

Explanation:

In order for an issuer to register through coordination, they must be engaging in a interstate offering of securities, not an intrastate offering. All of the other choices are true.

Question: 10

An agent of a broker dealer has a large book of business and receives transaction based compensation. The agent has also invested a large amount of money into mutual funds for the benefit of their clients. As a result, the agent receives significant additional income from the mutual fund company, generated by the fund's 12 B 1 fees charged by the fund. Which of the following is true?

- A. Both the fund company and the agent are violating industry regulations, as this would be considered a kickback or a rebate.
- B. The agent and the firm are not required to obtain any additional registrations to accept these fees
- C. The employing firm would have to be registered as an investment adviser to allow the agent to be paid an asset based fee.
- D. The agent would have to be registered as an investment advisory agent and the client's mutual funds would have to be held in a wrap account.

Answer: B

Explanation:

An agent or broker dealer that is receiving trail commissions from mutual fund companies are not required to obtain any additional registrations in order to be able to accept 12 B 1 trail commissions.

Question: 11

A blue chip exemption is offered to which of the following?

- A. Subordinated debentures of XYZ Corp. XYZ's Common stock is listed on the Pacific Stock Exchange
- B. US Treasury bonds
- C. Commercial paper
- D. Preorganization certificates

Answer: A

Explanation:

A blue chip exemption is given to the securities of any issuer whose common stock is listed on a US stock exchange.

Question: 12

An investor is offered to be made whole after suffering a large loss on a sale that was in violation of the Uniform Securities Act. Which of the following is true?

- I. The offer may be written or verbal
- II. The offer must include interest equal to the prime rate
- III. The investor may recover over and above the losses, court costs, and interest
- IV. The investor is required to accept the offer within 30 days

- A. II and III
- B. IV only
- C. II only
- D. I and IV

Answer: B

Explanation:

Of the choices listed regarding an investor's right of recovery, only IV is correct. An investor must accept an offer of rescission within 30 days. That offer must be in writing and it must contain an offer of interest. There is no requirement that the interest rate equal the prime rate.

Question: 13

In order for commercial paper to be exempt from registration, it must meet all of the following except:

- A. Be rated in the top 3 categories by national ratings agency
- B. Sold in denominations of \$50,000 or more
- C. Have a maturity of 9 months or less
- D. Be sold to money market funds

Answer: D

Explanation:

Commercial paper does not need to be sold to money market funds. All of the other choices listed are correct.

Question: 14

A customer who has rejected their broker dealer's offer of rescission may do which of the following?

- A. Ask for punitive damages
- B. The customer has given up all rights of recovery
- C. Sue the broker dealer in court
- D. Reserve the right to accept the offer at a later date

Answer: B

Explanation:

A customer who rejects an offer of rescission has given up their rights of recovery.

Question: 15

In order to register securities through filing, the issuer must:

- I. Have been in business for at least 36 months
- II. Have at least 500 shareholders
- III. Have at least 4 market makers
- IV. Have a public float of at least 400,000 shares

- A. I and III
- B. I, II, and III
- C. I, II, III, and IV
- D. I and IV

Answer: C

Explanation:

In order to register securities through filing, the issuer must have all of the choices listed.

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