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QUESTIONS & ANSWERS  
**DEMO VERSION**  
*(LIMITED CONTENT)*

# Question 1

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Question Type: MultipleChoice

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Which of the following customers is eligible to open an institutional account at a broker-dealer?

## Options:

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- A- An investment club with pooled assets totaling \$1 million
- B- limited liability partnership with assets of \$20 million
- C- corporation with assets totaling \$25 million
- D- An Insurance company with assets of \$45 million

## Answer:

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D

# Question 2

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Question Type: MultipleChoice

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Which of the following conditions typically has a negative effect on the value of an equity real estate investment trust (REIT)?

## Options:

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- A- Overbuilding
- B- Low mortgage rates
- C- An increase in property values
- D- An increase in occupancy rates

## Answer:

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A

## Explanation:

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An equity REIT owns and operates income-producing real estate, and its value is closely tied to property fundamentals such as rent levels, occupancy, operating costs, and the balance of supply and demand in the markets where it owns properties. Overbuilding increases supply of available real

estate (e.g., more apartments, office space, retail capacity) relative to demand, which typically puts downward pressure on rents, increases vacancy risk, and reduces property-level cash flows. Lower expected cash flow and weaker pricing power generally reduce the value of the REIT's properties and can lead to lower REIT share valuations. That is why A is correct.

Choice B is generally positive, not negative: low mortgage rates can support real estate values by reducing financing costs, increasing affordability, and improving the economics of acquisitions and development (though effects can vary). Choice C---increasing property values---is typically positive for equity REITs because it can raise the value of the underlying real estate portfolio and improve net asset value. Choice D---higher occupancy rates---is also generally positive because it means more leased space, steadier rental income, and improved cash flow stability.

This question is testing a fundamental real estate cycle concept often included in SIE product/risk discussions: real estate is sensitive to economic activity and supply/demand imbalances. Overbuilding is a classic negative driver because it can persistently compress revenues and margins until excess supply is absorbed. Equity REIT investors must consider these sector dynamics, alongside interest-rate sensitivity, leverage, and property-type exposure.

## Question 3

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Question Type: MultipleChoice

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A company files a registration statement with the SEC to register a new Issue of securities. The company does not plan to sell all the registered shares at this time and instead plans to gradually sell new shares over a three-year period. This registration is called a:

### Options:

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- A- shelf registration.
- B- Rule 144 offering.
- C- best efforts offering.
- D- SEC Regulation S offering.

### Answer:

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A

## Question 4

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Question Type: MultipleChoice

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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?

### Options:

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- 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:

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B

### Explanation:

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Step by Step

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.

FINRA Rule 3220 (Influencing or Rewarding Employees of Others): FINRA Rule 3220.

## Question 5

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Question Type: MultipleChoice

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When exercised, an option written on which of the following items must be settled in cash?

### Options:

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- A- Equity index
- B- Preferred stock
- C- Master limited partnership
- D- Exchange-traded funds (ETFs)

## Answer:

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A

## Explanation:

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### Step by Step

Equity Index Options: These are cash-settled because the underlying asset is not a physical security but a theoretical value representing the index.

Incorrect Options:

Preferred Stock, Master Limited Partnerships, and ETFs: These involve physical delivery of the underlying asset upon exercise.

Options Clearing Corporation (OCC) Guidelines: OCC Cash-Settled Options.

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