

1. What is the minimum contract for facilitation crosses? **50.**
 2. Blotters/Account statements are kept for **6 years**
 3. Trading Rotation begins **when underlying security opens for trading in primary market**
 4. Decisions of Arbitration panels **are binding and non-appealable.**
 5. What's not on the order ticket? **Commissions and Contra-party.**
 6. Who decides what should be on the order ticket? **Exchange.**
 7. Options settles **T+1**
 8. Equity settles **T+3**
 9. Erroneous Trades:
 - a. **Option listed on CBOE: 15 mins**
 - b. **Equities listed on NASDAQ: 30 mins**
 10. Cabinet trades:
 - a. **Record worthless contracts**
 - b. **Tax purposes**
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11. Give up: **provides clearing number and name of clearing prime broker WHEN trade is being reported.**
 12. Step out: **provides clearing # AFTER the trade is reported. Movement of position only.**
 13. Index options are **cash settled**
 14. Threshold List
 - a. **Prepared by exchange**
 - b. **If not delivered, mandatory buy in "13 business days" (10 business days from settlement: (T+3) +10 = 13)**
 - c. **Includes NASDAQ, OTCBB, Pink Sheets**
 15. Self-help example:
 - a. **Exchange A routes an order to Exchange B for a better price. Exchange B does not respond. Exchange A declares "self-help" and fills the order themselves and keeps the commission.**
 16. Trade Reporting:
 - a. **Equity on NASDAQ must report within: 30 secs**
 - b. **Options on CBOE must report within: 90 secs**
 17. ETF creation unit: **the unit size in which institutional investors can create or redeem ETF shares with the fund or trust**
 18. Maximum gift amount:
 - a. **Exchange: \$50**
 - b. **Firm: \$100**
 19. Option order ticket **must be written prior to order entry**
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20. Reserve Orders: **a limit order that has both displayed and non-displayed size**
 21. Order Book Official (OBO): exchange employee
 - a. **Only takes public limit orders (market orders allowed during opening rotation)**
 - b. **Have order priority over market makers**
 22. SEC act of 1934: **regulates all trading securities in US**
 23. Regulation SHO: **stock must be "located" before they are shorted**
 24. Who locates? **Broker-dealer**
 25. As/of (T+N): **a trade that occurred earlier than the current day and was not reported, or when reporting the cancellation of a trade that was reported in error from a previous day**

26. Opening rotation starts **as soon as the underlying security opens in primary market.**
27. Designated Market Makers (DPM) act as:
- a. **market makers**
 - b. **floor broker**
 - c. **order book officials**
28. Lead Market Makers (LMM) and Supplemental Market Maker (SMM):
- a. **Assigned when there is no DPM and trading is thin.**
 - b. **The idea is to add liquidity to the market w/ out all responsibilities of DPM**
29. Market Maker on CBOE reports to **exchange.**
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30. Trade shredding: **splitting large orders into multiple smaller orders for maximize rebates**
31. What agency determines the manner in which quotes much be disseminated? **OPRA**
32. Duties of Floor Broker:
- a. **Trade for their or other firms**
 - b. **Can accept public/member orders**
 - c. **Prohibited from trading own account**
33. **ISO:** a limited order that are sent to multiple exchanges for the best price. Stimulates competition.
- a. **are exempted from Rule 611 (trade through rule)**
34. All transactions are required to be reported to **Clearing Corporation**
- a. **OCC for options**
 - b. **NSCC or DTC for equities**
35. Settlement Rules:
- a. **Regular way stocks, corporate bonds, and munis: 3 days**
 - b. **Regular way options/Treasuries: Next day**
 - c. **Cash: Same day before 2:30pm EST**
 - d. **Seller's Option: used when seller needs more time than the regular way.**
36. **Option style** is NOT on the option order ticket
37. For tape reporting purposes **ONLY** the **sell side** reports
38. For clearance purposes: both the **buy and sell** side reports.
39. Cover call: **Long stock and sell call**
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40. Stolen Securities:
- a. **Must contact FBI first. Then SIC and Transfer agent in one day**
 - b. **NOT required to be reported to SRO, CBOE, or FINRA**
41. AML Policy 3 areas to monitor:
- a. **Wire transfers**
 - b. **Deposits**
 - c. **Monetary Instruments**
- *Must file Suspicious Activity Reports (SARs) if potentially AML is spotted.*
42. Crossing procedures:
- a. **Must first seek interest from trading crowd**
 - b. **Floor broker must bid above highest bid and offer below lowest offer**
 - c. **If not taken, "THEN" he may cross by announcing outcry w/ price and quantity.**
43. Preferred Stock: Not redeemable "Negotiable Security"
- a. **No pre-emptive rights**

- b. **Div paid before common**
 - c. **Prior claim for liquidation before common**
 - d. **Does NOT vote**
 - 44. Treasury shares:
 - a. **Can't vote**
 - b. **Can't receive dividend**
 - 45. **ADR** gets dividend. But does NOT vote.
 - 46. Warrants: "sweetener"
 - a. **Issued at premium**
 - b. **Usually 5 years but sometimes perpetual**
 - c. **Can't vote**
 - d. **Only receive dividend after warrant is sold or detached**
 - 47. Order execution priority
 - a. **OBO is ALWAYS first** (public orders have priority)
 - b. **MM is ALWAYS last**
 - 48. Regulation Fair Disclosure (FD): insider trading rules
 - a. **No selective disclosure: release to some then release to all**
 - 49. Regulation M: **deals with manipulating issues**
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- 50. Regulation NMS: promotes competition between market centers
 - a. **Rule 605: Monthly reports on the execution quality**
 - b. **Rule 606: Quarterly reports of how customer's orders were routed.** (Direct/ Non-direct)
 - c. **Rule 610: Consistent fees (level playing field)**
 - d. **Rule 611: "Trade-through" rule. Must route order to best priced market within 1 second.**
 - e. **Rule 612: Prohibits sub penny pricing unless the stock is under \$1.00**
 - 51. OTC firms are called **broker-dealer** because they handle both public and member orders.
 - a. Traditionally **dealer** only handles retail member orders and,
 - b. **Broker (middle-man)** accepts customers order and execute with the dealers.
 - 52. Price of stock is adjusted on **Ex-DATE** for dividends
 - 53. Not held: **gives traders discretion over price and time of execution**
 - 54. **Last date for dividend:** 3 business day prior to record date, regular way settlement.
 - 55. First Market=**Auction market**; Second Market=**Negotiated**
 - 56. **Bear Call Spread example:**
 - a. Stock is at \$30
 - b. Long 1 call; X=35; P=0.50
 - c. Short 1 call; X=30; P=\$2.50
 - d. If price closes below 30, then you keep \$2.00 (difference in premium)
 - 57. **Bear Put Spread example:**
 - a. Stock is at \$30
 - b. Long 1 put; X=35; P=4.75
 - c. Short 1 put; X=30; P=1.75
 - d. Total premium paid = 3.00
 - e. If price closes below \$30, then $(\$35 - \$30) - 3 = \$200$ profit.
 - 58. **Federal Trade Commission:** have NO jurisdiction over financial markets. (State regulators, FINRA, and SEC does)

- 59. **Synthetic Long Call:** Long Stock + Long Put
- 60. **Synthetic Short Call:** Short Stock + Short Put
- 61. **Synthetic Long Put:** Short Stock + Long Call
- 62. **Synthetic Short Put:** Long Stock + Short Call
- 63. **Synthetic Long Stock:** Long Call + Short Put
- 64. Member firms for an IPO **CANNOT trade.**
- 65. During **Stock Splits:** Strike price is REDUCED and # of contracts INCREASES.

Questions from test:

1. MM is trying to sell a larger customer order at a good price. However, the bid keeps stepping down. So, MM places a large bid in front of the best bid to fill the order at a better price. Is this practice legal? **No, because that is artificially supporting the stock.**
2. Which is true of a trader executing a complex order? **I put it takes longer than the standard 90 seconds. (not sure though)**
3. What does a trader who executes an ISO (inter-market sweep order) have to make sure of?
4. A trader has an index put option for 225. The index closes at 220 at expiration. What happens to the traders account?
 Debited 2,500
 Debited 25000
Credited 2500
 Credited 25000
4. 1934 Sec regulating secondary markets covers securities...
-All U.S listed securities
 -All U.S securities traded anywhere
 -All U.S securities traded in the U.S etc..
5. What does locate mean? **Locating the stock prior to short sell.**
6. How many days after failure of delivery does a trader have to deliver securities/settle.
 a)3 b)5 c)**10** d)15
7. A trader puts on a trade on Thursday, Equities and Options are settled On?
 -Equities friday, options Tuesday
-Equities tuesday, options Friday (because Equities is T+3, Option is T+1)
 Equities monday, Options Friday
8. Opening rotation occurs under what circumstance?
-After underlying security begins to trade?
 -At 9:30 EST
 -At the start of every trading day of expiration week?
 -At the 9:30 EST of every trading day of expiration week?

9. A Floor Broker takes the role of being a Market Maker for an exchange, which is Not an Obligation of his?

- Report firm quotes?

- Provide liquidity?

- Respond to exchange with timely quotes?

- Provide quotes to other exchanges as a means of offering liquidity.** (I put this but not sure)

10. Who locates shares?

- Exchange

- Originating Broker Dealer**

- Floor Broker

- Clearing Agent

11. PM index options are settled when?

- The last trading day before expiration by before the close?

- The day prior to the last trading before expiration by before the close?

- The day prior to the last trading day before expiration before the open?

- The last trading day before expiration by the open?

12. When is the practice of arbitration applicable and binding?

- When two member firms come to dispute a business of the exchange?

- When a class action suit is brought forward by a customer to a member firm regarding business of the exchange?

13. A trader buys a 15.00 Call. The equity is trading at 14.95 at the close on the expiration. News is released and the price of the stock jumps 10% in after hour trading. Can the trader exercise? **I put Yes the trader have until 5:30 EST to exercise.**

14. When can European options be assigned? **Only at expiration**

15. When can American Options be assigned? **Anytime**

16. What agency determines the manner in which quotes must be disseminated?

- OCC

- SEC

- FINRA

- OPRA** (not sure, It's either OCC or OPRA)

17. A trader unknowingly commits a violation by trading a stock on the "do not trade list".

- The trader is not liable because the trader violated unknowingly

- The trader is liable

- The firm is liable

- The trader and firm are liable** (I put this because it's the firm's responsibility to inform the trader about the rules. I could be wrong)

18. A federal regulator, requests an on the record interview with a trader during the trading day. The trader can/must?

-Postpone the interview until the market is closed.

-Decline the interview

-Stop trading, take the interview and answer all the questions asked of.

-Stop trading, take the interview, and not answer any questions asked of.

19. A shareholder fails to subscribe towards ownership? How does this affect the holders interests?

-Increased

-Decreased

-Unchanged

-Prorata

20. Which will not receive quarterly dividends?

-Un exercised warrants

-Exercised warrants

-Options exercised before record date

21. A company declares a 25% dividend, when does the security begin to trade?

-On declaration date

-Record Date

-Payable Date

-Ex Date.

22. Which is not fair and equitable trading of securities?

-Taking the other side of your customer's order

-Short selling

-Releasing false information (Not sure)

23. What is third market?

-Listed Securities traded OTC

Supplemental Questions August:

These questions are real good. They all could be on there.

5,7,9,10,11,14,15,17,19,20,22,23,26,28,29,30,36,38,40,47,48,49 were on my test. Not the exact questions but close enough.

Supplemental questions October:

1,4,5,8,10,11,13,

Pracexam6:

7. A closing limit order at 0.01 per option contract is known as a _____ trade.

A. Cabinet

B. Book Market

- C. Closing the books
- D. Expiration

8. Members have until _____ pm to submit a contrary exercise advice on behalf of customer accounts to an Exchange.

- A. 4:30 pm eastern
- B. 5:30 pm eastern
- C. 6:30 pm eastern
- D. 7:30 pm eastern

11. George is a broker in possession of material non-public information regarding a Public company and tells his neighbor about this information. This would be consideredA. A violation of Regulation FD

- B. A violation of the Investment Company Act of 1940
- C. Misuse of Material Non-Public Information
- D. A violation of the Securities Act of 1967

12. What is the maximum potential loss for the writer of 1 XYZ April 30 Put at 2.00?

- A. 2.00
- B. 28.00
- C. 30.00
- D. Unlimited

20. At what premium may a cabinet trade be transacted?

- A. \$1.00
- B. \$2.00
- C. \$3.00
- D. \$5.00

25. When may a short sale be executed without the assurance of the seller's ability to borrow the stock?

- A. When there is doubt about the availability of shares
- B. When executing a short sale in security futures
- C. When the stock has been sold short before
- D. When the stock appears on the Threshold list

26. Russell is a broker at SteveTrade, a discount brokerage firm. Russell receives an order to buy 100,000 shares of XYZ from a client. Before executing this order he buys 100 shares for his personal account. This is an example of –

- A. Front Running
- B. Running Ahead
- C. Painting the Tape
- D. Smart Trading

28. Index option exercise should result in -

- A. A transfer of cash based on the in the money amount
- B. If a call is owned - buying the shares that comprise the index
- C. If a put is owned - selling the shares that comprise the index

D. Ownership in the underlying ETF that replicates the index

29. What term refers to the over-the-counter trading of listed stocks?

- A. First Market
- B. Second Market
- C. Third Market
- D. ECN Marketplace

Questions2

1. Which of the following is NOT part of internal supervision under SRO Supervisory Procedures?

- a. Establishing a system to review and evaluate the performance of all members' accounts.
- b. Delegate responsibilities of supervision and control to qualified employees
- c. Testing of safeguards of customer funds, maintaining books and records and supervision of customer accounts
- d. To provide for the registration of exchanges, regulation of broker-dealers and regulate the trading of securities after being issued.

2. Last sale information and current options quotations from a committee of Participant Exchanges falls under the responsibility of:

- a. OPRA (Options Price Reporting Authority)
- b. The Securities Exchange Act of 1934
- c. The SEC
- d. Regulation NMS

3. Manipulation involves which of the following?

- a. Buying or selling securities to unfairly influence their market price.
- b. Selling of a corporation's own stocks.
- c. Threatening, frightening or intimidating other traders
- d. Systematic and/or continued unwanted and annoying actions of a party or group, including threats and demands.

Questions9

4. Method where bids and offers are prioritized on a system based on arrival and the price of the order –

- A. First In
- B. Price-Time Priority
- C. Arrival First Priority
- D. Market Maker Discretionary

5. If traders are working together to effect transactions in securities that involve no change in the beneficial ownership of the security they may be -

- A. Creating the misleading appearance of active trading
- B. Trading on inside information
- C. Pinning the stock price
- D. Trading ahead

6. The act by a group of market participants of buying and selling a security among themselves that gives the appearance of increased trading activity is known as

- A. Insider trading
- B. Volume Tipping
- C. Painting the Tape
- D. Pumping up the Volume

7. An Over-the-Counter stock is one that is traded

- A. Through a Dealer Network
- B. At an NYSE Post
- C. Over the NASDAQ System
- D. At a Bank Branch

8. Members or permit holders are expected not to give gratuities or compensation in any one year in excess of \$_____ to any exchange Employee over the course of a year without consent of the Exchange.

- A. \$25
- B. \$50
- C. \$100
- D. \$200

Series56exam1q1-50:

1. A procedure where the executing broker places a trade on behalf of another broker as if he actually executed the trade?

- A. Market Order
- B. Give Up
- C. Substitute Order
- D. Marketable Limit Order

6. Which is not true of a preferred stock relative to common stock?

- A. Holders of preferred stock receive dividends before common stock holders.
- B. Holders of preferred stock receive preference in a company liquidation over common stock holders.
- C. Holders of preferred stock generally do not have voting rights while holders of common stock do have voting rights.
- D. Holders of preferred stock may vote to eliminate dividends paid to common shareholders.

7. What is true of an American Depositary Receipt (ADR)?

- A. It may trade in multiple currencies.
- B. It may be redeemed for foreign shares.
- C. It will trade in the home currency of the underlying.
- D. It will never pay a dividend.

13. All registered persons should be -

- A. Registered with FINRA
- B. Registered with the SEC
- C. Registered with the CFTC
- D. Registered with an SRO

14. The Option Price Reporting Authority (OPRA) -

- A. Handles supervision of unusual option activity.
- B. Reports last sale and current quotes from all participating options exchanges.
- C. Is responsible for exercise and assignment
- D. Monitors member firm liquidity

15. What term refers to shares that have been issued to the public and then repurchased by a company?

- A. Authorized Stock
- B. Issued Stock
- C. Outstanding Stock
- D. Treasure Stock

17. If Jim is Long Aug XYZ 50 Call and the stock splits 2 for 1, what should be Jim's new position after the shares have split?

- A. Long 1 Aug XYZ 25 Call
- B. Long 2 Aug XYZ 25 Calls
- C. Short 1 Aug XYZ 50 Call
- D. Short 2 Aug XYZ 25 Calls

18. Which of the following is not a Self Regulatory Organization?

- A. Securities and Exchange Commission
- B. Chicago Board Options Exchange
- C. NASDAQ OMX Group
- D. International Securities Exchange

22. If a member fails to submit a tape report within the required 30 seconds of trade execution the member must

- A. bust the trade
- B. report the execution is with a different time
- C. report the execution and designate it as late
- D. trade the execution again and report it at that time

23. All OTC transactions in equity securities to which a FINRA member is a party to must -

- A. Be executed on an exchange
- B. Be reported to FINRA
- C. Be traded on the NASDAQ
- D. Be approved by the SEC

30. The purchase or sale of an NMS stock during regular trading hours

that is lower than a protected bid or higher than a protected offer is known as –

- A. A Market Order
- B. A Marketable Limit Order
- C. A Trade Through
- D. An Intermarket Sweep Order

31. What was enacted to initiate a series of initiatives designed to modernize and strengthen the national market system for equity securities?

- A. Regulation SHO
- B. The Investment Company Act of 1940
- C. Regulation NMS
- D. The Securities Exchange Act of 1934

32. An Intermarket Sweep Order is

- A. Entered as a Limit Order
- B. Entered as a Market Order
- C. Executed only on an Up-Tick
- D. Entered only after receiving Regulatory Approval

33. A trade through order is a legitimate and proper transaction if -

- A. If the execution was part of an intermarket sweep order
- B. If a fat finger mistake has occurred
- C. The transaction is market sell that is executed below the bid
- D. The transaction is a market buy that is executed above the offer

38. All options transactions executed on an exchange should be

- A. Submitted for clearance to the Options Clearing Corporation
- B. Entered electronically
- C. Executed in open outcry
- D. Hedged with an underlying vehicle

40. If a call holder exercises a call option after the ex-dividend date, but prior to the payment date he -

- A. Is not entitled to the declared dividend
- B. Is entitled to the dividend on payment date
- C. Will be required to pay the dividend to the assigned party
- D. Will receive then pass on the dividend to the assigned party

42. The Securities and Exchange Act of 1934 established laws to govern

- A. Primary market trading
- B. Only the option markets
- C. Trading of commodities
- D. Secondary Trading of Securities

47. A list of stocks that are experiencing a preponderance of fails to deliver is known as the -

- A. Threshold List

- B. Regulation SHO List
- C. No-Borrow List
- D. No-Short List

Series 56 exam 3nq:

2. All registered persons should be -

- A. Registered with FINRA
- B. Registered with the SEC
- C. Registered with the CFTC
- D. Registered with an SRO

3. Under what type of voting rights do shareholders receive votes equal to the number of shares held times the number of open director seats?

- A. Common Voting Rights
- B. Contingent Voting Rights
- C. Cumulative Voting Rights
- D. Preferred Voting Rights

4. By what time each day will the Clearing member Daily Position Report be made available?

- A. 8:00 am central
- B. 9:00 am central
- C. 10:00 am central
- D. 11:00 am central

10. What is known as the sum of all quotation sizes from all brokers or dealers who have communicated on any national securities exchange bids or offers for an NMS security at the same price?

- A. Best Bid or Offer
- B. National Best Bid or Offer
- C. Aggregate Quotation Size
- D. Total Market

14. When might exercise of American Style cash settled index options be prohibited?

- A. If trading in those options has been suspended.
- B. On the last business day prior to expiration
- C. If the option is deep in the money
- D. If the underlying index is going to be adjusted

15. Upon receiving an exercise notice what step does the Options Clearing Corporation take to select the assigned party?

- A. The OCC will randomly choose a firm that holds a short position in the contract
- B. The OCC uses a first in first assigned process
- C. The OCC uses a last in first assigned process
- D. The OCC matches the specific buyer and seller of the contract

16. Any person who acts as an intermediary in making payments or deliveries or both in connection with transactions in securities would be

- A. A broker
- B. A dealer
- C. Clearing Agency
- D. Investment firms

18. A situation where non-public information has been shared with a division of a company where it may result in illegal trading activity is known as –

- A. Painting Information
- B. Collusion
- C. Breach of Information Barriers
- D. Trading Ahead

20. Which of the following is a function of FINRA?

- A. Registering Securities Industry Participants
- B. Regulation of Commodity only Firms
- C. Enforcing State Securities Laws
- D. Monitoring the Options Clearing Corporation

22. Generally members should report a trade to the tape within _____ seconds of execution.

- A. 10
- B. 15
- C. 20
- D. 30

24. Which of the following individuals employed by a securities Exchange member or permit holder would need to be registered?

- A. Individuals who are clerical and administrative
- B. Individuals who are involved only in commodity transactions
- C. Individuals who are engaged in the training of proprietary traders
- D. Individuals who are not actively engaged in a firm's securities business

28. Which of the following is not a requirement for a broker to execute a short sale on behalf of a customer?

- A. Assurance that the stock has been borrowed
- B. The broker has borrowed the security on behalf of the customer
- C. Documented Compliance
- D. Assurance the broker will receive commissions based on the execution

29. All individuals associated with member firms should sign attestations regarding their awareness of and agreement to abide by prohibitions regarding the use of material nonpublic inside information. These attestations should be readily accessible for at least ____ years and maintained for at least ____ years.

- A. 1 and 2
- B. 2 and 3
- C. 3 and 4
- D. 4 and 5

30. Firms shall preserve for ____ year(s) a record of the following?

Every order originating with a firm that is given to or received from another firm.

Every order issued by a firm to any other market.

Every order originating off the Exchange.

- A. 1
- B. 2
- C. 3
- D. 4

36. Which of the following is consistent with the concept of just and equitable principles of trade?

- A. Not quoting a market when obligated to do so
- B. Refusing to deal with a market maker due to a past conflict
- C. Making continuous two sided markets
- D. Not trading with a market maker that has been involved in trading on another Exchange

Series 56 exam4qwans

2. If an option trade remains unmatched after trade day, when is the deadline to resolve the error?

- A. 30 Minutes before the Market Open
- B. 15 Minutes before the Market Open
- C. By the Market Open
- D. By the Market Close

7. When should a customer be furnished with an Option Disclosure Document?

- A. Upon opening an account
- B. Before the first trade is executed
- C. Within 15 days after opening an account
- D. Within 30 days after opening an account

12. Multiple customer orders in the order book at the same price will be ranked by -

- A. Time the orders were received
- B. Arbitrarily by the market maker
- C. Based on size of the order
- D. Based on complexity of the order

14. Which is not an expectation of a market maker?

- A. Broker Customer Orders
- B. Update Market Quotes
- C. Honor Quotes
- D. Price Option Contracts Fair

16. A trade through order is a legitimate and proper transaction if -

- A. If the execution was part of an intermarket sweep order
- B. If a fat finger mistake has occurred
- C. The transaction is market sell that is executed below the bid
- D. The transaction is a market buy that is executed above the offer

17. Which of the following would not be considered part of the consolidated last sale information?

- A. Price
- B. Volume
- C. Account ID
- D. Market ID

20. A block order is defined as an equity order for -

- A. 5,000 shares or \$100,000 of stock
- B. 7,500 shares or \$150,000 of stock
- C. 7,500 shares or \$200,000 of stock
- D. 10,000 shares or \$200,000 of stock

23. For equity options at the firm level the auto exercise threshold is -

- A. 0.01
- B. 0.05
- C. 0.10
- D. Up to the firm

25. Attempting to influence a securities closing price through buying or selling of that security near the market close would be known as -

- A. Marking to market
- B. Marking the close
- C. Closing the market
- D. Closing the marking

26. Which of these is a Violation of Short Sale rules according to Regulation SHO -

- A. Selling stock short without having located stock to borrow.
- B. Selling stock short, but delivering shares at the time of settlement
- C. Selling short based on material non-public inside information.
- D. Breaching a Fiduciary Trust.

27. The illegal practice of a stock broker executing orders on a security for its own account while taking advantage of orders from its customers is known as –

- A. Intimidation
- B. Collusion
- C. Front Running
- D. Marking the Close

29. Which of the following is covered by the Securities Exchange Act of 1934?

- A. National Security Exchanges
- B. Investment Companies
- C. The CFTC
- D. The Federal Reserve

Series 56 practice questions

1 What happens in the event the stock is not delivered for 13 consecutive settlement days?

- a. Short orders may not be effected or accepted without being borrowed or arranged to be borrowed
- b. Stock is halted for the rest of the day
- c. Fail to delivered positions is automatically closed out
- d. Traders may not trade the stock

2 Treasury stock, which is not a feature:

- a. Pays a cash dividend
- b. Has voting rights
- c. Can be stock that was repurchased from common stock
- d. It is stock that has never been issued

3 Which is not a Warrant characteristic?

- a. They have dividend rights
- b. They can be perpetual
- c. Protects the investor against dilution
- d. Can be exercised at the discretion of the holder

4 What time can the market be halted by a circuit breaker?

- a. 9:30 – 4:00
- b. 9:45 – 3:35
- c. 9:30 – 3:15
- d. 9:45 – 4:00

6 Registered representatives who did not complete the Regulatory element in required period of time:

- a. Will be excluded from the industry
- b. Have a possibility to continue performing under supervision
- c. Will be fired after 30 day of reprieve
- d. Get their status inactive

8 What is true about Code of Arbitration?

- i. Members' controversies must be a subject of arbitration
 - ii. Concerned with discipline for violations of rules and regulations
 - iii Members vs. customers disputes must be submitted to arbitration
 - iv. Member vs. customer disputes must be submitted to arbitration only with customers' permission
- a. i, ii
 - b. i, iii
 - c. i, iv
 - d. i, ii, iv

10 Which from the following is NOT a self-regulatory organization?

- a. BATS
- b. NSX
- c. SB
- d. CBOE

11 Handling an order, or using due diligence to execute the order at the best price or prices available to him, is the responsibility of the:

- a. Floor Market Maker
- b. Floor Broker
- c. Dealer
- d. Remote Market Maker

series 56 q5 a

1. This type of execution allows a member to allocate all or part of a client's position from a previously executed trade to the clients account at another broker-dealer -

- A. Prime Broker Execution
- B. A Shared Trade
- C. A Step Out
- D. A Broker Order

8. If Jim is Long 1 Aug XYZ 50 Call and the stock splits 2 for 1, what should be Jim's new position after the shares have split?

- A. Long 1 Aug XYZ 25 Call
- B. Long 2 Aug XYZ 25 Calls
- C. Short 1 Aug XYZ 50 Call
- D. Short 2 Aug XYZ 25 Calls

9. By what date does a purchase of shares need to be settled in order to receive a dividend?

- A. Record Date
- B. Ex-Dividend Date
- C. Payable Date
- D. None of the above

10. Which of the following is not true regarding the Option Clearing

Corporation?

- A. Protects members from counterparty risk
- B. Is regulated by the SEC
- C. Is regulated by the CFTC
- D. Regulates the trading of stocks

12. What is the FINRA established system to audit order, quote and trade information for NASDAQ and OTC equity securities?

- A. NASDAQ Audit One
- B. C2
- C. Consolidated Options Audit Trail
- D. Order Audit Trail System

14. Which statement is accurate regarding continuing education requirements?

- A. Each registered person shall complete the Regulatory Element on the third registration anniversary date.
- B. Any registered persons who have not completed the Regulatory Element of the program within the prescribed time frame will have their registration deemed inactive.
- C. Each registered person may continually receive a waiver from the Regulatory Element based on job performance
- D. The Regulatory Element may never be required before the second registration anniversary date.

18. At what premium may a cabinet trade be transacted?

- A. \$1.00
- B. \$2.00
- C. \$3.00
- D. \$5.00

19. If a call holder exercises a call option before an ex-dividend date he is -

- A. Might receive a dividend depending on delivery
- B. Is entitled to the dividend on payment date
- C. Will be required to pay the dividend to the assigned party
- D. Will receive then pass on the dividend to the assigned party

21. The illegal practice of a stock broker executing orders on a security for its own account while taking advantage of orders from its customers is known as –

- A. Intimidation
- B. Collusion
- C. Front Running
- D. Marking the Close

22. Regulation SHO came about in 2005 to update laws regarding -

- A. Naked Short Selling
- B. Insider Trading of Options

- C. Fair Disclosure of News
- D. Increased Market Transparency

Series 56exam2questions:

1. The acceptance of the delivery of shares prior to the delivery date
 - A. Is at the option of the Delivering Member
 - B. Is at the option of the Receiving Member
 - C. Is not permitted
 - D. Is permitted if either agrees

3. What type of voting rights may be issued to Preferred Shareholders?
 - A. Preferred Rights
 - B. Superior Rights
 - C. Contingent Voting Rights
 - D. Non Common Voting Rights

10. An order that is routed to execute at the full displayed size on the bid or offer is known as a –
 - A. Intermarket Sweep Order
 - B. Limit Order
 - C. Market Not Held Order
 - D. Specific Marketplace Order

12. The OCC's clearing members may submit exercise notices until _____ pm central time
 - A. 6:00
 - B. 7:00
 - C. 8:00
 - D. 9:00

13. A list of stocks that are experiencing a preponderance of fails to deliver is known as the -
 - A. Threshold List
 - B. Regulation SHO List
 - C. No-Borrow List
 - D. No-Short List