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# **Get Things Rolling: Starting Your SIE Journey**

#### **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).

- » Introducing the SIE
- » Taking a look at companion tests
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## Chapter 1

# Introducing the SIE (Securities Industry Essentials) Exam

Congratulations 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.

This book's 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, for most people it makes sense to take the SIE first.)

The purpose of this exam and the corequisite exams 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)), the testing company chosen by FINRA to provide and oversee their exams. You can take your exam at a Prometric test center throughout the United States or online. (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 will get you a passing grade and put a big smile on your face. 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 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.

When the SIE exam was first proposed, the idea was to strip the information that was similar in all the exams that had come before (Series 6, Series 7, Series 22, and so) and put it in one place, thus making 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. The Series 63 and Series 66 exams can also be taken without sponsorship, but individuals typically wait until they’ve passed one of the corequisite exams before tackling one of these.



REMEMBER

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 (Top-Off) 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 well. 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 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 2024–2025 For Dummies*, 6th 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 follow. 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 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 few years old. See the sidebar “So you want to take the test online” 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 timeframe. 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, which must be chosen from available test dates

You may not be able to schedule an appointment immediately; it depends on how busy Prometric is. Even if taking the exam online, you still need to have someone available to monitor the test while you're taking it. 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 online (at home or work, at a family member's house, and so on). See the sidebar “So you want to take the test online” 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.

## 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).

## 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 how the test administrators can accommodate you if you have a disability or if English isn't your first language.



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 healthcare 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 lifespan, 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.

**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

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.

## 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.

## Practicing on ten additional trial questions

To ensure that new questions to be introduced in future exams meet acceptable standards before inclusion, you answer ten additional, unidentified questions that don't count toward your score. In other words, you get 85 questions to answer, but only 75 are scored.

**Note:** Don't waste your time trying to figure out which questions are experimental; you likely won't know for sure. FINRA may use these as regular questions on future exams in order to move the passing rate up or down.

## Mastering the computerized format and features

Although you don't need any computer experience to do well on the exam, you don't want your first encounter with a computerized exam to be on the date of the SIE exam. Being familiar with the way the questions and answer choices appear on the screen is essential. FINRA has been nice enough to provide a tutorial for taking its qualification exams, such as the SIE, at the following link: [www.finra.org/sites/default/files/external\\_apps/proctor\\_tutorial.swf.html](http://www.finra.org/sites/default/files/external_apps/proctor_tutorial.swf.html).

In addition, a friendly exam-center employee will give you an introductory lesson to familiarize you with operating the computer before the exam session begins. Although the computer randomly selects the specific questions from each category, the operating system tracks the difficulty of each question and controls the selection criteria to ensure that your exam isn't ridiculously easier or harder than anyone else's.

The following list describes some important computer exam features:

- » Scroll bars for moving the questions on the screen.
- » A time-remaining clock to help you track how much time you have left during each part. (If the clock is driving you batty, you can hide it with a click of the mouse.)
- » A confirmation box that requires you to approve your answer choice before the computer proceeds to the next question.
- » An indication of which question you're currently on.
- » A choice of answering the questions by doing one of the following:
  - Holding down the Ctrl and Alt keys and typing the letter for the correct answer on the keyboard.
  - Using the mouse to click the correct answer.
- » The capability to change your answers or mark questions that you're unsure of for later review, which allows you to go back and answer them at any time during that particular part. The Mark for Review button appears at the bottom of the screen when you select an answer. Also, a Previous button allows you to go to the previous question if you want to change an answer.

- » Both Calculator and Notepad buttons are available in the top-left corner of the screen for you to use if necessary to help you answer the questions. Whatever you type in the notepad will be available the whole time you're taking the test.
- » If, during the test, you forget how any of the test features works, you can always click the Help button in the top-left corner for instructions.
- » When you complete the exam, you can click the Exit Exam button in the top-left corner. At that point, you can review questions or continue exiting the exam.

You can review your questions at any time during the test by clicking the Review Questions button on the bottom of the screen. At that point, you see a highlighted list of all the questions that you've answered as well as their question numbers; the question numbers marked for review have a green flag next to them. Just click the number to review questions you want to see again. You can remove a Marked for Review flag by clicking the Mark for Review button again. Click the Return to Test button at the top of the screen to get out of the review section.



TIP

Although you can review and change all your answers at the end of your test, I suggest that you refrain from going through all the questions again. Your brain is going to feel like it went through a blender by the time you finish the exam. Review only your *marked* questions and — this is important — change the answers only if you're 100 percent sure that you made a mistake. As an instructor, I've graded too many practice exams to count, and I know that people change a right answer to a wrong one five times more often than they change a wrong one to a right one.

## Viewing exhibits

Some of the questions may require you to look at an exhibit such as an income statement or balance sheet to answer a question. Back when I took the exam, each candidate was given an exhibit book, and the question told you which exhibit you needed to look at in the book. Now the exhibits are right on the screen next to the questions, and the questions tell you to refer to the exhibit to extract the information you need. If a question requires more than one exhibit, thumbnails of the exhibits appear on the right. Just click each one to open it.

## Instant gratification: Receiving and evaluating your score

Remember having to wait weeks for a standardized test score, hovering somewhere between eagerness and dread? Those days are gone. At the end of the SIE exam, the system calculates your score and lets you know whether you passed or failed; the results are displayed for you right there on the computer screen. Although the wait for your grade to pop up may feel like an eternity, it really takes only a few seconds to see your grade. When you sign out, the test-center administrator will tackle you (well, approach you) and give you a printed exam report with your grade and the diagnostic score results with your performance in the specific topics tested on your exam.

Each question on the SIE exam is worth an average of  $1\frac{1}{3}$  points (some are worth more and some are worth less, depending on FINRA's feeling about how difficult a question is), and candidates need a score of 70 or better to achieve a passing grade. This percentage translates to 53 questions out of 75 that you have to answer correctly. The scores are always rounded down, so a grade of 69.33 is scored as 69 on the SIE. When I took the Series 7 exam, back when the passing grade was 70 (and the exam took up to 6 hours and was 250 questions long [260 with the experimental questions]), one of the other students in my class got a 69.6, which was rounded down to a 69, and he had FINRA review his exam to try to get him the extra point. Needless to say, FINRA ruled against him, and he had to take the exam again.

## TESTING INFO FROM FINRA

The FINRA website ([www.finra.org](http://www.finra.org)) is certainly worth checking out. It contains all the nitty-gritty details about the SIE and related exams. Use this website for the following:

- **FINRA Current Uniform Registration Forms for Electronic Filing in WEB CRD:** This page includes the registration forms and a link to the Uniform Forms Reference Guide, with contact numbers and other explanatory information for filers.
- **FINRA Test Center Rules of Conduct:** Just in case you're unable to distinguish the test center from that third-period algebra class you had back in high school, FINRA gives you the rules and regulations for taking the SIE. (Don't hide a list of equations under the brim of your baseball cap; don't roam the halls during your restroom break; and don't pass notes, no matter how bored you are.)
- **FINRA Registration and Exam Requirements:** This section gives you a comprehensive list of the categories of securities representatives and the exam requirements.
- **FINRA Appointments and Enrollment:** Here, you find FINRA tips for scheduling appointments to take securities exams, info about obtaining extensions, and the exam-cancellation policy.
- **FINRA Registration Exam Fee Schedule:** Check out this page to see the fees for registering for different securities exams.

### You passed! Now what?

After you pass the SIE, FINRA will provide confirmation that you passed. At that point, if you haven't done so already, you can find a broker-dealer, bank, insurance company, or the like that wants you. After you're hired, your employer will let you know which other exams you have to take and will schedule them accordingly.

When you've passed your other exams and have become a licensed representative, you'll need to fulfill FINRA's yearly continuing-education requirements. All participants must complete their exams by December 31st of each year. You will be required to take a computer-based exam covering regulatory elements such as compliance, regulatory, ethical, and sales-practices standards at a Prometric exam center or online. In addition, a brokerage firm element requires broker-dealers to keep their registered representatives updated on job and product-related topics.

### So you need a do-over: Retaking the exam

I'm sorry to end this chapter on a negative note, but the SIE is a relatively difficult exam, and some people need a do-over.

If you fail the SIE, you'll have to request a new test date and pay to retake the test. You should reapply immediately, though you have to schedule the new test date for at least 30 days after the day you failed. (That's 30 days of prime studying time!) If you fail the exam three times, you're required to wait 180 days before you can retake it.

Use the time between exams to understand what went wrong and fix it. Here are some of the reasons why people fail their securities exams and some of the steps you can take to be successful next time:

- » **Lack of preparation:** You have to follow, and stick to, a well-constructed plan of study. You have your diagnostic printout after you take the exam; use it to focus on the areas of study where you fell short!



Prep courses can help you identify and focus on the most commonly tested topics and provide valuable tips for mastering difficult math problems. Also consider tutoring sessions tailored to accommodate your busy schedule and pinpoint the areas of study where you need the most help.

- » **Nerves:** Some people are very nervous test-takers, and they need to go through the process to get comfortable in unfamiliar situations. Next time around, they'll know what to expect and will pass with flying colors.

The people who are most nervous about taking the exam tend to be the ones who haven't prepared properly. Make sure that you're passing practice exams on a consistent basis with grades in at least the high 70s before you attempt to take the real exam.

- » **Insufficient practice exams:** You need to take enough practice exams before you take the real test. I think that getting used to the question formats and figuring out how to work through them is as important as learning the material to begin with.

Check out Chapter 2 for info on setting up a study schedule and making the most of your practice exams.

## SO YOU WANT TO TAKE THE TEST ONLINE

Due to COVID-19 in 2020, many of the Prometric test-center locations closed, which meant that candidates weren't able to take their exams. FINRA and Prometric worked on setting things up so that you can take their exams online. Although just about all the testing-center locations have reopened at full or partial capacity, the online testing option is still available. Obviously, you need some things (and need to know some things) before making an appointment to take the test at your location. I suggest that you review the complete list at [www.prometric.com/sites/default/files/2020-04/PrometricProUserGuide\\_3.1\\_1.pdf](http://www.prometric.com/sites/default/files/2020-04/PrometricProUserGuide_3.1_1.pdf).

This site lists requirements for your computer (speakers, microphone, movable camera, and so on) and operating system. It also provides downloading instructions and explanations of ID requirements, and it explains that an agent (who works for Prometrics) will be monitoring you through video chat. It is up to that agent to make sure that your testing area meets their requirements, you have the proper ID, and that you're not cheating during the test.

If an individual is caught cheating, they face severe consequences including permanently barring the candidate from taking any FINRA qualifying exams.

- » Investing in a prep course versus studying on your own
- » Finding time to study and using study strategies
- » Staying focused and building test-taking skills
- » Evaluating your readiness

## Chapter 2

# Preparing for the SIE Exam

**W**hen you're preparing for the SIE exam, a good cup of java and an all-nighter just aren't gonna cut it. Neither will a frantic one-week study session like the ones that used to work miracles when you were taking high school or college finals. Although it has only 75 questions (85 if you're counting the experimental questions), the SIE is not to be taken lightly, so you need to train for it both mentally and physically.

In this chapter, I discuss your options for studying to take the SIE exam. If you plan to enroll in an SIE exam prep course, I cover what to look for when selecting a course. I also help you organize your study time efficiently and effectively — even when your preparation time is limited.

## Courses and Training Materials: Determining the Best Way to Study

When deciding how to go about studying for the SIE exam, your first mission is to identify the training mode that best suits your needs. If you're likely to benefit from a structured environment, you may be better off in a classroom setting. A prep course can also give you emotional guidance and support from your instructors and others in your class who are forging through this stressful ordeal with you. On the other hand, if you're the type of person who can initiate and follow a committed study schedule on your own every day, you may be able to pass the SIE exam without a prep course, and you can save the money you would have spent for classes. The following sections help you evaluate these options in more detail.

### Back to school: Attending a prep course

People who learn best by listening to an instructor and interacting with other students benefit from attending prep courses. (Keep in mind, though, that many prep courses are now done virtually through on-demand internet classes, so interaction with fellow students might be limited.) Unfortunately, not all SIE exam prep courses and training materials are created equal. Unlike high

school or college courses, the content of SIE prep courses and the qualifications of the instructors who teach them aren't regulated by your state's Department of Education, the U.S. Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), or any other government agency. Do some research to locate the SIE training course that works best for you.

The following sections explain some things to consider and questions to ask before enrolling. Take a careful look at the info you gather and trust your gut. Is the primary function of the prep course to train students to be successful on the SIE exam, as it should be? Or do you suspect that it's the brainchild of a broker-dealer who's looking for extra revenue to supplement a failing stockbroker business? (Run away!)

## Training-school background

To find information about a program you're considering, browse the training school's website or contact the school's offices. Find out how many years the training school has been in business and check with the Better Business Bureau or the state's Department of Consumer Affairs to see whether anyone has filed any complaints. Look for a school that has stayed in business for at least five years. This staying power is generally a sign that the school is getting referral business from students who took the course and passed their securities exams, such as the SIE, Series 7, Series 6, and so on. Certainly, you can find a lot of this information by doing an Internet search.



TIP

Try to get recommendations from others who took the course. Word of mouth is an essential source of referrals for most businesses, and stockbroker training schools are no different. The stockbroker firm or financial institution you're affiliated with (or will be affiliated with) should be able to recommend training schools.



REMEMBER

Courses offered through a local high school's continuing-education program can be just as effective as those offered through an accredited university or a company that focuses solely on test prep, as long as the right instructors are teaching them. Read on.

## Qualifications of the course instructor(s)

The instructor's qualifications and teaching style are even more important than the history of the company that's running the course. (See the preceding section.) An instructor should be not only knowledgeable, but also energetic and entertaining enough to keep you awake during the not-so-exciting (all right, *boring*) parts.

When you're looking for a course, find out whether the teacher has taken — and passed — various securities exams. If so, the teacher probably knows the kinds of questions you'll be asked and can help you focus on the relevant exam material. The instructor is also likely to have developed good test-taking skills and to share them with students.

Whether the instructor is a part-timer or full-timer may be important. A full-time instructor who teaches 30 classes a year probably has a better grasp on the material than a part-time instructor who teaches 4 classes a year. By the same token, an instructor who owns the school that offers the course probably has greater interest in the success of the students than someone who's paid to teach the class by the hour. Use your best judgment.



TIP

Before you register, ask whether you can take an hour or so to monitor a securities class led by the instructor who would be training you. This request is a reasonable one, and if the company says no, I suggest finding another course, because that course provider may have something to hide. While you're at it, make sure that the classroom is comfortable, clean, and conducive to learning.



## Texts, course content, and extra help

To really benefit from a course, you need good resources — in terms of not only the actual training material, but also the people in the classroom. These elements affect how the class shapes up and what you actually learn:



» **Training material:** Will you have a textbook to study from or just some handouts? The instructor should provide you textbooks that include sample exams, and a prep course should be loaded with in-class questions for you to work on. The course should also provide chapter exams that you can work on before the next session. (Yes, homework is a good thing.)

The more questions you can see and answer, the more comfortable you'll be on test day.

» **In-class practice tests:** You want a prep course that includes test sessions in which the instructor grades your exams, identifies incorrect answers, and reviews the correct answers.

» **Instructor availability:** Ask whether the course instructor will be available to answer your questions after the class is over — not only at the end of the day, but also during the weeks after you've completed the course and are preparing for the SIE exam. I typically stayed at least a half hour after any class I conducted so that I'd be available for students who had additional questions. If you're taking a class online (live/online or on-demand course), make sure that there is an instructor with whom you can communicate.

## The practical details

The perfect course can't do you any good if you never show up for class. Here are some issues to consider about the course offering:

» **Days and times:** If taking a live class, make sure that the class fits your schedule. If getting there on time is too stressful, or if you can't attend often enough to justify the expense, you won't benefit from registering to take the course.

» **Class size:** If more than 30 to 35 people are in the class, the instructor may not be able to give you the individual attention you need.

» **Cost:** Obviously, cost is a major concern, but it definitely shouldn't be your only consideration. Choosing a course because it's the least expensive one you can find may be a costly mistake if the course doesn't prepare you properly. You'll end up wasting your time and spending more money to retake the exam. You can expect to pay anywhere from \$150 to \$350 for a standard SIE prep course, including training materials (textbooks and final exams).

Quite a few people don't pass the first time around, so find out whether the school charges a fee for retaking the prep course. You may even decide to take the prep course again if you feel that you're not quite ready to take the test.

## Selecting prep material to study on your own

If you're the type of person who can follow a committed study schedule on your own every day, you may be able to pass the SIE exam without a prep course. Many types of study aids, like this one, are available to help you prepare.



No matter what your learning style is, I'm a firm believer in using a textbook as a primary training aid. You can use online courses, online testing programs (available with this book), apps, and flash cards (available online with the purchase of this book) as supplements to your textbook, but you should give your textbook the starring role. By virtue of its portability and ease of use (you

don't have to turn a book on or plug it in, or access the Internet, and it can never, ever run out of batteries), the textbook is simply the most efficient and effective choice.

My favorite textbook these days is Empire Stockbroker Training Institute's *SIE Course Textbook* by yours truly (<https://empirestockbroker.com>). The textbook focuses on the relevant exam topics, is easy to read and understand, and includes plenty of practice questions and detailed explanations. A lot of the better SIE course textbooks are available online rather than in bookstores. (Unfortunately, from what I've seen, some of the SIE textbooks, even from some of the more reputable companies, have a lot of information that isn't in the FINRA SIE outline.) In addition to this book and a textbook, consider investing in one or more of the following popular study aids:



TIP

» **Online testing:** I'm all for online testing. Certainly, the more exams you take, the better. If the practice exam simulates the real test, it's even more valuable. With this study aid, you have access 24 hours a day, 7 days a week, and can pace yourself to take the exams at your leisure. Fortunately, this book gives you access to four online tests (three new and one that is the same as the first practice final in this book). If you need more, select an online program that's able to offer hundreds of questions, along with answers and explanations. (<https://empirestockbroker.com>, for example, always has the most current simulated exams.)

» **Audio CDs:** You may be able to find audio CDs to help you prepare for the SIE exam, although audio CDs are becoming rarer. This form of training can be beneficial as a review for people who already have a decent understanding of the course material. You can listen to recorded material while you're on the go or at home.

I think that recording your own notes — especially on topics you're having trouble with — is a wise use of your time. Putting the info in your own words, saying ideas out loud, and listening to the recordings can really help reinforce the concepts.

» **Flash cards:** For those who already have a grasp of the subject matter, flash cards are good because you can tuck 'em in your pocket and look at 'em anytime you want. Commercial cards may be confusing and long-winded. I really feel that you're better off making cards yourself that focus on the areas that are most problematic for you.

» **Apps:** As of the time of this writing, about a half dozen or so SIE exam prep apps are available. You can check out the reviews and screenshots to determine if study apps might be a good addition for you. I'm definitely in favor of you using whatever you can to make your studying easier. I would suggest that if you're considering purchasing one of these apps, focus on ones with the biggest banks of test questions. After studying from this book, the best thing you can do is tackle more practice questions.

## TAKING A COURSE ONLINE

Not all classes take place in bricks-and-mortar buildings. For people who want to take a course but have scheduling constraints or lack a vehicle for commuting, instructor-led virtual classrooms may be an option. Students interact through online chats, email, message boards, and/or phone conferences. Classes may be scheduled at specific times, or you may work on your own time at your own pace. Before purchasing an online course, find out whether you can monitor one for an hour or so to see whether it meets your needs.

**Note:** Some so-called online courses consist solely of a packet of study materials without any outside instruction. Make sure that the course you sign up for has the features you want.

# Managing Your Study Time Wisely

Unless you're a direct descendent of Albert Einstein, you probably need to allow yourself as much time as possible to prepare for the SIE. Even though the exam is only 75 questions, the amount of material you have to study in order to be prepared to answer those 75 questions out of the universe of possible questions is quite extensive.



TIP

Get your affairs in order. Go to the dentist to get that sore tooth filled, pay your bills, get your flu shot, visit your friends and relatives, finish any critical home-improvement projects — basically, clear the decks as best you can so that you can concentrate on your studies. The following sections can help you establish a study plan.

## Blocking out some time to study

You have to use your time efficiently, and to accomplish this task, you need to grab every spare moment and channel it into study time. If you're attending an SIE prep course, your instructor(s) should help you (and your classmates) set up a study schedule for before, during, and after you complete the course.

If you're in charge of carving out your study time, plan on putting in the time. You know yourself best, but some books recommend 20 hours of studying, and others recommend 100 to 150 hours. I think that most students who don't have some sort of background in securities would find it difficult, if not impossible, to pass with only 20 hours of studying. If you were a great student, 40 to 50 hours of studying might be achievable, but a majority of students are going to need 100 hours or more of study.



TIP

A good gauge for you is how well you do on practice exams the first time you take them. For advice on how to study well, see “Exploring Study Strategies” later in this chapter for details on setting up a schedule.

Especially for those of you who continue to work at a full-time job, now may be the time to have a heart-to-heart with your boss to negotiate some extra study time. After all, you need to work this schedule out only for the next few weeks. Can you take vacation time? Will your boss allow you flex time (letting you work two hours later each day for four days and have the fifth day off)? Can you arrange a quiet place at work to study during breaks and lunchtime?

For those of you who have family obligations, finding time to study may be especially difficult. Ideally, your spouse or other family members can take over some of the time-consuming things you do on a daily basis to help provide you much-needed study time.



TIP

Try to set aside a consistent time to study on a daily basis. If possible, schedule your study time around your internal clock. If you're the type who needs a brass band to wake up and get your mind functioning first thing in the morning, but you're wide awake and ready to go at midnight, you may be better off with a study schedule that begins later in the day and lasts into the night. By contrast, if you're leaping out of bed like a jack-in-the-box at the crack of dawn but are dead on your feet by 10 p.m., a morning study schedule would be more favorable. Ideally, it would be wise to schedule your exam during the time of day when you're at your best.



REMEMBER

You never know when extra time to study will present itself, so carry your textbooks, some flash cards, or an SIE app with you whenever you leave home. You can read or drill yourself whenever you find some spare time — on the train, waiting in line, and even during trips to the restroom.

## SETTING UP SHOP: FINDING AN IDEAL PLACE TO STUDY

When you're learning new material, set yourself up in a place where you have as few distractions as possible: the local library, a separate room, or even the bathtub. One of my students used to retreat to his car in the driveway after dinner while his wife put their young kids to bed.

The exam room, with its small cubicles, places you in proximity with other people who are taking the exam at the same time. If mouse clicks, taps on the keyboard, the scratch of pencil on paper, and the frustrated sighs of less-prepared test-takers are likely to distract you, you may want to use earplugs, which are available at most exam centers. If you don't want to use earplugs, you can prepare for the worst by subjecting yourself to a somewhat-noisy study environment somewhere along the line. (When I was taking one of my securities exams before earplugs were permitted, construction crews were working in the next room. Luckily, I'd studied in noisy settings before; otherwise, the sound of screw guns and workmen talking would have driven me to distraction!) Go to a coffee shop (or any populated establishment) during lunch hour or turn on a fan or a radio to familiarize yourself with background noise while you're taking your practice exams. Obviously, if you're taking the exam at home, you have more control of your environment.

## It's a plan: Getting into a study routine

Establishing and sticking to a study routine is essential. Many people find the SIE exam to be difficult because they have to absorb so much material in a relatively short time. Furthermore, most of the information on the test is easy to forget because it's not info you use every day. Therefore, you have to reinforce your knowledge on a daily basis by reviewing and revisiting the old information while learning new material. You'll continue to follow this routine over and over and over again.

Getting yourself organized so you can cover all the topics you'll be tested on is crucial.



TIP

If you're trying to study on your own, get yourself a course textbook and divide the pages by the number of days you have available for studying. Be sure to allow yourself a decent amount of extra time for practice exams. Review each chapter and complete each chapter exam until you have a firm grasp on a majority of the information. Take notes, highlight, and review the material you're having problems with until you feel comfortable with the concepts. Initially, you'll spend most of your time on new material; after that, you'll spend your time reviewing and taking chapter quizzes.

During the last several days or so leading up to the exam, take as many practice exams as possible. Remember to review each exam thoroughly before moving onto the next one. For more helpful tips, check out "Exploring Study Strategies" later in this chapter.

## Give it a rest: Taking short breaks

If you find yourself reading the same words over and over and wondering what the heck you just read, it's probably time to take a break. Taking short (five- to ten-minute) breaks can help you process and absorb information without confusing new ideas with the old.



REMEMBER

When you reach your saturation point and really start zoning out, you can practice a bit of productive procrastination. Walk the dog, take a shower, do some sit-ups and/or push-ups, grab a meal or a snack, or do anything else that lets you move around or take care of the little things that have to get done. A little human contact can go a long way too, provided that you have the discipline to hit the books again.

Sometimes, taking a break from one study method can be as good as taking a break from studying altogether. Use multiple types of study material (textbooks, class notes, flash cards, and so on). If you get sick of looking at a textbook, try reviewing your notes, flipping through or creating some flash cards, or taking some online practice exams. You can even have your significant other ask you some questions from the book.

Another idea is “chunking,” in which you can spend 45–60 minutes studying, stop and do something else for a while, then go back to studying again. Repeat the process a few times a day, and you’ll get a decent amount of study time in.

## Staying focused from day to day

Passing the SIE exam is a rite of passage. It’s your ticket to wealth, fame, and fortune (or at least a decent job). If you put time and effort into studying for the SIE, you’ll be rewarded. If not, you’ll have to relive the nightmare over and over until you reach your objective. To reap your reward as quickly as possible, make a resolution: Until you pass the SIE, commit to limiting your social life and devoting most of your waking hours to studying for the exam. Repeat after me: “This is my life for now.”

If you find that you really need to take a mental health day off at some point, make sure that you don’t separate yourself from your textbooks for more than one day. Jump right back into the SIE fire the next day.



WARNING

I suggest that under no circumstances (except in the case of a family emergency) should you take days off from studying. Some of my students who were doing quite well came back to take another prep class because their test dates were too far off, and they’d put the books down for a while. The next thing they knew, they’d forgotten half of what they’d learned. Fortunately, the information comes back more quickly the second time around.



TIP

To keep focused on your studies without forgetting about otherwise-important life activities, prepare a file folder labeled “To do after I pass the SIE.” If anything comes up while you’re studying, instead of interrupting your study time or stressing about things that need to be done, write down the task or event on a piece of paper, place it in your to-do file, and put it out of your mind.

## Devoting time to practice tests

Certainly, when you’re going over new material, you should spend most of your time learning the information and taking chapter quizzes. When you feel that you have a good handle on the material, you should start taking full practice exams to see where you stand. (This book includes some questions throughout Parts 2–4, followed by two 75-question practice exams with answers and explanations in Part 5.) In addition, with this book, you’ll have access to online practice exams. The last several days to a week or so before the exam should be almost entirely devoted to taking practice exams and reviewing them.

After you move into the practice-test phase, continue to use your textbook not only to reference material you don’t understand, but also to ensure that you don’t forget what you’ve learned. Too many people rely solely on the tests and forget to read their textbook now and then. Figure on rereading up to two chapters per day. After taking a practice exam, always review it completely before you move on to the next one. And don’t listen to the people who say you have to take three or four practice exams a day; you’re better off taking one or two exams per day and spending twice as long reviewing it as you spent taking it. This method helps ensure that you know the subject matter and that you won’t make the same mistakes twice.

Practice exams can help you gauge whether you're ready for the real SIE. See "Knowing When You're Ready" at the end of this chapter for details.



TIP

If you run out of exams to take, it's better to purchase more or see whether someone else in your firm has a different book with tests you can borrow than to take the same exams over and over.

## Avoiding study groups

Unless your study group includes your instructor, I recommend that you avoid a study group like the plague. The problem with study groups is that everyone wants to study the information that they're having problems with, and chances are that not everyone is struggling with the same thing. Also, if everyone is having the same problem, who can help you? I strongly feel that your time is better spent studying on your own.



TIP

If you really feel that you'd benefit from studying with someone else, try to arrange a tutoring session with an SIE instructor.

## Staying in shape

Ignoring the importance of physical fitness when you prepare to take the SIE exam is a big mistake. The exam itself (and the prep time you put into your study schedule) is not only mentally exhausting, but physically demanding as well. You have to be able to stay alert and concentrate on difficult questions for 1 hour and 45 minutes. In the weeks leading up to the test, any exercise you can do to keep yourself physically fit, including cardiovascular exercise such as jogging or bike riding, can help. A workout also gives you a great reason to take a study break. (The treadmill is a great place to study your notes or listen to your SIE recordings, if you're so inclined.)

# Exploring Study Strategies

The more ways you work with a piece of information, the better able you'll be to recall it. Here are some study strategies to supplement your routine of reading your textbook and taking practice exams:

- » **Aim to understand concepts and relationships, not just formulas and definitions.** Having a good grasp of how ideas are related can provide a safety net when rote memory fails; you may be able to make educated guesses, re-create formulas, or come up with something to jog your memory. When you see an equation, try to figure out where the numbers come from and what the formula really tells you.
- » **Create an outline of your notes or write flash cards.** Using your own words, try to put the more-difficult areas of study into an outline or on flash cards. The whole process of condensing large mountains of information into your own abbreviated outline helps you process and absorb difficult concepts.
- » **Mark up your textbook.** You don't have to return your textbook to the library, so use the margins to rephrase ideas, draw diagrams, repeat formulas or equations, and highlight unfamiliar words.
- » **Record yourself reading your notes and play back the tape at night while you're falling sleep or when you're driving.** Although the play-it-at-night technique has been known to give some people nightmares, this temporary condition usually clears up after the exam. I've also

heard some people proclaim that nighttime playback is “as soothing as melatonin.” (If it prevents you from falling asleep, turn off the tape, and opt for getting some rest.)

**Note:** While you’re sleeping, your brain may process ideas that you learned during your waking hours, but you generally have to be paying attention to remember something new. The main benefit comes from making the initial recording and letting study material be the last thing you hear before you fall asleep.

» **Use sticky notes to flag difficult topics or concepts.** As you study, put a sticky note on a section or page in the book where you need more work. After you’ve filled your book(s) with stickies, concentrate your study on those difficult areas (where the stickies are). When you feel that you have a good grasp of this information, remove the notes from the book. As you learn more and more, you’ll whittle down the number of pages with stickies until you’ve removed them all from the textbook.

## Developing Solid Test-Taking Skills

To be successful on the SIE exam, developing your test-taking skills is just as important as mastering the concepts that form the basis of the questions. The best way to develop test-taking skills is to take practice tests, such as the ones in this book. Following are some tips that can also help you polish your skills.

### Read the question carefully

Don’t be fooled. Exam creators love to trip you up by making you jump ahead and answer the question — incorrectly — before you read the entire problem. Often, one of the last words in the *call* (specific inquiry) of the question is worded in the negative, such as “all of the following are true *except*,” “which of the following is the *least* likely to,” and so on. When they’re reviewing the answers to a practice test, these questions cause some students to groan or slap themselves in the head when they realize their mistake. Don’t worry — this common reaction usually goes away when you start getting better at taking exams.

### Look for phrases that lead to the topic tested

Try to identify the specific category that the question is testing you on. If you study for the number of hours that I recommend (refer to “Blocking out some time to study” earlier in this chapter), you’ll most likely cover the material that the question references at some point, and you’ll be able to identify the topic that the question applies to. After you know the topic, your brain can retrieve the information you need from its mental file cabinet, making it easier for you to focus on the applicable rule, equation, or concept so that you can answer the question correctly.

### Work with what you have

If possible, work with the facts — and only the facts — in the question. Too often, students add their own interpretation to the question and turn a straightforward problem into a mess. Use the facts that are given, dump the garbage information that isn’t necessary to answer the question, and don’t make the question more difficult or assume that there’s more to it than meets the eye.

Adding irrelevant information to a question seems to be a very common practice for students. My standard answer is “Did it say that in the question?” The response is usually no. Don’t make your



life more difficult by adding your own speculations to the question; just answer the question that's given you.

## Don't obsess; mark for review

If you experience brain freeze while taking the exam, don't panic or waste valuable time on one question. Eliminate any answer(s) you know must be wrong (if any), take your best guess, and *mark the question for review* so you can easily return to it later. The question may even resolve itself. Another question might trigger your memory as you continue to take the exam, and the correct answer to the earlier question may become clear.

## Keep track of time

Time yourself so that you're always aware of how much time you have left to complete the exam. One way to do so is to figure out which question you need to be up to at the end of each 15 minutes; use that figure as a benchmark to keep track of your progress. You have 1 hour and 45 minutes to complete the exam. You have to answer 85 questions (10 of which don't count toward your score). So, you have roughly 1.23 minutes (or 1 minute and 13.8 seconds) to answer each question.

Translating these numbers to quarter-hour benchmarks gives you the results shown in the following mini-table:

Time	Number of Questions Completed
15 minutes	12
30 minutes	24
45 minutes	36
1 hour	48
1 hour and 15 minutes	61
1 hour and 30 minutes	73
1 hour and 45 minutes	85



TIP

Memorize these benchmarks, write them on your scrap paper (or dry-erase board) as soon as the exam administrators allow you to begin, and keep referring to your watch or the clock on the computer screen to track your progress in relation to the benchmark. If you find yourself falling behind, pick up your pace. If you're really falling behind, mark the lengthier, more difficult questions for review, and spend your time answering the easier questions. Why waste 2 minutes on one long question for  $1\frac{1}{3}$  points when you could answer two shorter questions in that time and earn twice as many points?

Most students don't have a problem finishing the SIE exam on time. If you easily and consistently finish 85-question SIE practice exams in less than  $1\frac{3}{4}$  hours, you should be okay on the real SIE exam.



TIP

When you're taking the SIE exam at the test center, if you find yourself obsessing about the clock on the computer to the point that you can't concentrate on the question in front of you, hide it by clicking the bottom-left corner of the computer screen.



## Master the process of elimination

The SIE exam is a standardized exam. This format makes it similar to other practical exams of this type: The best way to find the correct answer, if not obvious off the bat, may be to eliminate the incorrect answers one at a time. I help you develop this crucial skill as you tackle the topic-specific questions throughout this book.

## Maintain your concentration

To maintain your concentration, read the *stem* of the question (the last sentence before the answer choices) first to keep yourself focused on what the question is asking. Next, read the entire problem (including the stem) to get a grip on the facts you have to consider in order to select the correct answer. Then you can anticipate the correct answer and read all the answer choices to see whether your anticipated answer is there. If you don't see your answer, and none of the other choices seems to fit, reread the stem to see whether you missed an important fact. Check out Chapter 3 for detailed test-taking tips.

You can also take care to keep yourself physically alert. The last 15 minutes or so is usually the most difficult. I recommend eating a small protein bar before starting the test to help keep your levels of energy and concentration high. Forget high-sugar/high-carb foods; leave them for after the exam. These foods boost your sugar level temporarily, but when the level drops, your energy and concentration levels sink like a lead balloon.

Low energy levels can lead to sloppy mistakes. If you feel yourself fading, do whatever it takes to stay alert and focused: Get up and get a drink of water, splash some water on your face, stretch, or dig your fingernails into your palms.

## Think carefully before changing your answers

In general, if you select an answer and can't really explain why, maybe it was just a *gut* answer. You're much more likely to change to a wrong answer than to the right one, so change your answer only if

- » You didn't read the question correctly the first time and missed a major point that changes the answer choice (because you didn't see the word *except* at the end of the question, for example).
- » You're absolutely sure that you made a mistake.

## Use the scrap paper wisely

In addition to clicking the Notes button in the top-left corner of the computer screen, if you're taking the test at a testing location, you receive a few pages of letter-size scrap paper (or a dry-erase board), all of which will be collected — so restrain yourself from writing any obscenities about the exam or its creators. Here are some more productive ways to use this valuable resource:

- » **Mark dubious questions for review.** You have to answer each question before you can go to the next, so if you're not sure of the correct answer, eliminate the wrong answers, take your best guess, and mark the question for review later. On your scrap paper, write down the numbers of any questions you want to check before the end of the session.



TIP

- » **Eliminate wrong answers.** You can't write on the computer screen, so for each question, you may find it helpful to write *A*, *B*, *C*, and *D* on your scrap paper (in a column) as they appear on the screen and eliminate answers directly on your paper.
- » **Do a brain dump.** After the exam begins and before your brain gets cluttered with SIE exam questions, use your scrap paper or dry-erase board to jot down the topic matters that tend to give you problems so that you can refresh your memory during the exam.

When doing a brain dump, write down only the things that you're really having problems with — you know, the ones that you still feel the need to study the morning of the test. Don't worry about cataloguing things you already know and feel comfortable with, because doing that is a waste of your time (and paper). Those items should come to the surface of your brain as soon as you need them.

- » **Time yourself.** Write down your 15-minute benchmarks (prepared for you in "Keep track of time" earlier in this chapter) on your scrap paper and check periodically to make sure you're staying on track.

## Knowing When You're Ready

Your goal is to consistently score 80 to 85 percent on the sample tests you take to ensure that you're ready for the real exam.



REMEMBER

To determine your readiness, consider your scores on the practice exams the *first time* you take them. In other words, don't convince yourself that you're ready if you score 85 percent on an exam that you've already taken three times. If you take a practice exam more than once, you may just be remembering the answers. I'm not against taking the same exams more than once, but don't use exams you've taken before to gauge how prepared you are.

- » Exploring the composition of SIE exam questions
- » Analyzing the purpose and intent of a question
- » Identifying the correct answer
- » Mastering the process of elimination

## Chapter 3

# Examining and Mastering Question Types

The good news is that a vast majority of the questions on the SIE are straightforward. You have the possibility of getting Roman numeral choices (see “Roman hell: Complex multiple-choice questions,” later in this chapter), but it will be a handful at the very most. However, you still need to have good test-taking skills to use to your advantage.

In this chapter, I introduce you to the types of questions to expect on the SIE exam, and I show you how to analyze the facts in the questions and identify what the examiners are *really* testing you on. I also show you how to use the process of **elimination** to find the right answer and, if all else fails, how to logically guess the best answer.



TIP

You should also be aware that in its effort to make the SIE fairer to all test-takers, FINRA has decided to weight the questions according to levels of difficulty. What this means to you is that, for the most part, easier questions (or what FINRA deems to be easier questions) will be worth less than average questions, and more difficult ones will be worth more than average.

## Familiarizing Yourself with Question Formats

Even though you'll only be answering 75 questions (85, if you're including the 10 that don't count), **those 75 questions are pulled from a truly massive pool of questions that could be asked.** The SIE exam is a challenging test that poses questions in many ways and shouldn't be taken lightly. You'll have to deal with open- and closed-ended sentences, and killers like *except* and *not*. In this section, I show you how the examiners phrase the questions and how they can trip you up if you aren't careful.

## Working with the straight shooters: The straightforward questions

Straightforward question types include a group of sentences with the facts followed by a question or incomplete sentence. Then you get four answer choices, one of which correctly answers the question or completes the idea.

### Closed-stem questions

“封闭式题干问题”，指题干表述明确、答案固定且唯一的题型（如单选题中，题干直接提出问题，选项里只有一个正确答案，无开放发挥空间），区别于“开放式问题”（答案不唯一、需自由阐述）。

You'll find more closed-stem questions than any other question type on the SIE and corequisite exams, so you'd better get a handle on answering these babies for sure. Fortunately, closed-stem questions are fairly run-of-the-mill. They begin with one or more sentences containing information and end with a question (and, appropriately enough, a question mark). The question mark is what makes closed-stem questions different from open-stem questions, which I discuss in the next section. Your answer choices, lettered (A) through (D), may be complete or incomplete sentences. Here's a basic closed-stem question:



EXAMPLE

Mr. Bearishnikoff is a conservative investor. Which of the following investments would you recommend to him?

- (A) Buying uncovered call options
- (B) Buying long-term income adjustment bonds
- (C) Buying common stock of an aggressive growth company
- (D) Buying Treasury notes

The right answer is (D). The first sentence tells you that Mr. Bearishnikoff is a conservative investor. This detail is all the information you need to answer the question correctly, because you know that conservative investors aren't looking to take a lot of investment risks. U.S. government securities such as **Treasury notes (T-notes)** are considered to be the safest of all securities; they're backed by the fact that the government can always print more money to pay off the securities that it issues. As you'll find out as you proceed further along in this book, buying uncovered call options, income adjustment bonds, and buying stock of aggressive growth companies are all considered risky investments. 中期国债，是美国政府为筹集资金发行的债务工具，期限通常 2-10 年，需按约定支付利息并在到期时偿还本金



TIP

Sometimes, the phrasing of the answer choices can help you immediately cut down the number of feasible answer choices. Mr. Bearishnikoff probably would balk at investing in an aggressive growth company, for example; it certainly doesn't sound stable or safe. Check out the section titled "Picking up clues when you're virtually clueless: The process of elimination," later in this chapter, for details on raising your odds of answering questions correctly.

By the way, the *you* in the question refers to you on your good days, when you're considerate and rational and have had a sufficient amount of sleep. Mr. Bearishnikoff probably wouldn't appreciate any rogue-elephant investing, even if you think he should be more daring. The question also assumes normal market conditions, so don't recommend a different investment because you think the government is going to collapse and T-notes are going to take a dive. Just accept the conditions the problem presents to you.



TIP

Be careful to focus only on the information you need to answer the question. The securities-exam creators have an annoying tendency to include extra details in the question (such as the maturity date, coupon rate, investor's age, and so on) — details that you may not need. See "Focusing on key information," later in this chapter, for some tips on zeroing in on the necessary info.

## Open-stem questions

An open-stem question poses the problem as an incomplete sentence, and your mission, should you choose to accept it, is to complete the sentence with the correct answer. The following example shows how you can finish other people's thoughts skillfully:



EXAMPLE

The initial maturity on a standard option is

- (A) three months
- (B) six months
- (C) nine months
- (D) one year

The answer you want is (C). *Options* give the purchaser the right to buy or sell securities at a fixed price within a specific time frame. (See Chapter 11.) Options are considered to be *derivatives* (securities that derive their value from another security) because they're linked to an underlying security. **Standard options have an initial maturity of nine months.** On the other hand, Long-Term Equity Anticipation Securities (LEAPS) may have initial maturities of one, two, or three years. But this example question asks about a standard option; therefore, you don't assume that it's a LEAPS.

The preceding example is quite easy. Anyone who has been studying for the SIE or Series 7 exam should know the answer. **But what makes securities exams so difficult is the fact that the exams are loaded with so many date-oriented details. You have to memorize the initial maturities of all the different securities, and unfortunately (believe me, I feel your pain), you also have to remember a truckload of timeframes. (Accounts are frozen for 90 days; new securities can't be purchased on margin for 30 days; an options account agreement must be returned within 15 days after the account is approved; and so on.)**



TIP

Date-oriented details are excellent material to include in your flash cards. See Chapter 2 for more study suggestions.

## Encountering quirky questions with qualifiers

To answer questions with qualifiers, you have to find the best answer to the question. The qualifier keeps all answer choices from being correct because only one answer rises above the rest.

### Working with extremes: Most, least, best

Recognizing the qualifier in the question stem and reading every single answer choice carefully are very important. Check out the following example:



EXAMPLE

Which of the following companies would be most affected by interest rate fluctuations?

- (A) SKNK Perfume Corp.
- (B) Bulb Utility Co.
- (C) Crapco Vitamin Supplements, Inc.
- (D) LQD Water Bottling Co.

The answer is (B). Although all companies may be somewhat affected by interest-rate fluctuations, the question uses the word *most*. If interest rates increase, companies have to issue bonds with higher coupon (interest) rates. This higher rate in turn greatly affects the companies' bottom lines. Therefore, you're looking for a company that issues a lot of bonds. Utility companies are most affected by interest-rate fluctuations because they're *highly leveraged* (issue a lot of bonds).

## Making exceptions: Except or not

When a question includes the word *except* or *not*, you're looking for the answer that's the exception to the rule stated in the stem of the question. In other words, the correct answer is always the one that doesn't meet the question's stated conditions. The question can be open (as it is in the next example) or closed.



WARNING

Right off the bat, look for *except* or *not* in the stem of every question on the SIE exam. Many students who really know their material accidentally pick the wrong answer on a few questions because they carelessly miss the *except* or *not*.

Take a look at the following exception problem:



EXAMPLE

A stockholder owns 800 shares of WHY common stock. WHY stockholders were given cumulative voting rights. If there are three vacancies on the board of directors, stockholders can cast any of the following votes except

- (A) 800 for one candidate
- (B) 800 for each candidate
- (C) 2,400 for one candidate
- (D) 900 for each candidate

The answer you're looking for is (D). Cumulative voting rights give smaller stockholders (not height-wise, but in terms of the number of shares they own) an easier chance to gain representation on the board of directors, because a stockholder may combine his total voting rights and vote the cumulative total in any way he wants. Here, the stockholder has a total of 2,400 votes to cast ( $800 \text{ shares} \times 3 \text{ vacancies} = 2,400 \text{ votes}$ ).

In this example, you may be tempted to select (A), (B), or (C), any of which would be correct if you were asked for the number of votes this stockholder *could* cast. The stockholder could use only 800 shares to vote for candidate (A), for example; they don't have to use all 2,400 votes. (B) is another possible voting arrangement, because nobody said the stockholder has to use all his votes for one candidate. (C) is an option because the stockholder has a total 2,400 votes to cast. In this question, however, you're looking for the number of votes the stockholder *can't* cast, because the word *except* in the question stem requires you to find a false answer. Therefore, (D) is the correct answer because to cast 900 votes for each candidate, the stockholder would need a total of 2,700 votes ( $900 \times 3$ ).



REMEMBER

If you're one of the unlucky people who gets an "all of the following are false except" question, you have to find the *true* answer. Don't forget that two negatives in a sentence make a positive statement. You may want to try rephrasing the question so that you know whether you're looking for a true or false answer.

## Roman hell: Complex multiple-choice questions

As I had state in the beginning of the chapter, most of the questions on the exam are straightforward, but you'll likely see a few questions featuring Roman numeral options on the exam. By far, you'll get standard A, B, C, D questions without the Roman numerals. However, in a lot of the corequisite exams, you'll get your fair share of Roman numeral questions. So, don't go too crazy at this point. However, I will give you a brief rundown on how to handle them for the off chance that you get some and for future reference.

## Imposing order: Ranking questions

To answer a ranking question, you have to choose the answer that places the information in the correct order — first to last, last to first, highest to lowest, lowest to highest, and so on. Check out the following example:



EXAMPLE

In which order, from first to last, are the following actions taken when opening a new options account?

- I. Send the customer an ODD.
  - II. Have the ROP approve the account.
  - III. Execute the transaction.
  - IV. Have the customer send in an OAA.
- (A) I, II, III, IV
  - (B) II, I, IV, III
  - (C) III, I, II, IV
  - (D) I, III, II, IV

The correct answer is (A). Wasn't it nice of me to arrange all the answers in order for you? Because option transactions are so risky, the customer has to receive an options risk disclosure document (ODD) before opening the account. Statement I has to come first, so you can immediately eliminate (B) and (C), giving you a 50 percent chance of answering correctly. After the client receives the ODD, the registered options principal (ROP) needs to approve the account before any transactions can be executed; II has to come before III, so you can finish the problem here; the answer is (A). Last but not least, the customer signs and returns an options account agreement (OAA) within 15 days after the account is approved by the ROP.

## Taking two at a time

The Roman-numeral format also appears on the SIE with questions that offer two answer choices as the correct response. In these types of questions, you choose the responses that best answer the question.



EXAMPLE

Which two of the following are the minimum requirements for an investor to be considered accredited?

- I. An individual with a net worth of \$500,000
  - II. An individual with a net worth of \$1,000,000
  - III. An individual who earned \$200,000 per year in the most recent two years and has a reasonable expectation of reaching that same level in the current year
  - IV. An individual who earned \$300,000 per year in the most recent three years and has a reasonable expectation of reaching that same level in the current year
- (A) I and III
  - (B) I and IV
  - (C) II and III
  - (D) II and IV

The correct answer is (C). Statements I and II both deal with net worth; III and IV deal with earnings. Therefore, you're dealing with two questions in one; to be accredited, the answer to at least one of these two questions must be satisfactory:

- » What is the individual's minimum net worth?
- » What is the individual's minimum income?

To be considered an accredited (sophisticated) investor, the minimum requirement is a net worth of \$1 million and/or a yearly income of \$200,000 in the most recent two years, with a reasonable expectation of reaching that same level in the current year. If the word *minimum* hadn't been used in the question, IV would also be correct.

## A little mystery: Dealing with an unknown number of correct statements

In the preceding section, the question states that only two responses can be correct. The following question may have one, three, or four correct answers. You can recognize this type of question simply by glancing at your answer choices. To make the problem more difficult (don't hate me, now), I add an *except* because I'm feeling really good about you, and I just know you're up to it.



All of the following are true about open-end funds except

- I. They issue common stock.
  - II. They issue preferred stock.
  - III. They issue debt securities.
  - IV. Shares can be purchased in the market.
- (A) I only  
(B) II only  
(C) II, III, and IV only  
(D) I, II, III, and IV

The correct answer is (C).

Open-end funds are mutual funds. Mutual funds are constantly issuing new shares (thus, the open-end name). Because mutual funds issue only common stock and can be purchased only directly from the issuer, the only true answer is I. But because we're looking for the exception(s), answers II, III, and IV are the correct ones. (Chapter 9 covers the information you need to know about open- and closed-end funds.) Had the example asked which is true regarding closed-end funds, the answer would have been (D).

## Looking at exhibits: Diagram questions

The SIE exam isn't likely to give you more than a couple of exhibit questions, if any. But even if you don't get an exhibit question on the SIE exam, you can use the following information to help on one of the companion exams you're going to have to take. Exhibit questions may include newspaper clippings, options prices, bond prices, trading patterns, income statements, balance



sheets, and so on. Of the exhibit questions you get, some require you to find the correct information; others require a little calculating. I wouldn't be too concerned about them if I were you, because most of them are quite easy.

Take a look at the following problem:

GHI Corporation Balance Sheet at 12-31-XX (In Thousands)			
<b>Assets</b>		<b>Liabilities</b>	
Cash and cash equivalents	\$8,000	Accounts payable	\$1,000
Receivables (net)	\$1,000	Wages payable	\$800
Inventory	\$3,000	Taxes payable	\$700
<b>Total current assets</b>	<b>\$12,000</b>	Interest payable	\$500
		<b>Total current liabilities</b>	<b>\$3,000</b>
Notes receivable due after one year	\$1,000	Long-term debt 8%	\$4,000
Property, plant, and equipment (net)	\$4,000	<b>Total liabilities</b>	<b>\$7,000</b>
Goodwill	\$1,000	<b>Stockholder's Equity</b>	
<b>Total long-term assets</b>	<b>\$6,000</b>	Preferred stock \$100 par 9%	\$2,000
		Common stock \$1 par	\$2,000
		Paid-in capital	\$4,000
		Retained earnings	\$3,000
		<b>Total stockholder's equity</b>	<b>\$11,000</b>
<b>Total assets</b>	<b>\$18,000</b>	<b>Total liabilities and stockholder's equity</b>	<b>\$18,000</b>



EXAMPLE

The total amount of long-term liabilities of GHI Corporation based on its balance sheet are

- (A) \$1,000
- (B) \$1,000,000
- (C) \$4,000
- (D) \$4,000,000

The answer you're looking for is (D). Although tackling an exhibit question may seem intimidating, some of them may be as straightforward as this one. So, in this case, you'll find the liabilities on the right-hand side of the balance sheet. The long-term liabilities (long-term debt) in this case are \$4,000,000. The reason that the answer is \$4,000,000 instead of \$4,000 is because the numbers listed in this balance sheet need to be multiplied by 1,000. When looking at the top of the balance sheet, you'll see "in thousands," which tells you all numbers in the balance sheet need to be multiplied by 1,000.



WARNING

When you answer exhibit questions, take care not to miss labels such as "in thousands" in headings or scales on a graph that would change your answer. Almost nothing is worse than missing a question you know because you carelessly overlooked something that was right in front of you.

# Shredding the Questions: Tips and Tricks

In Chapter 2, I give you general exam proficiency tips. In this section, I show you how to improve your analysis of topic-specific SIE questions. I also provide more sample exam questions to further demonstrate the art of choosing the correct answer.

## Focusing on key information

The SIE and corequisite exam questions can be particularly difficult if you rush through the exam and miss details that change the meaning of the question.



TIP

When you start taking practice exams, read the question to determine what's being asked; then go back to the beginning of the problem to identify the key facts, and underline and/or highlight them. Marking the questions may seem to be time-consuming when you begin to study, but if you get into the habit of picking out key words in each question, zeroing in on the important information should be second nature by the time you take the test. You can't underline items on the computer screen at the testing center, of course; the test-center administrators would get upset if you wrote on the screen. Instead, if you find yourself getting distracted by useless information, use the scrap paper or dry-erase board to write down the information you do need.

This example zeroes in on the essential information:



EXAMPLE

A 55-year-old investor purchases a 6 percent DEF convertible mortgage bond at 90 with 10 years until maturity. If the bond is currently trading at 97, what is the current yield?

- (A) 5.72%
- (B) 6.00%
- (C) 6.19%
- (D) 6.67%

The correct answer is (C). When you're determining the current yield of a bond, all you need are the market price of the bond and the coupon (interest) rate. (See Chapter 7.) The fact that the investor is 55 years old or that the bond is a convertible mortgage bond that was purchased at \$900 (90 percent of \$1,000 par) with 10 years until maturity means nothing in terms of determining the answer. Underline or highlight what you do need (6 percent, 97, current yield) so you don't get distracted.

To determine the current yield, divide the annual interest by the market price. The annual interest is \$60 (6 percent of \$1,000 par), and the market price is \$970 (97 percent of \$1,000 par):

$$\text{current yield} = \frac{\text{annual interest}}{\text{market price}} = \frac{\$60}{\$970} = 6.19\%$$



TIP

To avoid confusion when faced with a math problem (but there aren't many on the SIE), read the stem of the question to determine what's being asked. Before you consider the rest of the question, jot down the formula you need to calculate your answer.

## Answer me this: Picking the correct answer

The SIE exam is a practical multiple-choice exam. The correct answer has to be one of the choices. This setup means that you don't have to *provide* the correct answer; you just have to *recognize* it when you see it.

## Picking up clues when you're virtually clueless: The process of elimination

When you don't straight-out know an answer, your approach can definitely make the difference between passing and failing the exam. Your best strategy may be eliminating the wrong answers. In theory, you should be able to eliminate, one by one, three incorrect answers for each question.

Even if you can't eliminate three incorrect answers, you'll certainly be able to eliminate one or two answers that are definitely wrong. Don't try to guess the right answer until you've axed as many wrong answers as you can. Obviously, if you can get the choices down to two potential answers, you have a 50-50 chance of answering correctly.



REMEMBER

For an answer choice to be correct, every aspect has to be correct, and the selection has to specifically answer the question that's asked. As a rule of thumb on the SIE exam, a more-precise answer is correct more often than a less-precise answer, and a longer answer usually (but not always) prevails over a short answer.

If a response is potentially correct, write *T* for *true* next to the answer in your practice exam, and if a response is wrong, eliminate it by writing *F* for *false* next to the answer. If you do this step correctly, you should end up with three *F*s and one *T*, with *T* indicating the correct answer. Or if the question is looking for an answer that doesn't fit the conditions of the question, you should end up with three *T*s and one *F*. (Refer to "Making exceptions: Except or not" earlier in this chapter for more info on this scenario.) On the actual test, you can write the letters A through D on your scrap paper or dry-erase board and then mark the answer choices appropriately.



TIP

Always look to eliminate any wrong answers you can. Pay attention to the wording and get rid of choices that simply sound wrong or that make statements that are too broad or absolute. If you're still undecided, use your scrap paper or dry-erase board to write down the question number and the answer choices that remain. Take your best guess and mark the answer for review. When you review, look at your scrap paper or dry-erase board to zero in on potential answers. Change your answer only if you're sure that you made a mistake.

## Stop opposing me: Dealing with opposite answers

If you see two opposing answer choices, only one can be right. Traditionally, in practical exams like the SIE, when you see two answer choices that are complete opposites, the exam creators are trying to test your knowledge of the correct rule, procedure, or law, so one of those opposing choices is most likely the correct answer. Take a look at the following example:



EXAMPLE

Which of the following is true of UGMA accounts?

- (A) There can be only one minor and one custodian per account.
- (B) There can be more than one minor and one custodian per account.
- (C) Securities can be purchased only on margin.
- (D) They must be set up for children who have reached the age of majority.

The answer you want is (A). Notice that (A) and (B) oppose each other. If you have two opposing answers, in almost all cases, one of them is the right answer. Therefore, you can ignore (C) and (D), which gives you a 50 percent chance of getting the answer right. Uniform Gifts to Minors Act (UGMA) accounts are set up for minors who are too young to have their own accounts. Each account is limited to one minor and one custodian. (See Chapter 12 for details on custodial accounts.)

## Facing Roman numerals: Not as hard as you think

As stated previously, most of the questions on the exam will be straightforward, without Roman numerals. However, feel free to peruse if you'd like on the off chance you get a few. Besides, it'll come in handy when taking corequisite exams.

Complex (two-tiered) multiple-choice questions with both Roman numerals and letters can be really frustrating, because they usually signal that the test-taker (you) needs more than one correct answer. Well, today's your lucky day, because I show you a shortcut that can help you blow these questions right out of the water.

Traditionally, the first tier of these types of questions gives you several statements preceded by Roman numerals; the second tier (preceded by letters) provides you choices about which of those statements are correct. Fifteen combinations of I, II, III, and IV are possible (16 if you count "none of the above," which is almost never correct), but each problem can list only four of them in the answer choices. Because of the limited answer choices, you may not have to evaluate every statement; certain combinations of Roman numerals may be logically impossible.



TIP

Read the question carefully and then mark *T* for *true* or *F* for *false* next to the Roman numerals to indicate whether they're correct answers to the question. If a Roman-numeral statement is correct, circle that number in the choices that follow the letters in the second tier. If the Roman-numeral statement is false, all the letter answers that include that numeral must also be false, and you can cross them out. If you're really lucky, three of the Roman numerals can be eliminated right away, leaving you with one answer choice.



EXAMPLE

Look over this Roman-numeral question:

Which of the following is true of the 5% Markup Policy?

- I. It covers commissions charged to customers when executing trades on an agency basis.
  - II. It covers markups on stock sold to customers from inventory.
  - III. It covers markdowns on stock purchased from customers for inventory.
  - IV. Riskless and simultaneous transactions are covered.
- (A) I and IV only  
(B) IV only  
(C) II and III only  
(D) I, II, III, and IV

The correct answer is (D). The 5% Markup Policy applies to nonexempt securities sold to or purchased from customers. This situation is one in which you should look at the Roman-numeral statements and pick out those that you know answer the question. If you know that statement I is right (which it is), put a *T* (for *true*) next to it. Next, look at (A), (B), (C), and (D), and eliminate (B) and (C), because neither one includes the Roman numeral I. Because both answers that remain, (A) and (D), include the Roman numerals I and IV, you don't even have to bother reading statement IV; it's in both remaining answers, so you know that it has to be true. Write *T* next to the Roman numeral IV. If you know that either statement II or III is correct (both are), the answer has to be (D), because it's the only one that lists all the correct choices.

## GETTING DOWN WITH NUMBERS: ELIMINATING SOME MATH

The process of elimination can get you out of some messy calculations. When dealing with math, look at the answer choices before you begin working out the problem. You may be able to get the answer without doing any calculations at all. If you have a forward stock split, for example, you know that the number of shares has to increase and that the price of the stock has to decrease. (See Chapter 6.) If three of the answers fail to meet these conditions, you have your answer right off the bat. Or, if you have a bond with a coupon rate of 20%, it is likely to be a wrong answer because most bonds have a coupon rate in the 3% to 12% range. You can start out by eliminating unreasonable answers.

### Don't make the same mistake twice



TIP

When you're studying for the SIE exam, the practice exams can help you pinpoint your weaker areas of knowledge. The questions you answer incorrectly can be your best learning tools if you thoroughly review the explanations for each wrong answer. You may be tempted to jump from one practice exam to the next without taking adequate time to review your wrong answers. Don't do it! If you put the effort into finding out why your choices are wrong when you're practicing, you're less likely to repeat the same mistake on the SIE exam, when it really counts.



- » Getting ready the day before
- » Arriving at the test center and checking in
- » Experiencing the exam
- » Viewing your exam results

## Chapter 4

# Surviving Test Day

**Y**ou've done your homework, taken practice exams, and completed your self-study and/or prep course, and now the day of reckoning is upon you. You're ready to exchange the gazillion hours of study and hard work for your SIE license. The last hurdle awaits you at the test center.

In this chapter, I give you a snapshot of the SIE exam experience so you know the procedure before, during, and after you take the exam and can hit the ground running.

*Note:* This chapter relates mostly to people who are taking the exam at a testing center. In mid-2020, during the COVID-19 pandemic, the Financial Industry Regulatory Authority (FINRA) and Prometric added an option that enables you to take the test online. Even though we're a few years from the start of the pandemic, taking the test online remains an alternative. If you're interested in taking the test online, please see the end of Chapter 1 for more information.

## Composing Yourself the Day Before

On the day before the exam, review the information that you're still having problems with until noon; then call it a day. Get away from the books; go out to dinner (maybe skip the spicy foods and alcohol) or go to a movie. Rest your mind. If you've put the required time and effort into studying up to now, you'll benefit more from a good night's rest than from anything you can learn in the final hours the night before your exam. Taking the evening off can help prevent brain fatigue and make honing into exam mode easier tomorrow, when it counts most.



REMEMBER

Before you go to sleep, gather the items you need to take with you to the exam. If you prepare yourself the night before, you'll be more relaxed on exam day. Here are some activities to complete the night before the exam to finalize your preparations for the big day:

- » Make sure that you have the proper government-issued ID bearing your name, signature, and a recent photo. The name on your ID must match the name on the Web CRD registration form. An expired ID won't be accepted. Official (primary) identification can be in the form of a valid passport, a driver's license, or a military ID card. A current (unexpired) state ID is acceptable in

lieu of a driver's license, as long as it includes the person's full name as it appears on the Web CRD registration form, an expiration date, the student's signature, and a current photograph.

If you use a military ID that doesn't have a signature, you need to bring a secondary form of ID with a signature. Your secondary ID can be a valid credit card, a bank automatic teller machine (ATM) card, a library card, a U.S. Social Security card, an employee ID/work badge, or a school ID.

- » Pack earplugs (if they're allowed; ask when you schedule your exam).
- » Put a snack with the rest of your stuff.
- » Bring study materials — including the topics and/or math formulas you're having trouble with — for a final review before you enter the test center.
- » Have your watch ready to make sure that you're on time.
- » Lay out your clothes. (Dress in layers in case the test center feels like either your refrigerator or your oven.)
- » Review the directions to the exam site. Make sure that you have a charged cellphone and the test center number in case you get lost.
- » Also, if your test is early in the morning, don't forget to set one, maybe two, alarms to avoid oversleeping.

Additionally, you have to bring at least one finger with you, preferably yours, so that the exam administrators can take a fingerprint (though you probably have that packed already).



You can't bring study material, textbooks, briefcases, purses, electronic devices, cellphones, notes of any kind, or your really smart friend with you into the testing room. In addition, they may inspect your glasses, ask you to turn your pockets inside out, and so on. Calculators, pencils, and scrap paper or a dry-erase board will be provided for you at the exam center, and the exam administrators will collect the calculators, pencils, and all scrap paper (used and unused) and dry-erase boards at the end of each session.

## DOING TEST RUNS IN THE FINAL WEEKS

Getting too little sleep (you'll be a nervous wreck) or too much sleep (you'll be in a stupor) the night before the exam can be a disaster. For the week before the exam (if possible), follow the routine you'll be following on the day of your exam. Set your alarm at the same time you'll wake up on exam day, take a complete practice exam for the 1 hour and 45-minute interval at the same time as you'll be taking the real exam, and so on.

Also, the day of the exam is not the time to find out that a big construction project is underway on the exact route you're taking to get to the test center, the traffic is backed up for miles, and you'll be at least an hour late. The last thing you need to worry about on exam day is getting to the test center late and having to reschedule your exam.

To avoid this disaster, do a test run sometime before the test date. Travel the route you'll take at the same time (and, if possible, on the same day of the week) as your exam date to get a preview of what you can expect. You may even be able to check your local newspaper or state government website for details on upcoming construction or repairs that may affect roadways and public transportation. Having an alternative route established in advance is also a good idea in case your route of choice isn't the best option on exam day. Certainly, using a GPS can help you avoid any slowdowns along the way as well.



# Making the Most of the Morning

Now the big day is here. Certainly, you don't have to dress up for the pictures that the SIE administrator takes, but you should at least do what you need to do to feel awake, alive, and good about yourself (do some push-ups, take a quick walk, take a shower, shave, whatever).

Be sure to eat at least a light breakfast. You may feel that you're too nervous to eat, but if you're hungry when you take the exam, you won't be able to concentrate. And if you overeat, you'll be wasting valuable energy (and blood flow!) digesting the meal — energy that your brain needs to sustain you. To avoid an energy crash, I suggest a protein bar, fruit, and/or veggies rather than sugar or carbs.

Grab everything you packed up the night before (see the preceding section) and head out the door.



If you're feeling extremely well prepared, leave your home in time to arrive at the test center at least 30 minutes before your scheduled exam so that you have time to check in. However, if you still have some info that's not committed to memory, I recommend that you arrive at the test center 1½ hours before the exam so you have 1 hour to review the topics and/or math formulas that give you the most trouble and a half hour to check in.

## Arriving on the Scene When Taking the Exam at a Physical Location

The SIE exam and other securities exams are administered by Prometric, and you can contact the center for additional information. In this section, I cover the steps you need to take upon arrival at the exam center.

In Chapter 1, I discuss the availability of special accommodations if you're disabled or learning-impaired or if English is your second language. If you require special accommodations, contact the FINRA Special Conditions Team at (800) 999-6647 for information about registration and for instructions about arriving at the exam center.

### Taking advantage of one last chance to cram

The information you review just before the exam will be on the surface of your mind. When you arrive at the exam center (or even during your commute, if you take public transportation), do some last-minute cramming. Review the topics and/or math formulas you're having trouble with.

Each SIE exam center is set up differently; you may find areas in the building where you can study, or you may have to study in your car, on a bench, or at a nearby coffee shop. When you're ready to enter the exam center (30 minutes before the exam), you can leave your books in your vehicle if the exam center doesn't have lockers (see "Getting seated" later in this chapter).

### Signing in

To enter the exam center, you have to show the administrators valid ID. (Refer to "Composing Yourself the Day Before" to see what constitutes a valid ID.) When you're inside the test center, you have to sign in and then get photographed and fingerprinted. In addition, before you begin

the exam, you have to read a form called the Rules of Conduct and agree to the terms. A preview of the Rules of Conduct is available on the FINRA website (<https://www.finra.org/industry/test-center-rules-conduct>).

## Getting seated

Basically, the only things you may bring into the testing room are your own sweet self and possibly a set of earplugs. You can store all other personal property in a locker at the exam center. (All new testing sites are supposed to have lockers, but some older sites may have been grandfathered without them. You can ask when you make your appointment.) For a list of the (mostly) medical items you can bring into the exam room, including which ones need inspection or preauthorization, please call your testing center.

Some exam centers have cafeterias and/or vending machines with snacks and drinks, but you can't even bring chewing gum into the exam room. I don't know why — maybe because of the noise or maybe so the exam staff doesn't have to scrape gum wads off computer screens.

The exam administrators escort you to the exam room. In the testing room, you receive scrap paper (or a dry-erase board), a pencil, and a basic calculator. You'll have to return the paper, pencil, and calculator to the administrators at the end of the session. (Yes, even the unused scrap paper.) You can't bring anything else into the cubicle where you take the exam.



TIP

You can watch a video provided by Prometrics to see what a test center looks like and review some of their safety procedures. Go to <https://www.prometric.com/test-takers/what-expect>.

## Tackling the SIE

Take a deep breath, crack your knuckles, and get ready to make things count; this SIE exam is the genuine article. The exam is 1 hour and 45 minutes in duration, and you're graded on a total of 75 questions. The test designers have even prepared a bonus for you: To ensure that any new questions to be introduced in future exams meet acceptable standards, you also answer 10 additional, unidentified questions that don't count toward your score. Lucky you! This means that you answer 85 questions, but only 75 really count toward your score.



REMEMBER

Most test centers offer the inspirational creature comforts of a typical office cube farm setup: You take your SIE in — yes — a cubicle (approximately 4 feet wide) with a computer and a small desk area. You may leave your cubicle for restroom breaks at any time, if necessary. The clock continues to run, however, so try to limit your intake of fluids before each session.

Just before you begin your exam, a member of the test center staff will walk you through how to use the computerized system. Don't worry. You don't need any computer experience to understand the way the computer operates; it's easy. If you do have any tech problems during the test, you can click a help button or summon the exam administrators.

As the test begins, you're ready to put all those test-taking skills to use. (Check out Chapter 2 for a rundown of those skills.) Right off the bat, write down everything you think you're likely to forget. Keep track of time. Mark questions for review. Concentrate on the facts in question and look for key words that can give you clues. Use your amazing powers of elimination to identify wrong answer choices. Work your magic with specific question types. (See Chapter 3.) You've done your homework, so be confident.

## STAYING RELAXED, FOCUSED, AND CONSCIOUS

Here are some ways to keep stress at bay and make sure that you're giving the test the attention it deserves:

- If you feel tense, take a few slow, deep breaths, and give yourself a mini-massage.
- If you find yourself growing tired, stretch, sit up straight, or go to the restroom just for a chance to walk around.
- Give your eyes a rest from the computer screen by looking away from the computer every so often. Avoid looking at someone else's computer screen; it's not only frowned upon, but also will get you ejected.
- If you have trouble focusing, write down significant details from the question. If you're stuck on a multipart question, break the question into segments. Try drawing diagrams. If you're still having trouble, choose a tentative answer and mark the question for review.
- Don't lose track of your mission; now is not the time to let up. Visualize success and hang in there!



REMEMBER



TIP

Before your session ends, double-check the questions you marked for review. Don't change any answers unless you're certain that your initial answer is wrong.

If you've completed your review of the questions you've marked for review, you can do a review of all of your questions if you want and have time. This is a time to make sure you didn't make any careless errors, such as missing an *except* or *not*, and change your answers if necessary. If you're looking at a question the second time and are 50/50 whether your first answer is correct or it's another answer, leave it alone. You'll do more harm than good by second-guessing.

## Revealing Your Results: Drumroll, Please . . .

You've completed many hours of studying. You've deprived yourself of weekend parties and long afternoons of leisure. Your social life has been almost nonexistent, and if you're the type who becomes unpleasant in a stressful state of being, you may have alienated the people who used to hang out with you.

After surviving 1 hour and 45 minutes of mental abuse from taking the SIE exam, you're ready to click the button that reveals your score and can change your life.

The time may seem much longer, but in reality, you have to wait only a little while to find out if you passed or failed. *Passed* or *failed* will appear on the computer screen. If your grade is 70 or better, which means you got 53 or more questions of the actual test questions correct, you pass the exam. (Please remember that you're a professional now and refrain from doing a victory dance in the middle of the test center.) If your score is less than 70, you don't pass the exam, and your grade will be shown on the computer screen, which will let you know how much work you need to do. Don't call your friends and tell them that you've decided to become an astronaut or firefighter instead. You can retake the test, so you may still have a future on Wall Street. See Chapter 1 for what to do next.

Regardless of whether you pass or fail the exam, you receive a printout of your grade and the breakdown of your performance on the SIE exam topics — which, unfortunately, is pretty vague. Employers receive a copy of the results in the mail, or if they're tied into the FINRA computer system, they can get results online.