



# FINRA-SERIES-63<sup>Q&As</sup>

FINRA Uniform Securities Agent State Law Examination

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### QUESTION 1

Painting the tape refers to

- A. the practice of buying large amounts of a security to drive its price up artificially.
- B. the illegal activity of a group of investors who buy and sell a security among themselves to create an artificially high volume of trading in hopes of luring investors to buy the security.
- C. the prohibited practice of excessively trading on a client's account that is used by some broker-dealers and/or their agents to generate more commissions for themselves.
- D. the unethical practice of investment advisers who issue "buy" recommendations for stocks that they own themselves without disclosing the fact.

Correct Answer: B

Painting the tape refers to the illegal activity of a group of investors who buy and sell a security among themselves to create an artificially high volume of trading in hopes of luring investors to buy the security. This is an attempt to manipulate the market and, as such, is illegal.

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### QUESTION 2

An investment adviser or its representative may

- A. only exercise any discretionary power in the purchase or sale of securities for a client's account after receiving written authority prior to the execution of the transactions.
- B. exercise discretionary power in the purchase or sale of securities for a client's account as long as it receives written discretionary authority over the account within 10 business days of the first discretionary transaction placed, assuming oral authority has already been given.
- C. exercise discretionary power in the purchase or sale of securities for a client's account as long as.
- D. exercise discretionary power in the purchase or sale of securities for a client's account only after.

Correct Answer: B

An investment adviser or its representative may exercise discretionary power in the purchase or sale of securities for a client's account as long as it receives written discretionary authority over the account within 10 business days of the first transaction placed, assuming oral authority has already been given.

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### QUESTION 3

Assuming there is not a stop order or a proceeding pending, under the registration by coordination process a security's registration with the state becomes effective:

- A. only when it is approved by the state Administrator, regardless of whether it has been approved by the SEC.
- B. immediately after approval by the SEC as long as the registration statement has been on file for at least 20 days or the Uniform Securities Act has provided an exemption to this waiting period.



- C. immediately subsequent to approval by the SEC, regardless of how long the registration statement has been on file.
- D. only when it is approved by the state Administrator, who will review the registration documentation upon notification that SEC approval has been granted.

Correct Answer: B

Under the registration by coordination process, the security's registration with the state becomes effective immediately after approval by the SEC as long as the registration has been on file for at least 20 days or the Uniform Securities Act has provided an exemption to this waiting period. This assumes, of course, that there is not a stop order or a proceeding pending.

#### QUESTION 4

In accordance with the Telephone Consumer Protection Act of 1991 (TCPA), if a prospective client requests to be put on your firm's Do-Not-Call (DNC) list, the client must be kept on that list for

- A. 1 year.
- B. 2 years.
- C. 5 years.
- D. 10 years.

Correct Answer: D

If a prospective client requests being put on your firm's DNC list, you must keep that name on your list for 10 years, according to the TCPA.

#### QUESTION 5

The discretionary powers over a client's accounts differ between broker-dealers and investment advisers in that

- A. An investment adviser can execute a discretionary transaction for a client upon receiving only verbal authority initially, followed up by written authority to be received within 10 days of the order, whereas a broker-dealer must require that written authority for the transaction is in the mail before proceeding with the transaction.
- B. An investment adviser can execute a discretionary transaction for a client upon receiving only verbal authority initially, followed up by written authority to be received within 10 days of the order, whereas a broker-dealer must require that written authority for the transaction is provided before the transaction even takes place.
- C. A broker-dealer can execute a discretionary transaction for a client upon receiving only verbal authority initially, followed up by written authority to be received within 10 days of the order, whereas an investment adviser must require that written authority for the transaction is in the mail before proceeding with the transaction.
- D. A broker-dealer can execute a discretionary transaction for a client upon receiving only verbal authority initially, followed up by written authority to be received within 10 days of the order, whereas an investment adviser must require that written authority for the transaction is provided before the transaction even takes place.

Correct Answer: B

The discretionary powers of a broker-dealer and an investment banker differ in that an investment adviser is allowed to



execute a discretionary transaction for a client upon receiving verbal authority only, as long as it is followed up with a written authorization within 10 days, whereas a broker-dealer is prohibited from executing a discretionary transaction unless it has already received written authority for that transaction.

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