SIE Practice Exam 2026

40 exam-style questions — print it, take it on paper, then check the key.

Every question is original, written to the official exam blueprint — practice questions, not leaked ones. Answer letters are in the key on the last page; every full explanation is free on the practice page in the footer.

1. A broker-dealer deposits fully paid customer securities into the same account it uses to hold securities pledged as collateral for the firm's own bank loans. Which prohibited practice does this describe?

A. Interpositioning a broker between the firm and its customer
B. Commingling customer assets with firm assets
C. Rehypothecation of securities within permitted margin limits
D. Freeriding on unpaid securities purchases

2. An applicant seeking to associate with a member firm discloses that he was convicted of felony securities fraud six years ago. What is the consequence of that disclosure?

A. He is subject to statutory disqualification and may not become or remain associated with a member firm unless relief is obtained through the applicable eligibility process.
B. None, provided the conviction is fully disclosed on his Form U4 and the firm agrees to place him under a heightened supervision plan designed and administered by its own compliance department.
C. He may associate with the firm only in a clerical capacity, and only with the prior written consent of each customer he assists.
D. He is permanently barred from associating with any broker-dealer in any capacity for the remainder of his life.

3. An investor in a high federal income tax bracket wants interest income with the least federal income tax liability. Which product feature makes municipal bonds attractive to this investor?

A. Municipal bond interest is generally exempt from federal income tax
B. Capital gains on municipal bonds are exempt from all taxation
C. Municipal bonds carry no credit risk because they are backed by the U.S. Treasury
D. Municipal bonds always pay higher coupon rates than comparable corporate bonds

4. A candidate paid the SIE exam fee in 2025 and a friend pays the fee in 2026. Based on FINRA's fee adjustment schedule, how much more does the 2026 candidate pay?

A. $10 more
B. $20 more
C. $0 — the fee did not change
D. $25 more

5. A candidate finishes the SIE exam and wants to know what score is needed to pass. Which of the following is correct?

A. A score of 65% is required to pass
B. A score of 70% is required to pass
C. A score of 72% is required to pass
D. A score of 75% is required to pass

6. A father wants to open an account to hold securities for the benefit of his 10-year-old daughter, with himself managing the investments until she reaches the age of majority. Which of the following is TRUE of this custodial account?

A. The securities in the account belong to the father until the daughter reaches the age of majority under the applicable state's UTMA statute

B. The account may be registered jointly in both the father's and daughter's names, similar to a JTWROS account held by two adult co-owners

C. There may be only one custodian and one minor per account, and the securities belong to the minor

D. The daughter may enter orders in the account herself once she can demonstrate sufficient investment knowledge and experience to her father's satisfaction

7. In the final minutes of the trading session, a trader who holds a large long position in a thinly traded stock enters a series of small buy orders at successively higher prices, intending to push the day's official closing price upward and improve the reported value of the position. Which prohibited practice does this describe?

A. Marking the close

B. Front-running a customer's order

C. Backing away from a firm quote

D. Churning a customer's account

8. An investor in the 32% federal tax bracket is comparing a corporate bond yielding 6% with a municipal bond whose interest is exempt from federal tax. What after-federal-tax yield does the corporate bond provide, and what does this imply for the comparison?

A. 4.08%; a municipal bond yielding more than 4.08% would provide a higher after-tax return

B. 1.92%; the corporate yield is reduced by multiplying the 6% coupon by the 32% tax rate itself

C. 4.08%; but the municipal bond must still yield more than the full 6% corporate coupon to compete

D. 6%; federal taxes do not affect yield comparisons between corporate and municipal bond issues

9. A city issues municipal bonds to build a toll bridge. Debt service will be paid solely from the tolls the bridge collects, and the bonds are not backed by the city's taxing power. If toll collections fall short, bondholders bear the loss. What type of bond is this, and what is its key risk feature?

A. A debenture; repayment is backed by the city's general corporate credit

B. A Treasury bond; repayment is backed by the federal government

C. A general obligation bond; repayment is backed by the issuer's full faith, credit and taxing power

D. A revenue bond; repayment depends on the earnings of the financed project rather than taxes

10. A convertible bond with a $1,000 par value is convertible at $40 per share. The issuer's common stock is currently trading at $44. What is the parity price of the bond?

A. $1,000

B. $960

C. $1,100

D. $1,040

11. A long-standing customer offers to lend his registered representative money for a home down payment at a favorable interest rate. The representative wants to accept. Which statement is most accurate?

A. Borrowing is always permitted under FINRA's rules on borrowing from customers as long as the loan is fully documented in writing, carries a market rate of interest, and is repaid on a fixed schedule agreed to by both parties

B. Borrowing is prohibited only when the loan amount exceeds the total current market value of the customer's brokerage account, since smaller loans fall outside FINRA's borrowing restrictions entirely

C. Borrowing from a customer is generally prohibited unless a narrow exception applies (such as an immediate family relationship or a customer that is a lending institution) and firm procedures are followed

D. Borrowing is permitted without any firm notice, approval, or documentation whenever the customer, rather than the representative, is the one who initiated the offer to lend the money

12. A candidate wants to pace herself evenly across the SIE. With 75 scored plus 5 unscored items presented over 1 hour and 45 minutes, roughly how much time can she spend per item on average?

A. About 45 seconds per item, the pace needed if a candidate wrongly assumes only the 75 scored questions must be answered within a 60-minute study break

B. About 2 minutes per item, based on rounding the 105-minute limit up to 2 hours and dividing by a rough estimate of 60 questions

C. About 3 minutes per item, the result of assuming only about 35 of the 80 items are hard enough to require real thought

D. Slightly less than 1 minute and 20 seconds per item

13. A candidate passes the SIE exam but decides to delay joining a broker-dealer while finishing a graduate degree. For how long does her passing result remain valid?

A. Two years

B. It never expires

C. Three years

D. Four years

14. One stock sells household staples; another sells vacation cruises. Which label fits each, and which holds up better in a downturn?

A. Cruises are defensive because vacation travel is considered a household essential

B. The classification depends only on the company's market capitalization size

C. Staples are defensive and hold up better; cruises are cyclical

D. Both are cyclical since both companies sell directly to individual consumers

15. A U.S. investor buys American Depositary Receipts (ADRs) representing shares of a Japanese company. The company's stock price in yen is unchanged over the year, but the yen weakens substantially against the U.S. dollar. What is the most likely effect on the investor's ADR position?

A. The dollar value of the ADRs declines, illustrating currency (exchange-rate) risk

B. There is no effect, because ADRs eliminate currency risk for U.S. investors

C. The ADRs are automatically converted into U.S. common stock

D. The dollar value of the ADRs rises, because a weaker yen makes Japanese exports cheaper

16. A new hire at a broker-dealer wants to become a General Securities Representative. Which statement about the exam requirements is accurate?

A. The SIE is a corequisite to the Series 7 — both must be passed

B. The Series 7 must be passed before she is allowed to attempt the SIE

C. The Series 7 replaces the SIE, so only the Series 7 is needed

D. The SIE alone qualifies her as a General Securities Representative

17. A registered representative helps a friend's startup raise money by selling its promissory notes to several of her brokerage customers. The sales occur entirely outside her firm, she receives a finder's fee, and she never tells her employing broker-dealer. This conduct is best described as:

A. Acceptable, because each customer signed a written disclosure acknowledging the investment's risk

B. Selling away — engaging in private securities transactions without notifying the firm

C. Permissible, because the notes were not products offered on her firm's approved platform

D. Front-running — trading ahead of a customer order she knew her firm was about to execute

18. An issuer negotiating a new stock offering with an investment bank wants certainty that it will receive a specific amount of capital regardless of how investors respond. Which underwriting arrangement fits, and where does the risk of unsold shares sit?

A. A firm commitment underwriting, in which the underwriter buys the entire issue from the issuer and bears the risk of any shares it cannot resell to the public.

B. A best efforts arrangement, in which the underwriter guarantees the proceeds to the issuer and returns any shares it is unable to place back to the issuer at the close of the offering.

C. An all or none arrangement, in which the underwriter purchases the entire issue and resells it at its own risk.

D. A mini-max arrangement, in which the underwriter is obliged to purchase whatever portion of the issue remains unsold at the public offering price.

19. An investor owns shares purchased at a price well above the current market and wants to limit further losses if the stock keeps falling, while remaining invested if it recovers. The investor is willing to accept that the eventual execution price may be worse than the trigger price. Which order best fits this objective?

A. A sell stop order

B. A buy stop order

C. A sell limit order

D. A market order entered immediately

20. Two spouses open a brokerage account together and want the survivor to automatically receive the entire account balance if one of them dies, without the assets passing through the deceased's estate. Which account registration meets this objective?

A. Joint tenants with right of survivorship

B. Tenants in common

C. An individual account with a power of attorney for the spouse

D. A custodial account naming the spouse as custodian

21. A customer owns shares of a stock and enters a sell stop order below the current market price. What happens when the stock trades at or through the stop price?

A. The order executes automatically at exactly the stop price, since that price is contractually guaranteed

B. The order is elected and becomes a market order to sell at the next available price

C. The order is canceled and must be re-entered by the customer once the stock stabilizes

D. The order converts into a limit order to sell at the stop price or higher, protecting against further decline

22. A corporation with cumulative preferred stock paying a stated $6 annual dividend skipped its preferred dividend entirely last year. This year the board wants to pay a dividend to common stockholders. Before any common dividend may be paid, how much must a holder of one cumulative preferred share receive?

A. $0 — skipped cumulative preferred dividends are permanently forfeited

B. $6 — only the current year's stated dividend is owed to preferred holders

C. $12 — last year's skipped $6 plus this year's $6

D. $18 — skipped dividends accrue with a penalty rate added by the issuer

23. A registered representative helps a friend's startup raise money by arranging sales of the startup's private notes to several of the representative's brokerage customers. The representative never tells the employing broker-dealer about these transactions. This conduct is best described as:

A. A breakpoint sale violation, since the customers missed a volume discount on a related mutual fund purchase

B. Acceptable outside business activity, since it occurred off firm premises and involved a personal friend's company

C. Selling away — engaging in private securities transactions without notifying the firm

D. Permissible, because private notes that are not listed on an exchange fall outside FINRA's private securities transaction rules

24. Effective October 27, 2025, FINRA changed the number of unscored pretest questions on the SIE. What was the change?

A. Pretest items decreased from 10 to 5

B. Pretest items increased from 5 to 10

C. Pretest items were eliminated entirely

D. Pretest items became scored questions

25. A city plans to finance a new toll bridge with bonds that will be repaid solely from the tolls the bridge collects, without pledging the city's taxing power. Which type of municipal bond is this, and what is a key credit consideration for investors?

A. A general obligation bond; investors should confirm voter approval of the toll schedule under the state's constitutional debt limit provisions

B. A revenue bond; investors should evaluate whether projected toll income can cover debt service

C. A revenue bond; investors are fully protected because the city's general fund and taxing power must backstop the debt if tolls fall short

D. A general obligation bond; investors should evaluate the city's property tax base and its overall net debt per capita ratio

26. Two customers who are married open a brokerage account together under an arrangement in which, if one owner dies, that owner's interest passes automatically to the surviving owner rather than to the deceased owner's estate. Which form of account registration does this describe?

A. Joint tenants with rights of survivorship

B. A custodial account

C. Joint tenants in common

D. An individual account with limited trading authorization

27. A corporate treasurer needs to invest excess cash for a very short period and wants an instrument commonly issued by large corporations to meet short-term funding needs. Which money market instrument fits?

A. A 30-year corporate debenture

B. Common stock of a blue-chip company

C. A closed-end fund share

D. Commercial paper

28. A candidate sitting for the SIE notices the exam presents more questions than the 75 that will be scored. How many total items appear, and why?

A. 85 items — that was the total before FINRA's October 27, 2025 rule change cut the unscored pretest count from 10 to 5

B. 80 items — 5 unidentified pretest items are included but do not count toward the score

C. 75 items — FINRA eliminated all unscored pretest items in the October 27, 2025 rule change

D. 80 items — the 5 pretest items are always clearly labeled as unscored so candidates can identify them

29. A college senior with no securities industry employment passes the SIE exam in March 2026. If she does not join a member firm right away, until when does her passing result remain valid?

A. March 2028 — the result is valid for two years

B. Indefinitely — an SIE pass never expires

C. March 2029 — the result is valid for three years

D. March 2030 — the result is valid for four years

30. Building permits surge and average weekly unemployment claims fall. What kind of economic signal are these series?

A. Statistical noise with no forecasting value used by economists or policymakers

B. Leading indicators — they tend to move before the broader economy

C. Coincident indicators — they move together with current GDP and employment levels

D. Lagging indicators — they confirm turning points only after a recession has ended

31. Two candidates each sat for the SIE exam once: one paid the exam fee in effect for 2025, and the other paid the fee in effect for 2026. Under FINRA's fee adjustment schedule, how much more did the 2026 candidate pay?

A. $40 more

B. $20 more

C. $0 — the fee was unchanged

D. $10 more

32. A customer believes a stock is overvalued and sells shares short. Which statement accurately describes this position?

A. The customer profits if the price rises and the maximum loss is limited to the total amount originally invested

B. The customer's maximum loss is limited to the total dollar proceeds received when the shares were first sold short

C. The position may be held in a cash account since Regulation T's 50% initial margin requirement applies only to margin purchases

D. The customer borrows shares to sell, profits if the price falls, and faces theoretically unlimited loss if the price rises

33. A corporation files for liquidation in bankruptcy. Rank the following claimants in the order they are paid, from first to last: common stockholders, secured bondholders, preferred stockholders, general (unsecured) creditors.

A. Preferred stockholders, secured bondholders, general creditors, common stockholders

B. Secured bondholders, general creditors, preferred stockholders, common stockholders

C. General creditors, secured bondholders, common stockholders, preferred stockholders

D. Secured bondholders, preferred stockholders, general creditors, common stockholders

34. Routing customer orders, a firm consistently picks the venue paying it the largest rebate rather than the one showing better prices. Which duty is being violated?

A. No duty applies; order routing decisions are the firm's business alone

B. Suitability — every order routed must fit the customer's investment profile

C. Best execution — the customer's outcome must drive routing

D. Custody — customer assets and firm assets must be kept segregated

35. A holder of a collateralized mortgage obligation (CMO) tranche notices that homeowners in the underlying pool are refinancing rapidly as interest rates drop. Which risk is this investor experiencing?

A. Extension risk — principal is returned later than expected because prepayments have slowed

B. Regulatory risk — refinancing activity in the underlying pool is restricted under Regulation AB's asset-backed securities disclosure requirements for CMO issuers

C. Prepayment risk — principal is returned sooner than expected and must be reinvested at lower rates

D. Currency risk — mortgage payments in the pool are remitted in a foreign currency

36. Commercial paper is routinely issued with maturities of 270 days or less. What does that ceiling accomplish for the issuer?

A. It fixes the interest rate at the Fed's prevailing discount rate

B. It keeps the paper exempt from Securities Act registration

C. It guarantees an investment-grade rating from Moody's and S&P

D. It qualifies the paper for FDIC deposit insurance coverage

37. Which of the following activities is a form of market manipulation?

A. Buying a security for a firm's own inventory as principal and later reselling it to a customer at a fair price with a disclosed markup

B. Entering matched buy and sell orders in the same security to create the false appearance of active trading

C. Executing a customer's own unsolicited order to buy a thinly traded speculative stock

D. Recommending a security only after conducting reasonable research into the customer's investment profile

38. An adult opens an account to hold securities for the benefit of her nephew, a minor, under her state's custodial account statute. Which of the following correctly describes this account?

A. The custodian is the beneficial owner until the minor requests the assets

B. Several minors may share a single custodial account to simplify administration

C. The minor is the beneficial owner, and the account has one custodian for one minor

D. The account may be opened as a margin account if the custodian signs the margin agreement

39. With the stock at $47, a call with a $40 strike trades at $9. How does the premium break down?

A. $2 of intrinsic value and $7 of time value

B. $7 of intrinsic value and $2 of time value

C. $9 of intrinsic value and no time value

D. No intrinsic value; the option is out of the money

40. A client interested in a real estate limited partnership (a direct participation program) asks how it differs from buying shares of a publicly traded stock. Which risk should the representative emphasize as characteristic of DPPs?

A. Lack of liquidity, because there is no ready secondary market and interests can be difficult to sell

B. Daily price volatility identical to an exchange-listed stock, since DPP limited partnership units trade continuously on the NYSE floor

C. Guaranteed loss of principal in the first year of the investment, mandated by the terms of the original partnership subscription agreement

D. Unlimited personal liability for the partnership's debts, which limited partners share equally with the general partner under state law

---

Answer key

1. B 2. A 3. A 4. B 5. B

6. C 7. A 8. A 9. D 10. C

11. C 12. D 13. D 14. C 15. A

16. A 17. B 18. A 19. A 20. A

21. B 22. C 23. C 24. A 25. B

26. A 27. D 28. B 29. D 30. B

31. B 32. D 33. B 34. C 35. C

36. B 37. B 38. C 39. B 40. A

Full answer explanations for every question are free on the practice page — no signup.