



FINRA-SERIES-6^{Q&As}

FINRA Investment Company and Variable Contracts Products
Representative Examination (IR)

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**QUESTION 1**

Under the rules of ERISA, all private-employer sponsored retirement plans must:

- A. allow any employee to participate in the retirement plan as long as the employee is at least 21 years old.
- B. exclude anyone who has not been employed with the firm for at least five years.
- C. provide a specific vesting schedule under which all participants in the plan will become 100% vested after having been in the firm's employ for seven or fewer years.
- D. be defined contribution plans.

Correct Answer: C

Explanation: Under the rules of ERISA, all private-employer sponsored retirement plans must provide a specific vesting schedule under which all participants in the plan will become 100% vested after having been in the firm's employ for seven or fewer years. The firm may require that an employee have at least two years of service prior to participating in the plan, even if the employee is 21 years old, but this service requirement may not exceed two years. There is no requirement that the plan be a defined contribution plan.

QUESTION 2

The American Funds family of funds offers numerous funds to investors. Among these are a U.S. government bond fund, a high-yield corporate bond fund, a diversified emerging markets fund, and a large stock growth fund. Of these four, the one that would expose the investor to the most social and political risk is its:

- A. U.S. government bond fund.
- B. diversified emerging markets fund.
- C. large stock growth fund.
- D. high-yield corporate bond fund.

Correct Answer: B

Explanation: An investor will be most exposed to social and political risk in American's diversified emerging markets fund. This fund invests, by definition, in securities offered by firms located in developing countries, whose economies are in transition. Often, the political and social environment of these countries is very unstable.

QUESTION 3

A new issue of common stock can be classified in which of the following categories?

- I. primary market
- II. money market
- III. secondary market



IV.

capital market

A.

I only

B.

III only

C.

I and IV only

D.

II and III only

Correct Answer: C

Explanation: Only Selections I and IV are correct. A new issue of common stock will be sold in the primary market. It is also a capital market security since it has no maturity, and capital market securities are securities with greater than one year to maturity.

QUESTION 4

Lana is registered as a limited representative and is employed by Everything Investments. Her duties include selling mutual funds and variable contracts products to the firm's clients. She has been particularly successful in selling variable contracts offered by OneLife insurance company. As a "thank you" for her hard work, OneLife has offered her a ticket to an upcoming play at a local dinner theatre.

Given this scenario, which of the following statements applies?

A. Lana will have to pass on the offer. Lana is prohibited from receiving compensation from anyone other than Everything Investments.

B. Lana can accept the offer as long as Everything agrees to it and as long as it is not an ongoing thing and/or preconditioned on her achieving a specified sales target.

C. Lana can accept the offer without Everything's approval in this instance since the offer does not involve cash.

D. Lana will have to pass on the offer. She is permitted to receive only cash compensation in an amount not to exceed \$100 from an entity other than Everything, and then only with Everything's approval.

Correct Answer: B

Explanation: Lana can accept the dinner theatre ticket offer as long as Everything agrees to it and as long as it is not an ongoing thing and/or preconditioned on her achieving a specified sales target. Occasional meals, tickets to the theatre, a sporting event, or a similar entertainment venue may be accepted as long as they aren't too excessive or too frequent and as long as the member firm with whom the representative is employed is agreeable.



QUESTION 5

Which of the following would not be required to display prominently the name of the member firm issuing it?

- I. sales literature distributed to an institutional investor
- II. correspondence by a registered representative with her client
- III.
an advertisement to recruit new registered representatives

- A.
I only
- B.
I and II only
- C.
III only
- D.
I, II, and III

Correct Answer: C

Explanation: Only an advertisement to recruit new registered representatives is not required to display prominently the name of the member firm issuing it.

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