



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

FINRA Uniform Securities Agent State Law Examination

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**QUESTION 1**

Ms. Muffet is employed by Spyder Broker-Dealers. Her job duties include providing price quotes and executing purchases and sales for the firm's clients. She is paid a salary plus commission. Ms. Muffet is

- A. a broker-dealer.
- B. an agent.
- C. an investment adviser.
- D. an investment adviser representative.

Correct Answer: B

As an employee of Spyder Broker-Dealers who executes trades for clients, Ms. Muffet is an agent who works for the broker-dealer Spyder. She does not provide investment advice for a fee, so she is neither an investment adviser nor an investment adviser representative.

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**QUESTION 2**

Sam Shade had his agent's license revoked by the state of Washington for repeatedly making misleading claims about various investment to investors. He had had it with all the rain anyway and decided to move to the sunshine state of Florida. His brother-in-law was a computer whiz who made money on the side (more than his day job provided, in fact) by supplying illegal immigrants with official-looking documentation, including social security numbers. Sam Shade became Ian Creed in a few clicks of the mouse. As Ian Creed, Sam was hired by Sunny Investment Advisers, an investment adviser firm located in the Florida Keys, in a clerical role. As such, Sam/Ian had access to the confidential information of the firm's clients, which he and his brother-in-law utilized for the purpose of identity theft. Under the Uniform Securities Act guidelines, when Sam and his brother-in-law are caught in their illegal activities.

- A. Sunny Investment Advisers will not be held liable if it can prove that there was no way it could have or should have known of the revocation of Sam Shade's (aka Ian Creed) license.
- B. Sunny Investment Advisers will be subject to criminal prosecution for employing an individual whose license had been revoked by the Administrator of another state since it obviously did not use due diligence in hiring Ian Creed, aka Sam Shade.
- C. Sunny Investment Advisers will be subject to civil penalties for employing an individual whose license had been revoked by the Administrator of another state.
- D. Sunny Investment Advisers will be subject to both criminal prosecution and civil penalties for employing an individual whose license had been revoked by the Administrator of another state since it obviously did not use due diligence in hiring Ian Creed, aka Sam Shade.

Correct Answer: A

When Sam and his brother-in-law are caught, Sunny Investment Advisers will not be held liable if it can prove that there was no way it could have or should have known of Sam Shade/Ian Creed's license revocation. The drafters of the Uniform Securities Act were cognizant of the fact that employees can be remarkably deceptive when applying for a position, and because of this the Act indicates that the investment adviser must either "have known or should have known" of the Administrator's adverse decision against the employee in order to itself be deemed liable.

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### QUESTION 3

A broker-dealer cannot legally be

- A. a partnership.
- B. an individual.
- C. a sole-proprietorship.
- D. A broker-dealer can be any of the above.

Correct Answer: D

A broker-dealer can be a partnership, an individual, or a sole-proprietorship under the guidelines of the Uniform Security Act.

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### QUESTION 4

Until yesterday Maddie was a registered agent employed by the broker-dealer, QuikDeals. Yesterday afternoon, issues that had been brewing between her and another employee of the firm came to a head, and Maddie impulsively quit her job.

At this point,

- A. Maddie has thirty days to find a job with another broker-dealer, or she will need to file a new registration application.
- B. Maddie has sixty days to find a job with another broker-dealer, or she will need to file a new registration application.
- C. Maddie will have to file a new application for registration with the Administrator upon finding employment with another broker-dealer since she is no longer considered to be a registered agent by the state.
- D. Maddie is required to call all of her clients at QuikDeals to inform them she is no longer employed there.

Correct Answer: C

When Maddie quit her job, her status as a state-registered securities agent was automatically terminated, and she will need to file a new application for registration with the Administrator upon obtaining a position with another broker-dealer. If she does so within thirty days, her registration will become effective as soon as she has filed her application and paid her application fee. While she is required to notify the Administrator that she has terminated her employment with QuikDeals, there is no requirement that she contact any of her clients at QuikDeals.

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### QUESTION 5

In which of the following scenarios would the Administrator of a state not have jurisdiction?

- I. A monthly newspaper published by a resident of the state who is not a registered investment adviser has a column in which the publisher makes specific investment recommendations for clients who write in for advice. About 80% of the circulation of the publication is to out-of-state residents.
- II. An internet blog posted by an out-of-state resident makes investment recommendations.
- III.



An out-of-state firm solicits buyers for its promissory notes within the state.

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

Correct Answer: C

The administrator of a state would not have jurisdiction in the scenarios described in Selections I and II. In Selection I, more than 2/3 of the circulation of the newspaper is outside the state, which excludes it from the jurisdiction of the Administrator. Selection II describes an electronic communication that originates from outside the state, which excludes it. Selection III constitutes an offer to sell securities within the state, and this will always fall under the jurisdiction of the Administrator of the state.

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