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## Practice Questions

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**1. Under the Uniform Securities Act, which of the following individuals is generally included in the definition of an 'agent' of a broker-dealer?**

- A. A corporation that buys and sells securities for its own account
- B. An officer of an issuer who sells securities exclusively to institutional investors
- C. A clerical employee who processes trade confirmations but never solicits orders
- D. A natural person who represents a broker-dealer in effecting securities transactions

**2. The Bank Secrecy Act requires financial institutions to:**

- A. File a currency transaction report (CTR) for each transaction involving greater than \$10,000 in cash
- B. Report wire transfers in excess of \$3,000
- C. Report structured transactions that have been effected in accounts at the financial institution
- D. All of these answers are correct

**3. Which of the following entities is EXCLUDED from the definition of a 'broker-dealer' under the Uniform Securities Act?**

- A. An issuer that sells its own securities directly to the public
- B. A firm that maintains an office in the state and solicits retail clients
- C. An agent who individually effects transactions without firm affiliation
- D. A foreign broker-dealer with more than ten clients in the state

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**4. The term 'state' as used in the USA refers to: I. The federal District of Columbia II. The Commonwealth of Puerto Rico III. Any Canadian Province**

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



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**5. Under the Uniform Securities Act, a person is required to register as an investment adviser if that person, for compensation, engages in which of the following activities?**

- A. Buying and selling securities exclusively for their own account
- B. Providing advice about securities as a regular part of their business
- C. Executing trade orders on behalf of clients without offering guidance
- D. Publishing a general-circulation newspaper that incidentally discusses stock prices

**6. A person engaged in buying and selling securities is considered, under the USA, a(an):**

- A. Broker-dealer
- B. Agent
- C. Investor
- D. Investment adviser

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**7. An investment adviser representative (IAR) is best described under the Uniform Securities Act as:**

- A. Any entity that manages a pooled investment vehicle for multiple clients
- B. A broker-dealer that also provides incidental investment advice
- C. A natural person associated with an investment adviser who makes recommendations or manages client accounts
- D. A person who solicits new accounts for a broker-dealer exclusively

**8. When a broker-dealer charges a mark-up or mark-down in a transaction, it has acted:**

- A. As an underwriter
- B. As a broker or a dealer depending upon the circumstances surrounding the trade
- C. In an agency capacity
- D. As a dealer



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**9. An agent of a broker-dealer leaves the firm and immediately joins a new broker-dealer in the same state. Under the Uniform Securities Act, how must the registration transfer be handled?**

- A. The agent must file a new application, and the prior registration terminates when the Administrator is notified of the termination
- B. The agent may continue to conduct business under the old registration for up to 90 days while the new application is pending
- C. No action is required because agent registrations are not firm-specific under the USA
- D. The existing registration automatically transfers to the new broker-dealer without any filing

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**10. A bank holding company owns a bank and a broker-dealer. Which of the following entities must register as a broker-dealer under the USA?**

- A. Only the brokerage firm need register as a B-D
- B. The bank, the bank holding company and the broker-dealer all need to register as broker-dealers
- C. None need to be registered under the Bank exemption from registration found in the USA
- D. None of the above is correct

**11. Under the Uniform Securities Act, which of the following persons is EXEMPT from the definition of 'agent' and therefore not required to register as such?**

- A. A part-time employee of a broker-dealer who solicits clients only on weekends
- B. An individual who represents an issuer solely in selling exempt commercial paper to institutional buyers in an exempt transaction
- C. A salesperson who sells limited partnership interests to retail investors on behalf of a broker-dealer
- D. An officer of a broker-dealer who supervises agents but never personally effects transactions



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**12. One of your long-time most profitable individual brokerage firm customers has moved from New York to Florida, permanently. Your broker/dealer is not registered in Florida. If you wish to maintain a financial relationship with this client, you have how many days to register in Florida?**

- A. You may continue to conduct business with that client until Dec. 31st of the year of the move
- B. You may continue to conduct business with that client for 30 days, after which registration is required or you must discontinue the business relationship
- C. You must discontinue any brokerage relationship with the client until the firm has registered in Florida
- D. You may continue the relationship without having to register in Florida so long as your firm is an SEC registered broker/dealer

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**13. Which of the following is a post-registration requirement that applies to broker-dealers under the Uniform Securities Act?**

- A. Filing a new application with the state Administrator whenever a principal leaves the firm
- B. Obtaining written consent from every client before effecting any securities transaction
- C. Maintaining books and records as prescribed by the Administrator and making them available for inspection
- D. Registering each branch office in every state where any client is located, regardless of business volume

**14. Under NSMIA, Federal covered securities under New York state securities law include each of the below except:**

- A. City of Buffalo, NY certificates of participation
- B. Miami-Dade County General Obligations
- C. The Nuveen tax-free New York municipal bond mutual fund
- D. None of these is an exception

**15. A broker-dealer is registered in State A and has no office in State B. It receives an unsolicited order from an existing institutional client located in State B. Under the Uniform Securities Act, the broker-dealer:**

- A. Must file a notice filing in State B and wait for written approval before processing the order
- B. Is permanently barred from transacting business in State B without a physical office
- C. May rely on a limited exemption available to broker-dealers with no place of business in the state whose clients are institutional buyers or existing customers
- D. Must immediately register in State B before accepting any order from a State B resident



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**16. Which of the below is a Federal Covered security? I. Pre-emptive rights of IBM corporation II. IBM warrants expiring in less than 5 years III. IBM collateral trust certificates IV. IBM common stock**

- A. All of the above
- B. IV only
- C. I and II
- D. III and IV

**17. Under the Uniform Securities Act, an investment adviser with its principal office in State X must register in State Y if it has:**

- A. Any single client who is domiciled in State Y, regardless of the nature of their relationship
- B. At least one advisory contract with a corporate client headquartered in State Y
- C. Placed at least one trade execution through a broker-dealer licensed in State Y
- D. More than the de minimis number of clients in State Y, as determined by each state's adoption of the USA

**18. Under the USA, the statute of limitations I. Runs for 5 years from the date of a criminal offense II. Runs for no longer than 3 years from the date of a civil violation III. May result in up to 5 years in prison for criminal or civil misdeeds**

- A. II and III
- B. I and III
- C. I and II
- D. All of the above

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**19. Which of the following persons is expressly EXCLUDED from the definition of 'investment adviser' under the Uniform Securities Act?**

- A. A financial planner who charges a fee for comprehensive investment recommendations
- B. An individual who manages discretionary portfolios for a flat annual retainer
- C. A broker-dealer whose investment advice is solely incidental to its brokerage business and for which it receives no special compensation
- D. A consultant who advises corporate pension funds on asset allocation for a fee



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**20. Under which of the following circumstances is an investment adviser which has been granted discretionary power by a client also considered to have custody as that term is interpreted under the USA?**

- A. When the IA makes all purchase decisions on behalf of the client
- B. When the IA makes all sales decisions on behalf of the client
- C. When the IA makes all decisions regarding implementation of investment strategies on behalf of the client
- D. None of the above

**21. An individual acts as an agent for Broker-Dealer A in State X, where she is properly registered. She is also asked to sell securities on behalf of Issuer B in a transaction that is not exempt. Under the Uniform Securities Act, she must:**

- A. Notify the Administrator in writing of the dual capacity but is not required to file a separate application
- B. Obtain only broker-dealer consent, since her existing registration covers all issuers in the state automatically
- C. Cease all activities for Issuer B unless she dissolves her relationship with Broker-Dealer A first
- D. Register separately as an agent of Issuer B, because the USA requires a separate agent registration for each broker-dealer or issuer she represents

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**22. Certain Fed-covered securities require Notice Filing with Administrators of states in which those securities are going to be sold, including:**

- A. NYSE-listed securities
- B. NASDAQ-listed securities
- C. Securities being sold under Reg. D Rule 506
- D. All of these require at a minimum, a notice filing



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**23. Under the Uniform Securities Act, the state Administrator may deny, suspend, or revoke the registration of a broker-dealer for which of the following reasons WITHOUT first providing notice and an opportunity for a hearing?**

- A. The Administrator issues a summary suspension when it is in the public interest and the firm is insolvent or has violated the Act
- B. A principal of the firm has been convicted of a non-securities-related misdemeanor within the past five years
- C. The firm's net capital falls below the minimum required by the Administrator's rules
- D. The firm has failed to respond to an Administrator questionnaire within the statutory comment period

**24. The private placement exemption available to issuers under the USA places conditions on the distribution which include: I. Those soliciting investors may not be compensated for sales of the securities unless the buyer qualifies as an institutional investor. II. The securities may be offered to no more than 35 individual non-institutional investors. III. Institutional and non-institutional buyers must be buying for investment purposes.**

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

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**25. A Canadian broker-dealer has no office in any U.S. state, but regularly solicits U.S. clients who are Canadian citizens temporarily residing in a border state. Under the Uniform Securities Act, this broker-dealer:**

- A. May qualify for the limited Canadian broker-dealer exemption, which requires filing a consent to service of process and limiting activity to Canadian clients temporarily present in the state
- B. Is fully exempt from state registration because all clients are Canadian nationals regardless of their current location
- C. Is automatically covered by the Federal covered securities exemption because cross-border activity is federally preempted
- D. Must register in any state where it has more than a de minimis number of resident clients, irrespective of client nationality



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**26. Under the most recent amendments to the regulations governing IA registration:**

- A. State-covered IAs are those with AUM not greater than \$25,000,000
- B. State-covered IAs are those with AUM not greater than \$100,000,000
- C. Federal-covered IAs are those with AUM \$30,000,000 and above
- D. Federal-covered IAs are those with AUM above \$100,000,000

**27. An investment adviser is organized as a partnership. One partner retires and is replaced by a new partner whose background includes a prior administrative sanction for securities violations. Under the Uniform Securities Act, the adviser's registration obligation is:**

- A. Automatically terminated upon any change in partners, requiring the firm to re-register from scratch
- B. Unaffected because changes in partnership composition never require updated disclosures to the Administrator
- C. To promptly amend its registration filing to disclose the material change, and the Administrator may investigate whether the new partner's background warrants denial or revocation
- D. Satisfied by the new partner filing a personal investment adviser registration, after which the firm's existing registration is implicitly updated

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**28. Under the NASAA Statement of Policy regarding unethical and prohibited practices of broker-dealers, agents, investment advisers and investment adviser representatives, solicitation of a transaction in unregistered non-exempt securities:**

- A. Is only permissible with written consent of the client as well as approval of a principal
- B. Is not prohibited if the securities are properly registered in the state in which the issuer first issued them
- C. Is permissible only when the securities are Fed-covered securities
- D. Is an unethical and prohibited act

**29. Under the Uniform Securities Act, which of the following instruments is explicitly included in the definition of a 'security'?**

- A. A fixed annuity contract issued by an insurance company
- B. A variable annuity contract
- C. A whole life insurance policy with a fixed death benefit
- D. A commodity futures contract traded on a regulated exchange



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**30. The USA includes all of the following in the category of exempted securities with the exception of:**

- A. Bonds issued by the City of London, Ontario, Canada
- B. Bonds issued by the City of London, England
- C. Bonds issued by the City of Manhattan, Kansas
- D. Bonds issued by the Borough of Manhattan, New York City, NY



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## Answer Key & Explanations

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**1. D — A natural person who represents a broker-dealer in effecting securities transactions**

Under the USA, an 'agent' is defined as a natural person who represents a broker-dealer or issuer in effecting or attempting to effect purchases or sales of securities; clerical staff and corporate entities are expressly excluded from this definition.

**2. D — All of these answers are correct**

The Bank Secrecy Act was passed to monitor a variety of financial transactions.

**3. A — An issuer that sells its own securities directly to the public**

The USA expressly excludes issuers from the definition of broker-dealer because an issuer selling its own securities is acting as a principal, not as an intermediary for others.

**4. C — I and II**

'State' includes any state in the United States of America, Washington DC, and the territories and commonwealths which are part of the U.S., including Puerto Rico.

**5. B — Providing advice about securities as a regular part of their business**

The USA defines an investment adviser as one who, for compensation and as part of a regular business, advises others about securities; trading for one's own account, pure order execution, and bona fide newspaper publishers are excluded.

**6. A — Broker-dealer**

A broker-dealer is a person engaged in the business of buying and selling securities.

**7. C — A natural person associated with an investment adviser who makes recommendations or manages client accounts**

Under the USA, an IAR is a natural person who is associated with an investment adviser and who makes securities recommendations, manages accounts, or solicits advisory clients, distinguishing the individual from the advisory firm itself.

**8. D — As a dealer**

When selling securities out of their inventory, they are acting in the dealer or principal capacity, and add a retail mark-up.

**9. A — The agent must file a new application, and the prior registration terminates when the Administrator is notified of the termination**

Under the USA, an agent's registration is specific to the sponsoring broker-dealer; upon termination, both the firm and agent must promptly notify the Administrator, and the agent must file a new registration with the new firm before resuming activity.

**10. A — Only the brokerage firm need register as a B-D**

The broker-dealer cannot operate as such without registering as a broker-dealer.



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**11. B — An individual who represents an issuer solely in selling exempt commercial paper to institutional buyers in an exempt transaction**

The USA excludes from the agent definition individuals who represent an issuer in effecting transactions that are themselves exempt, such as sales of exempt securities like commercial paper to institutional purchasers, because the regulatory concern targets retail public offerings.

**12. B — You may continue to conduct business with that client for 30 days, after which registration is required or you must discontinue the business relationship**

The rule is 30 days to register if you wish to retain the client.

**13. C — Maintaining books and records as prescribed by the Administrator and making them available for inspection**

The USA requires registered broker-dealers to maintain books and records in the form the Administrator prescribes and to make them available for examination, which is a core ongoing post-registration obligation distinct from the initial application process.

**14. A — City of Buffalo, NY certificates of participation**

Municipal bonds issued within the state of New York are not considered Federal covered securities inside the state of New York.

**15. C — May rely on a limited exemption available to broker-dealers with no place of business in the state whose clients are institutional buyers or existing customers**

The USA provides an exemption from broker-dealer registration in a state where the firm has no office if it deals exclusively with institutional investors or with existing customers who are temporarily present in that state, recognizing that requiring full registration in every state would be impractical for such limited contacts.

**16. A — All of the above**

Fed covered includes all securities issued by a NYSE-listed corporation.

**17. D — More than the de minimis number of clients in State Y, as determined by each state's adoption of the USA**

Under the USA framework adopted by most states, an investment adviser must register in a state if it exceeds that state's de minimis client threshold (commonly more than five clients in a 12-month period), after which registration in that state is required regardless of whether the adviser has an office there.

**18. C — I and II**

Civil liability results in monetary awards, not jail time.

**19. C — A broker-dealer whose investment advice is solely incidental to its brokerage business and for which it receives no special compensation**

The USA's broker-dealer exclusion from the investment adviser definition applies when the advice is solely incidental to brokerage services and the broker-dealer receives no special compensation beyond normal commissions for that advice.

**20. D — None of the above**

Custody is not discretion. Discretion is not custody.

**21. D — Register separately as an agent of Issuer B, because the USA requires a separate agent registration for each broker-dealer or issuer she represents**



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Under the USA, an agent's registration is tied to a specific broker-dealer or issuer; if she wishes to also represent Issuer B in a non-exempt transaction, she must file a separate agent registration for that issuer, and dual registration is permissible but each sponsoring principal requires its own registration.

**22. C — Securities being sold under Reg. D Rule 506**

There are only two Fed-covered securities which require 'Notice Filing:' Securities being offered under Regulation D Rule 506, and Investment Company securities.

**23. A — The Administrator issues a summary suspension when it is in the public interest and the firm is insolvent or has violated the Act**

The USA permits the Administrator to summarily suspend a registration without prior notice or hearing only in emergency circumstances where the public interest demands immediate action, such as insolvency or clear statutory violations, after which the registrant must be given a prompt post-suspension hearing upon request.

**24. C — II and III**

The private placement rule under the USA does not place a limit of 35 non-accredited investors upon the issuer; that number is found in the federal laws.

**25. A — May qualify for the limited Canadian broker-dealer exemption, which requires filing a consent to service of process and limiting activity to Canadian clients temporarily present in the state**

Several state adoptions of the USA include a specific exemption for Canadian broker-dealers with no U.S. office that restricts their activity to Canadian nationals temporarily in the state, conditioned on filing a consent to service of process and complying with Canadian regulatory oversight, rather than requiring full state registration.

**26. D — Federal-covered IAs are those with AUM above \$100,000,000**

A fed covered adviser is one with \$110 million in assets under management (AUM). A state covered adviser is one with \$100 million AUM or less.

**27. C — To promptly amend its registration filing to disclose the material change, and the Administrator may investigate whether the new partner's background warrants denial or revocation**

The USA requires registered investment advisers to promptly amend their registration whenever a material change occurs, including changes in key personnel; a new partner with a prior sanction is a material fact that must be disclosed, and the Administrator retains authority to act on that information.

**28. D — Is an unethical and prohibited act**

Solicitation of a transaction in unregistered non-exempt securities is clearly defined in the USA as an unethical act.

**29. B — A variable annuity contract**

Under the USA, variable annuities are included in the definition of a security because the investment return is not guaranteed and depends on the performance of an underlying portfolio, whereas fixed annuities, whole life policies, and commodity futures are specifically excluded.

**30. B — Bonds issued by the City of London, England**

Bonds issued by cities or any other political sub-division within England are not exempt. Bonds issued by any Canadian province, city or any other political subdivision are considered exempt.



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