

SIE CRAM SHEET from InsuranceTestHelp.com

Mutual Fund: Open end mutual fund is issued and redeemed with the issuer, closed end is traded on the secondary market

SEC: Fed Govt agency oversees securities. New issues must be registered with SEC unless exempt. You can **NEVER EVER** say that the **SEC guarantee anything**

Primary Market – First Issues like IPOs and open end mutuals. You cannot buy IPO or Open End Mutual on margin. Proceeds go to issuer

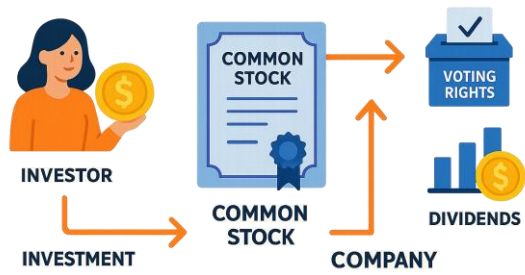
Secondary Market – Where investors buy and sell already issued stocks, proceeds go to seller. It includes exchanges like NYSE and NASDAQ

12-B1 fee – used for marketing and distribution and cannot exceed 0.25% to be called no load fund.

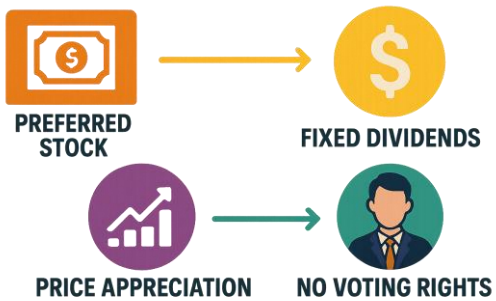


Private Placement REG D– private investment not subject to same rules as IPO. Open to institutions, accredited investors and no more than 35 non-accredited investors.

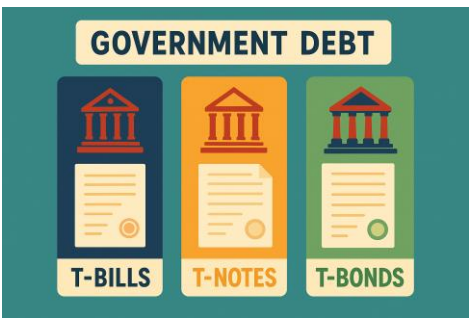
HOW COMMON STOCK WORKS



HOW PREFERRED STOCK WORKS



EX DIV Date is first date stock trades **WITHOUT** the dividend



Accredited Investor: 200K Annual Income or 1MIO net worth not including primary res. 300K income for married couples. Can participate in private placement.

ABLE Acct – for disabled, treated like a MUNI, must be disabled before age 26

ORDER OF LIQUIDATION



ETF Exchange traded fund that trades like a stock. Tracks and exchange like the S&P 500 – can be lower fees as passively managed. Trades intraday, has liquidity

Par Value of preferred stock is \$100 so a 6% div pays \$6 per year

CBOE is largest options exchange & both an exchange and a regulator for options trading.

Commercial Paper- Max of 270 days







FINRA: SRO that regulates broker dealers and registered reps.



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TRADITIONAL IRA vs. ROTH IRA

TRADITIONAL IRA	ROTH IRA
 Tax-deductible contributions	 Non-deductible contributions
 Tax-deferred growth	 Tax-free growth
 Taxed withdrawals	 Tax-free withdrawals

Exempt Securities: Securities that do not require SEC registration include U.S. government and agency securities, municipal bonds, commercial paper, bank securities, and securities issued by nonprofit organizations.

PROSPECTUS

WHAT IS A PROSPECTUS?
A document that provides information about an investment offering.



DETAILS OF COMPANY



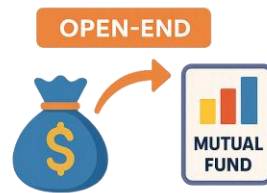
FINANCIAL PERFORMANCE



RISKS AND OPPORTUNITIES



OPEN-END VS. CLOSED-END MUTUAL FUNDS



- Shares issued and redeemed by the fund

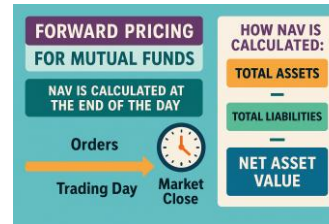


- Shares traded among investors on the market

$$\text{NAV} = \frac{(\text{Assets} - \text{Liabilities})}{\text{Shares Outstanding}}$$

$$\text{POP} = \frac{\text{NAV}}{(1 - \text{Sales Charge \%})}$$

$$\text{Sales Charge \%} = \frac{(\text{POP} - \text{NAV})}{\text{POP}}$$



KINDS OF RISKS TO KNOW FOR THE SIE EXAM

MARKET RISK

The risk of investments declining in value due to economic developments or other events

CREDIT RISK

The risk of loss due to the issuer's financial failure or inability to pay interest or principal

INTEREST-RATE RISK

The risk of investment value due to changes in interest rates.

PURCHASING POWER RISK

The risk that inflation will erode the value of investment returns.

LIQUIDITY RISK

The risk of not being able to sell an investment quickly at its fair market value

CALL RISK

The risk that a bond may be called by an issuer when interest rates are falling

CURRENCY RISK

The risk of loss when investing in foreign investments due to currency fluctuations

POLITICAL RISK

The risk of loss due to changes in laws and regulations

CURRENCY RISK

The risk of loss when investing in foreign investments due to currency fluctuations

REGULATORY RISK

The risk of loss due to changes in laws and regulations

PUTS VS. CALLS

PUTS

Right to sell

↓ Bet that price will fall

CALLS

Right to buy

↑ Bet that price will rise

SIPC covers up to 500K in each acct if broker dealer goes bankrupt, up to 250K in cash. Does not cover market losses, only if broker's business fails.

In the Money Out of the Money and Intrinsic Value— In the money means it is profitable, out of the money means not. Intrinsic value means profit and that it will be exercised as there is money to be made.

GDP (Gross Domestic Product): The total value of all goods and services produced within a country's borders in a given time period.

GNP (Gross National Product): The total value of all goods and services produced by a country's citizens and businesses, including income earned abroad, in a given time period.

The Cooling-Off Period 20-day minimum waiting period after SEC registration is filed. No sales can be made—only indications of interest can be gathered. SEC does not approve or endorse the issue—it only reviews for completeness.

Par Value – Face value of the Bond - Often \$1000 but it can be others

Market Maker: A firm or individual that quotes both buy and sell prices for a security to provide liquidity and maintain fair and orderly markets.

Backing Away: A prohibited practice where a market maker fails to honor a firm quote they previously offered.



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ADR have foreign currency risk

Income Statement: A financial statement that shows a company's revenues, expenses, and profits over a specific period.

Balance Sheet: A financial statement that shows a company's assets, liabilities, and shareholders' equity at a specific point in time.

Rights are short term, warrants are long term



WHAT ARE EXEMPT SECURITIES?

Securities that do not require SEC registration include



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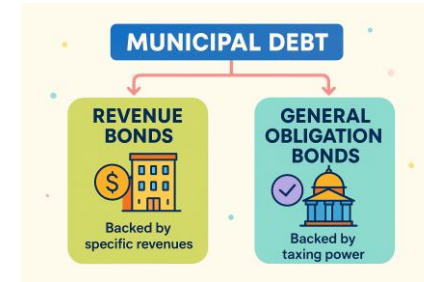
Broker Dealer: Firm that **buy and sell securities** for themselves and/or on behalf of clients.

Common stock : **Authorized:** Amount in corp charter.
Issued : Amt that is issued. **Treasury** Amt that has been bought back. **Outstanding** Amount still with shareholders.
 Issued – Treasury = Outstanding

Closed end Mutual Funds: Can have a NAV that is higher than POP as it is driven by market demand – Open end cannot as POP = Nav + Sales Charge

Market Order (buy/sell at best available price)
 Limit Order (buy/sell at a specific price)
 Stop Order (becomes a market order once a price is hit)

Treasury stock : Has no voting rights and does not get dividends



Rule 144 – Controlled Stock and Controlled persons. Insiders with registered or unregistered stock. Must hold unregistered stock (restricted) for 6 months. Even if not restricted must file form – good for 90 days- always subject to volume restrictions - and they can sell up to 1% or average of trading volume.

Discount Rate: The interest rate the Federal Reserve charges commercial banks for borrowing funds directly from the Fed; it's typically higher than the federal funds rate.

Federal Funds Rate: The interest rate banks charge each other for overnight loans of excess reserves; it's influenced by the Federal Reserve and is a key tool of monetary policy.

PROHIBITED PRACTICES IN STOCK TRADING

PUMP AND DUMP Artificially inflating the price of a stock through false or misleading statements to sell at a profit before the price crashes.	FREERIDING Buying and selling securities without actually paying for them, violating settlement rules.	FRONT RUNNING Executing a trade based on advance knowledge of a large customer order that is likely to move the market.
MARKING THE OPEN Manipulating a stock's price by placing misleading trades right at the market open.	CHURNING Excessive trading in a customer's account to generate commission, regardless of the customer's goals or investment goals.	SELLING DIVIDENDS Misleading investors into buying a mutual fund by emphasizing an upcoming dividend as a benefit.



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Margin Acct – Requires a margin agreement (hypothecation) and minimums. For positions >\$4,000, deposit 50% per Reg T/ Positions between \$2,000 and \$4,000, deposit \$2,000 per FINRA rule. Long margin positions less than \$2,000, deposit 100% short margin positions less than \$2,000, deposit \$2,000

SYSTEMATIC RISK

Risk inherent to the entire stock market

STOCK MARKET

COMPANY STOCKS

Breakpoint – Different levels where you would pay lower commissions as you invested more in a mutual fund.

Breakpoint Selling – Prohibited act of selling just below the breakpoint to get more commission

MUNICIPAL BONDS
NOT SUBJECT
FEDERAL
TAXATION



WHAT IS FINRA?

Financial Industry Regulatory Authority
non-governmental organization

PROTECTS INVESTORS
Protects investors

ENSURES COMPLIANCE
Regulates regulatory

REGULATES BROKER-DEALERS
Regulates brokers

EDUCATES INVESTORS
Educates investors

CUMULATIVE VOTING VS. STATUTORY VOTING

CUMULATIVE VOTING

Can allocate total votes in any proportion

STATUTORY VOTING

Can allocate total votes equally

Variable Annuity– Requires a securities license and an insurance license to sell. Funds are kept in separate account. RISK of investment is on the INVESTOR, not on the insurance company.

GNMA is the only one backed by full faith and credit of US govt of the Mort Companies.

Letter of Intent LOI – A letter that customer is going to buy more over a period of time to get breakpoints. Non-binding. Can be up to 13 months and can be backdated 90 days.

Convertible Preferred: Preferred stock that can be converted into common stock at the conversion ratio. Ratio is PAR/Conversion – so if the conversion ratio is \$20, it is \$100/\$20 = 5 shares.

CONGRESS PASSES THE
SECURITIES ACT OF 1933

LACK OF CONTROL

STOCK MARKET CRASH OF 1929

IN RESPONSE TO

SECURITIES ACT OF 1933

THE SECURITIES ACT OF 1934
CREATED

SECURITIES ACT OF 1934

SECURITIES AND EXCHANGE COMMISSION

DISCRETIONARY TRADE

A trade where the broker chooses any of these:

ASSET

ACTION

AMOUNT



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