

# SIE PROHIBITED PRACTICES REVIEW

**A REGISTERED REP CANNOT EVER SAY THAT THE SEC APPROVED OR GUARANTEED ANYTHING IN STOCK TRADING**

**EVER**



**A REGISTERED REP CANNOT EVER MAKE PERFORMANCE GUARANTEES IN STOCK TRADING**



**THE PROHIBITED PRACTICE OF HOW CHURNING WORKS**



To generate additional commissions, the financial advisor trades the investor's account frequently and excessively.

**COMMINGLING**

PROHIBITED PRACTICE IN STOCK TRADING



Mixing customer assets with firm assets

**BREAKPOINT SELLING**

Prohibited practice in selling mutual funds



Encouraging investment amounts just below a breakpoint to avoid reduced sales charges

**MARKING THE OPEN**

Prohibited Practice for the SIE Exam



Entering orders at the market open to manipulate stock prices

**HOW A PUMP AND DUMP SCAM DEFRAUDS INVESTORS**

1 PUMP → 2 PRICE INCREASE → 3 DUMP → 4 PRICE DROP



Fraudsters promote a stock → Investors buy, raising the price → Fraudsters sell, cashing out → Investors lose money as price falls

**PROHIBITED PRACTICE FRONT RUNNING**

SECURITIES TRADING • SIE EXAM



CLIENT ORDER → PRIOR TRADE

**BACKING AWAY**

Prohibited practice of a market maker backing out of a firm quote.



MARKET MAKER → INVESTOR

**TRADING AHEAD OF RESEARCH**



UPGRADE → TRADE

The prohibited practice of trading ahead of research is presented using graphic illustrations with clear, bold text and vibrant colors, ensuring easy comprehension. The diagram includes distinct elements such as the 'to, research and trader figures, an upgrade label, and visual representations of trading activities. Through the impact of this visual, viewers are effectively educated!

**SELLING DIVIDENDS**



STOCK → EX-DIVIDEND DATE

Buying shares just before the ex-dividend date to receive a dividend

PROHIBITED PRACTICE

**WHAT IS INSIDER TRADING?**



INSIDE INFORMATION

BUY OR STOCK

ILLEGAL

USING NONPUBLIC INFORMATION ABOUT A COMPANY TO MAKE A PROFIT

**FREERIDING AND FAILURE TO PAY FOR YOUR TRADES**



WILL GET YOUR ACCOUNT FROZEN FOR 90 DAYS IN SECURITIES TRADING

**PAINTING THE TAPE**

PROHIBITED PRACTICE FOR THE SIE EXAM



CREATING A FALSE IMPRESSION OF TRADING VOLUME

Engaging in transactions to make a security's trading activity appear more active

**SELLING AWAY**

A PROHIBITED POLICY OF FINRA



A broker sells investments to a customer without the approval or knowledge of their firm



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