CHARTERED INSTITUTE FOR SECURITIES AND INVESTMENT (CISI) LEVEL 3 PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

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How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

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Questions

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1. How is life assurance usually paid?

A. Monthly premiums

B. As a lump sum

C. Quarterly payments

D. As a pension

2. Which statement correctly describes foreign bonds?

A. Issued by domestic issuers in foreign currency overseas.

B. Denominated in foreign currency but issued in foreign market.

C. Issued by domestic issuers in domestic currency.

D. Issued by overseas entities in the domestic currency.

3. Strategic bond funds must invest at least what proportion of assets in sterling-denominated fixed-interest securities?

A. 60%

B. 90%

C. 80%

D. 100%

4. Which feature defines conventional UK government bonds?

A. Fixed coupon and single redemption date

B. Floating coupon with multiple redemption dates

C. Inflation-indexed coupon and redemption

D. Strippable into separate cash flows

5. OEIC pricing: usually single priced but can be dual priced.

A. They are always priced at a single price

B. They are priced by the authorised corporate director

C. They can be priced either single or dual

D. They are not priced daily

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6. In the FX quote 1.1164/66, which price is the bid (buy) and which is the ask (sell)?

A. Bid 1.1164, Ask 1.1166

B. Bid 1.1166, Ask 1.1164

C. Bid 1.1164, Ask 1.1164

D. Bid 1.1166, Ask 1.1166

7. Regarding maturity, which statement correctly describes corporate bonds and commercial paper (CP)?

A. Corporate bonds usually mature in less than 6 months; CP longer

B. Corporate bonds usually mature more than 12 months; CP shorter

C. Corporate bonds and CP have the same maturities

D. CP maturities are longer than corporate bond maturities

8. How is income protection cover usually paid out and how much will it usually be?

A. It is usually paid out as an income and will typically be between 50% to 75% of pre-tax earnings and is tax-exempt

B. It is usually paid out as a lump sum equal to 80% of earnings and taxed

C. It is usually paid out as an income and will typically be between 20% to 40% of post-tax earnings and is taxable

D. It is usually paid out as a lump sum equal to 60% of earnings and is tax-exempt

9. Which of the following describes certificates of deposit interest arrangements?

A. Fixed, variable, or issued at a discount to par value

B. Fixed only

C. Variable only

D. Always at par

10. Conventional gilts account for approximately what proportion of UK government bonds?

A. Around 75%

B. Around 25%

C. Around 50%

D. Around 90%

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Answers

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1. B
2. D
3. C
4. A
5. C
6. B
7. B
8. A
9. A
10. A

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Explanations

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1. How is life assurance usually paid?

A. Monthly premiums

B. As a lump sum

C. Quarterly payments

D. As a pension

The payout from life assurance is typically a single, one-off payment to the beneficiaries—the sum assured. This lump-sum design provides an immediate financial boost to dependents or to cover final expenses. The policy is funded through regular premium payments to keep it in force, but those premiums are about paying for the cover, not how the benefit is paid out. While some specialized products can offer installments or an annuity, the standard life assurance payout is a lump sum.

2. Which statement correctly describes foreign bonds?

A. Issued by domestic issuers in foreign currency overseas.

B. Denominated in foreign currency but issued in foreign market.

C. Issued by domestic issuers in domestic currency.

D. Issued by overseas entities in the domestic currency.

Foreign bonds are issued by issuers from outside the domestic market and sold in that market in the local currency. This means the issuer is overseas, and the bond is denominated in the domestic currency of the market where it's issued. For example, a U.S. company issuing a bond in Japan in yen is a foreign bond for the Japanese market. That exact description—overseas issuers issuing in the domestic currency—best fits the concept. The other scenarios describe different bond types: domestically issued bonds in domestic currency are domestic bonds, and bonds issued in a foreign market or in a foreign currency align with other categories such as eurobonds or foreign currency bonds.

3. Strategic bond funds must invest at least what proportion of assets in sterling-denominated fixed-interest securities?

A. 60%

B. 90%

C. 80%

D. 100%

The key idea here is that a strategic bond fund is expected to be predominantly invested in fixed-interest assets to maintain a bond-focused profile. Requiring at least eighty percent of assets to be in sterling-denominated fixed-interest securities ensures the fund remains anchored in income-generating, fixed-rate exposures issued in pounds, which aligns with investor expectations for a bond strategy. Having this 80% floor gives enough flexibility to hold up to 20% in other assets—such as non-sterling debt, equities, cash, or hedging instruments—allowing the manager to manage liquidity, currency risk, and risk/return opportunities without drifting away from its core fixed-income mandate. The other options would either dilute the bond focus (60%) or be too restrictive (90% or 100%), so eighty percent is the balanced threshold that defines a strategic bond fund.

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4. Which feature defines conventional UK government bonds?

A. Fixed coupon and single redemption date

B. Floating coupon with multiple redemption dates

C. Inflation-indexed coupon and redemption

D. Strippable into separate cash flows

Conventional UK government bonds are defined by a fixed coupon paid on the bond's face value and a single redemption date at maturity. This means the coupon rate stays constant for the life of the bond, with regular payments, and the principal is repaid in full when the bond matures. This differs from inflation-linked gilts where coupons and redemption adjust for inflation, floating-rate notes with variable coupons, or stripped gilts where cash flows can be separated into individual pieces. So the key feature is a fixed coupon with one maturity date.

5. OEIC pricing: usually single priced but can be dual priced.

A. They are always priced at a single price

B. They are priced by the authorised corporate director

C. They can be priced either single or dual

D. They are not priced daily

OEIC pricing can be either single or dual. In a single-priced structure, the same price applies for buying and selling shares, based on the fund's net asset value per share. In dual pricing, there are separate prices: a bid price for investors selling to the fund and an offer price for those buying from it. The spread between these prices helps cover dealing costs and protects existing shareholders from dilution when there are inflows or outflows. Many OEICs use single pricing, but some funds adopt dual pricing depending on liquidity and dealing costs. So the statement that OEICs can be priced either single or dual is accurate. The other options are not correct because pricing isn't restricted to always single, isn't determined by the authorised corporate director alone, and funds are typically priced on a daily basis.

6. In the FX quote 1.1164/66, which price is the bid (buy) and which is the ask (sell)?

A. Bid 1.1164, Ask 1.1166

B. Bid 1.1166, Ask 1.1164

C. Bid 1.1164, Ask 1.1164

D. Bid 1.1166, Ask 1.1166

In FX quotes, two prices are shown: the bid and the ask. The bid is the price at which the market is willing to buy the base currency from you, and the ask is the price at which the market is willing to sell the base currency to you. The bid is typically lower than the ask, creating a spread. For a quote written as 1.1164/66 (EUR/USD, for example), the left-hand figure is the bid and the right-hand figure is the ask. So the bid is 1.1164 and the ask is 1.1166. This means: - If you sell the base currency (EUR), you receive 1.1164 USD per EUR. - If you buy the base currency (EUR), you pay 1.1166 USD per EUR.

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7. Regarding maturity, which statement correctly describes corporate bonds and commercial paper (CP)?

A. Corporate bonds usually mature in less than 6 months; CP longer

B. Corporate bonds usually mature more than 12 months; CP shorter

C. Corporate bonds and CP have the same maturities

D. CP maturities are longer than corporate bond maturities

Maturity lengths distinguish short-term money market instruments from long-term debt. Commercial paper is a short-term debt instrument issued by corporations to meet immediate funding needs, with maturities typically up to 270 days (often a few months). Corporate bonds, on the other hand, are long-term debt instruments whose maturities are measured in years, usually more than one year and often many years into the future. So, the statement that corporate bonds usually mature more than 12 months while commercial paper has shorter maturities accurately reflects this fundamental difference. There can be exceptions, but the general pattern holds.

8. How is income protection cover usually paid out and how much will it usually be?

A. It is usually paid out as an income and will typically be between 50% to 75% of pre-tax earnings and is tax-exempt

B. It is usually paid out as a lump sum equal to 80% of earnings and taxed

C. It is usually paid out as an income and will typically be between 20% to 40% of post-tax earnings and is taxable

D. It is usually paid out as a lump sum equal to 60% of earnings and is tax-exempt

Income protection is designed to replace part of your income if you're unable to work due to illness or injury. It pays as a regular income, typically monthly, rather than a one-off lump sum. The benefit is usually a portion of your gross earnings, commonly around 50% to 75%. Because this payment is intended to replace lost income, it is generally tax-exempt. Other descriptions would imply a lump-sum payout or different tax treatment that isn't how income protection is typically structured, so they don't fit as well.

9. Which of the following describes certificates of deposit interest arrangements?

A. Fixed, variable, or issued at a discount to par value

B. Fixed only

C. Variable only

D. Always at par

Interest arrangements for certificates of deposit describe how the return to the investor is set. CDs can have a fixed rate of interest for the term, so the payment is predictable and stays the same. They can also have a variable rate that adjusts with a reference rate or index. In some markets, CDs are issued at a discount to par value, meaning you pay less than the face value and the gain comes from receiving par at Maturity. Because CDs can be fixed, variable, or issued at a discount to par, the description that covers all three options is the most accurate.

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10. Conventional gilts account for approximately what proportion of UK government bonds?

A. Around 75%

B. Around 25%

C. Around 50%

D. Around 90%

Conventional gilts are fixed-rate bonds with a predetermined coupon and maturity, forming the majority of the UK government bond market. The other category, index-linked gilts, have principal (and sometimes coupons) that rise with inflation. The market split is typically around three-quarters conventional and one-quarter index-linked, so conventional gilts account for about 75% of UK government bonds.

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Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

https://cisilevel3.examzify.com

We wish you the very best on your exam journey. You've got this!

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