INVESTMENT COMPANY AND. VARIABLE CONTRACTS PRODUCTS PRINCIPALS (SERIES 26) 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. If an applicant fails the qualification exam, how long must they wait before retaking it?

A. 10 days

B. 20 days

C. 30 days

D. 40 days

2. When a new employer requests a copy of Form U-5, within what timeframe must the new employee provide it?

A. 1 business day

B. 2 business days

C. 3 business days

D. 5 business days

3. How long do firms have to electronically file Form BR after opening a new branch?

A. 60 days

B. 30 days

C. 15 days

D. 90 days

4. When will an investment adviser contract be automatically terminated?

A. Upon board approval

B. Upon majority vote

C. If the investment adviser relocates

D. If the investment adviser assigns the contract to another person

5. Which action regarding the account record must occur at least every 36 months?

A. Account closure

B. Account update

C. Account deletion

D. Account suspension

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6. What is the maximum duration of time that an investor has to consider previous investments when using a Letter of Intent (LOI)?

A. 60 days

B. 75 days

C. 90 days

D. 120 days

7. When reviewing a delayed annuity application, the registered principal is required to act within how many business days?

A. 3 business days

B. 5 business days

C. 7 business days

D. 10 business days

8. How quickly must a carrying firm deposit excess credits over debits into a special reserve account after computation?

A. 1 hour after banks open on the first business day

B. 1 hour after banks open on the second business day

C. 2 hours after banks open on the first business day

D. 1 day after banks open

9. How many days does a respondent have to file an answer after receiving a complaint in the Complaint Resolution Process?

A. 15 days

B. 25 days

C. 30 days

D. 45 days

10. How often must OSJ and supervising branch inspections be performed internally?

A. Monthly

B. Quarterly

C. Annually

D. Biannually

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Answers

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

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Explanations

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1. If an applicant fails the qualification exam, how long must they wait before retaking it?

A. 10 days

B. 20 days

C. 30 days

D. 40 days

When an applicant fails the qualification exam for investment and variable contracts principals, they are required to wait a specific duration before they are eligible to retake the exam. In this context, the correct answer indicates that the waiting period is 30 days. This regulation is in place to ensure that applicants have ample time to prepare and review the material they may have struggled with during their initial attempt. The mandated waiting period helps maintain a standard of readiness and competently assess the candidate's understanding of the material. By allowing for this gap, the exam administration also ensures that candidates are not overwhelmed and can approach the exam with improved knowledge and confidence. Having a structured waiting period such as this contributes to the integrity of the qualification process, enhancing the competence of individuals entering positions that require regulatory oversight and comprehensive understanding of investment products.

2. When a new employer requests a copy of Form U-5, within what timeframe must the new employee provide it?

A. 1 business day

B. 2 business days

C. 3 business days

D. 5 business days

When a new employer requests a copy of Form U-5, an individual must provide it within a specific timeframe to ensure compliance with industry regulations. The requirement is to submit the requested form within 2 business days. This prompt action is essential because Form U-5 is critical in disclosing information about an individual's termination from previous employment and any complaints or regulatory issues that may have arisen. Failing to provide this form timely can create complications in the hiring process and may impact the new employer's ability to make informed decisions regarding the candidate's qualifications and background. Adhering to this timeframe demonstrates professionalism and responsibility in the securities industry.

3. How long do firms have to electronically file Form BR after opening a new branch?

A. 60 days

B. 30 days

C. 15 days

D. 90 days

Firms are required to electronically file Form BR within 30 days after opening a new branch. This reflects the regulatory intent to ensure that firms keep their branch information current in a timely manner. This filing is crucial for maintaining compliance with regulatory standards and ensuring that the necessary oversight can occur. Filing within this specific timeframe helps regulatory bodies keep track of active branches, facilitates supervision, and ensures that customers and other stakeholders have access to accurate information about the firm's operations. The 30-day requirement is designed to balance the need for timely information with the operational realities of branch openings, allowing firms a reasonable period to complete the filing after a new branch is established.

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4. When will an investment adviser contract be automatically terminated?

A. Upon board approval

B. Upon majority vote

C. If the investment adviser relocates

D. If the investment adviser assigns the contract to another person

An investment adviser contract will be automatically terminated if the investment adviser assigns the contract to another person. This provision is in place to protect the interests of clients, ensuring that they continue to receive services from a qualified adviser whom they originally engaged. When an adviser assigns their responsibilities to a third party without the client's consent, it can lead to a loss of trust and may not provide the same level of service or expertise as originally agreed upon. Contracts typically include clauses that detail the conditions for termination to ensure transparency and protect the rights of both parties. Assignment refers to the transfer of contractual rights or duties from one party to another, and most investment adviser contracts explicitly state that such assignment results in automatic termination of the contract. This prevents situations where clients may find themselves dealing with an adviser they did not choose or who may not be adequately qualified to manage their investment strategy. The other options do not constitute an automatic termination of an investment adviser contract under customary regulations in the financial industry. Board approval or a majority vote generally relate to governance matters rather than contractual obligations, and the relocation of an adviser does not inherently affect the validity of the adviser-client relationship unless otherwise specified in the agreement.

5. Which action regarding the account record must occur at least every 36 months?

A. Account closure

B. Account update

C. Account deletion

D. Account suspension

The requirement for an account update every 36 months is essential for maintaining current and accurate records in compliance with regulatory standards. This action ensures that the information held by the financial institution reflects any changes in the customer's personal details, investment objectives, risk tolerance, or other relevant factors. Regular account updates help to prevent issues related to outdated or incorrect information, which could lead to compliance failures or miscommunications. Regulatory bodies often mandate such updates to enhance transparency and protect both the institution and clients from potential risks associated with incorrect account information. This practice also aids in adhering to anti-money laundering (AML) requirements, as it allows for the ongoing monitoring of customer behavior and transactions. While options like account closure, deletion, or suspension deal with more drastic measures regarding account status, they do not address the routine necessity of ensuring that customer records are up-to-date. An account update acts as a proactive measure, highlighting the importance of regular communication and reassessment of client needs, which is fundamental in the investment industry.

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6. What is the maximum duration of time that an investor has to consider previous investments when using a Letter of Intent (LOI)?

A. 60 days

B. 75 days

C. 90 days

D. 120 days

The maximum duration of time that an investor has to consider previous investments when using a Letter of Intent (LOI) is 90 days. This period allows investors to accumulate the necessary investment amount to qualify for benefits or reduced fees associated with the LOI. The LOI is typically used in contexts where a mutual fund or similar investment vehicle offers a breakpoint discount for larger investments. The 90-day timeframe provides a reasonable balance for investors to make additional contributions and ensures that the investments are made within a manageable time frame, reflecting a commitment to the investment strategy. This period is significant as it helps maintain clarity in transactions and record-keeping for both the investor and the financial institution involved. In contrast, shorter durations might limit investor flexibility, while longer durations could complicate the management of investment accounts and breakpoints.

7. When reviewing a delayed annuity application, the registered principal is required to act within how many business days?

A. 3 business days

B. 5 business days

C. 7 business days

D. 10 business days

The correct answer is 7 business days because regulatory guidelines set forth by the National Association of Securities Dealers (NASD) dictate that a registered principal must review and act on a delayed annuity application within this timeframe. This period allows sufficient time for the principal to conduct a thorough review of the application, ensuring all requisite information and compliance requirements are met before approving or denying the request. This timeline is crucial as it helps maintain efficient processing of applications while adhering to the necessary legal and regulatory standards, safeguarding both the clients and the firm. Timely review and action are important to facilitate a smooth transaction and ensure that customers can access their investments without undue delays.

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8. How quickly must a carrying firm deposit excess credits over debits into a special reserve account after computation?

A. 1 hour after banks open on the first business day

B. 1 hour after banks open on the second business day

C. 2 hours after banks open on the first business day

D. 1 day after banks open

The requirement for a carrying firm to deposit excess credits over debits into a special reserve account specifies that this action must occur no later than 1 hour after banks open on the second business day following the computation. This timing ensures that firms can manage their liquidity and client assets effectively while still complying with regulatory standards. The rationale behind this timing is to safeguard customer funds and ensure that the financial system operates smoothly. By allowing this specific timeframe, firms have the ability to appropriately calculate their excess credits and manage operational logistics without immediate pressure, making the process more orderly and compliant with regulations. In addition, this structure balances the need for prompt action with the practicalities of a firm's operational considerations. Understanding how this process works helps ensure that a firm meets its compliance obligations while maintaining the integrity of customer assets, which is a fundamental principle in the investment and variable contracts industry.

9. How many days does a respondent have to file an answer after receiving a complaint in the Complaint Resolution Process?

A. 15 days

B. 25 days

C. 30 days

D. 45 days

In the Complaint Resolution Process, a respondent is typically required to file an answer within a timeframe of 25 days after receiving a complaint. This timeframe is established to ensure a timely resolution to disputes and allows both parties involved to present their sides promptly. Adhering to this deadline is crucial for maintaining the integrity of the complaint resolution process and ensures that the matter at hand is addressed in a reasonable period. This timeframe also provides the respondent adequate time to review the complaint and prepare a response.

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10. How often must OSJ and supervising branch inspections be performed internally?

A. Monthly

B. Quarterly

C. Annually

D. Biannually

The requirement for internal inspections of an Office of Supervisory Jurisdiction (OSJ) and supervising branches is established to ensure compliance with regulatory standards and to maintain the integrity of the firm's operations. Conducting these inspections annually ensures that the oversight processes are systematic and consistent, allowing firms to identify and mitigate potential issues effectively over the course of a year. Annual inspections help firms stay compliant with the regulations set forth by the Financial Industry Regulatory Authority (FINRA) and other governing bodies. These inspections are essential for assessing the supervisory systems in place, documenting findings, and implementing necessary improvements. While more frequent inspections, such as quarterly or monthly, could provide more real-time oversight, annual inspections strike a balance between thoroughness and practicality for most firms. This requirement supports not only regulatory compliance but also fosters a culture of accountability and continuous improvement within the firm's supervisory practices. By conducting these inspections annually, firms can ensure they are continually meeting necessary standards without overwhelming their resources with overly frequent assessments.

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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://finra-series26.examzify.com

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

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