UNIFORM COMBINED STATE LAW (SERIES 66) 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. Which type of security is exempt from certain regulations regarding transaction recording?

A. Municipal bonds

B. Direct obligations of the U.S. government

C. Corporate stock

D. Real estate investments

2. What defines an investor as holding a securities portfolio?

A. Having cash only

B. When securities represent a majority of their total assets

C. When the portfolio is solely composed of bonds

D. Holding only mutual funds

3. What must accompany the initial ADV filed by an Investment Advisor?

A. A list of advisors' clients

B. Firm's current financial condition

C. A detailed fee schedule

D. A summary of investment strategies

4. Which weighted return allows investors to compare the performance of two investment advisors (IAs)?

A. Time

B. Dollar

C. Annualized

D. Gross

5. What is assumed in a time weighted return calculation?

A. That investment returns are reinvested

B. That the amount invested was a fixed dollar amount

C. That all investments are held for the same duration

D. That market conditions remain constant

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6. A registered representative must notify her firm about selling securities outside of employment in which manner?

A. Orally

B. In writing

C. Either orally or in writing

D. Only verbally

7. What percentage of income must REITs distribute to shareholders each year?

A. 70%

B. 80%

C. 90%

D. 100%

8. If an adviser uses a summary prospectus, when must the full prospectus be delivered?

A. At the initial meeting

B. At or before solicitation

C. Upon confirmation of the sale

D. Within 24 hours of the request

9. A client who purchases mutual fund shares after receiving a summary prospectus must receive what type of prospectus?

A. Preliminary prospectus

B. Statutory prospectus after the purchase

C. Annual summary report

D. None, they're already informed

10. Do advertisements need to be filed with the SEC before dissemination?

A. Yes, for all advertisements

B. No, but only for specific types

C. No, they can be sent without prior filing

D. Yes, only for new clients

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Answers

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

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Explanations

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1. Which type of security is exempt from certain regulations regarding transaction recording?

A. Municipal bonds

B. Direct obligations of the U.S. government

C. Corporate stock

D. Real estate investments

Direct obligations of the U.S. government are exempt from certain regulations regarding transaction recording due to their nature as government-backed securities. These securities, which include Treasury bills, notes, and bonds, are considered to have minimal risk because they are issued by the government and backed by its full faith and credit. This characteristic allows them to enjoy exemptions from some of the more stringent rules that apply to other types of securities, like certain recording and reporting requirements. The rationale for this exemption is grounded in investor protection and the nature of the market for government securities, which is highly liquid and stable. This regulatory leniency helps facilitate trading and investments in these essential instruments. In contrast, municipal bonds, corporate stock, and real estate investments do not enjoy the same level of exemption from recording regulations, as they can involve varying degrees of risk, complexities, and oversight requirements.

2. What defines an investor as holding a securities portfolio?

A. Having cash only

B. When securities represent a majority of their total assets

C. When the portfolio is solely composed of bonds

D. Holding only mutual funds

An investor is defined as holding a securities portfolio when the securities within it represent a majority of their total assets. This means that the investments in stocks, bonds, and other securities make up the largest portion of the investor's overall wealth. A securities portfolio usually reflects a strategic allocation of resources aimed at achieving specific financial goals, with a focus on maximizing returns, managing risk, and ensuring liquidity based on the investor's individual strategy and circumstances. The emphasis on securities being a majority of total assets showcases the involvement in a diverse range of investment instruments beyond just cash or fixed investments. It highlights an active engagement in the capital markets, integrating various asset classes to potentially enhance overall returns and adjust to market conditions. The other choices do not accurately characterize what constitutes a securities portfolio. Holding cash alone does not involve any securities and thus wouldn't qualify as a portfolio. A portfolio composed exclusively of bonds is specific to fixed-income investments and would not encompass a diverse exploration of securities, which typically includes equities and other assets. Lastly, exclusively holding mutual funds, while it involves investment securities, doesn't inherently suggest a broad or diverse approach to portfolio construction since mutual funds can primarily cover specific sectors, types, or strategies.

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3. What must accompany the initial ADV filed by an Investment Advisor?

A. A list of advisors' clients

B. Firm's current financial condition

C. A detailed fee schedule

D. A summary of investment strategies

When an Investment Adviser files the initial Form ADV, it is essential to include an overview of the firm's current financial condition. This requirement ensures regulatory authorities, as well as potential clients, have insight into the adviser's financial stability and viability. Providing this information helps ensure that the advisory firm is in a sound position to manage client assets and adhere to fiduciary duties. While aspects such as a detailed fee schedule and a summary of investment strategies are important components of overall client disclosures, they do not specifically need to accompany the initial ADV filing. It is critical for state regulators to assess the financial health of the advisory firm to gauge risks and ensure compliance with securities laws. The inclusion of the firm's current financial condition plays a vital role in maintaining transparency and trust within the industry.

4. Which weighted return allows investors to compare the performance of two investment advisors (IAs)?

A. Time

B. Dollar

C. Annualized

D. Gross

The time-weighted return is the appropriate measure for comparing the performance of two investment advisors because it accounts for the effects of cash flows into and out of the investment over time. This method eliminates the impact of the timing of those cash flows, allowing investors to assess how well each advisor has performed regardless of the amount or timing of additional investments or withdrawals. Using time-weighted returns means that if one advisor has a significantly different cash flow pattern than another, it won't distort the performance comparison. Instead, it isolates the performance of the investment strategy itself, making it easier to evaluate the advisors solely based on their investment decisions and management skills. While other types of returns, such as dollar-weighted, annualized, or gross returns, have their applications, they do not offer the same clarity in performance comparison between advisors because of factors like the timing of cash flows or the inclusion of fees which can misrepresent true investment performance relative to the advisors' management capabilities.

5. What is assumed in a time weighted return calculation?

A. That investment returns are reinvested

B. That the amount invested was a fixed dollar amount

C. That all investments are held for the same duration

D. That market conditions remain constant

In a time-weighted return calculation, it is assumed that the amount invested was a fixed dollar amount. This method is designed to measure the performance of an investment portfolio over time, independent of any cash flows that may occur during that period. By focusing on the proportionate changes in value, it neutralizes the impact of how much cash was added or withdrawn, allowing for a clearer picture of the portfolio's performance. The time-weighted return approach effectively averages the returns over different time periods to reflect the performance of the investment strategy itself, rather than the influence of external cash flows. This is particularly useful in assessing the effectiveness of a fund manager's performance when there are significant inflows or outflows, as it emphasizes the actual growth of the investment portfolio over time without being skewed by the timing and size of additional investments or withdrawals.

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6. A registered representative must notify her firm about selling securities outside of employment in which manner?

A. Orally

B. In writing

C. Either orally or in writing

D. Only verbally

The requirement for a registered representative to notify her firm about selling securities outside of her employment is specified in regulatory guidelines to ensure transparency and compliance with the rules governing securities transactions. The correct procedure mandates that this notification is done in writing. Written notification serves several purposes. It creates a formal record of the disclosure, which is crucial for regulatory compliance and for the firm to maintain accurate records. This written format can also help clarify the nature of the outside business activity, enabling the firm to assess potential conflicts of interest and the suitability of the recommendations made to clients. In addition, having the communication in writing protects both the registered representative and the firm, as it documents that the representative followed the necessary protocols. While there may be instances where a verbal notification may occur initially, the final and formal requirement stipulates that it must be documented in writing to comply with the operational and regulatory standards set forth by securities regulations. Thus, the emphasis on written communication is key in maintaining accountability and ensuring compliance within the firm.

7. What percentage of income must REITs distribute to shareholders each year?

A. 70%

B. 80%

C. 90%

D. 100%

Real Estate Investment Trusts (REITs) are required by law to distribute a significant portion of their taxable income to shareholders as dividends to maintain their favorable tax treatment. Specifically, to qualify as a REIT, a company must distribute at least 90% of its taxable income to its shareholders annually. This distribution requirement differentiates REITs from other corporations, which can retain earnings. By adhering to this 90% distribution rule, REITs avoid federal income tax at the corporate level, allowing them to pass the tax benefits onto their shareholders. This strategy also makes investments in REITs attractive to income-focused investors seeking regular dividend payments. The other options do not reflect the legal requirement for REITs and therefore do not correctly capture the intended structure and distribution mandate of these investment vehicles.

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8. If an adviser uses a summary prospectus, when must the full prospectus be delivered?

A. At the initial meeting

B. At or before solicitation

C. Upon confirmation of the sale

D. Within 24 hours of the request

When an adviser uses a summary prospectus, the requirement is to deliver the full prospectus upon confirmation of the sale. This regulation ensures that investors have access to comprehensive information about the investment they are considering, allowing them to make informed decisions. The summary prospectus is a concise version designed to highlight key information to attract investor interest, but it does not replace the need for a complete prospectus. Providing the full prospectus upon confirmation allows the adviser to ensure that the investor has all necessary details about risks, investment objectives, fees, and other pertinent factors just before they finalize their decision to invest. This timing also adheres to regulatory requirements designed to protect investors and promote transparent communication during the investment process. While the full prospectus must be available, the timing of its delivery is crucial. It is not required at the initial meeting or before solicitation, as the summary is intended to initiate discussions and provide basic information. Consequently, delivering the full prospectus upon confirmation strikes a balance between encouraging investment and ensuring full disclosure.

9. A client who purchases mutual fund shares after receiving a summary prospectus must receive what type of prospectus?

A. Preliminary prospectus

B. Statutory prospectus after the purchase

C. Annual summary report

D. None, they're already informed

When a client purchases mutual fund shares after receiving a summary prospectus, they must receive a statutory prospectus after the purchase. The summary prospectus provides a concise overview of the mutual fund, including key information such as investment objectives, risks, and fees. However, to ensure that investors have access to more complete and detailed information about the mutual fund, regulations mandate that the full statutory prospectus must be provided subsequent to the purchase. The statutory prospectus contains comprehensive information about the fund, including detailed financial statements, investment strategy, and management details. This requirement ensures that investors are adequately informed about their investment options and any potential risks associated with the fund. Therefore, the provision of the statutory prospectus after the purchase is a critical step in the investor protection framework. This setup does not imply that other forms of documents, like preliminary prospectuses or annual summary reports, would fulfill the requirement for detailed information post-purchase, reinforcing the importance of having the statutory prospectus in the hands of the investor.

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10. Do advertisements need to be filed with the SEC before dissemination?

A. Yes, for all advertisements

B. No, but only for specific types

C. No, they can be sent without prior filing

D. Yes, only for new clients

Advertisements do not need to be filed with the SEC before dissemination. Generally, while the SEC regulates the content of advertisements to prevent misleading or false claims, there is no requirement for prior approval or filing for most types of advertisements in the investment industry. This allows firms more flexibility in marketing their products and services to potential clients without the delay that could be caused by a filing requirement. It's important to note, however, that while prior filing is not required, firms must ensure that their advertisements comply with applicable regulations and guidelines to avoid any potential issues with misleading information. Some specialized advertising may have different rules, but in the general context, the freedom to disseminate advertisements without prior SEC clearance is the correct understanding of the regulatory framework.

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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://series66.examzify.com

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

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