

FINRA Series-22

Direct Participation Programs Representative Exam

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Question: 1

Before forwarding a DPP subscription to the issuer, the firm conducts a review. What is the primary purpose of this review?

- A. To guarantee investment performance
- B. To verify suitability and completeness
- C. To renegotiate offering terms
- D. To determine secondary market value

Answer: B

Question: 2

Funds are received for a DPP offering that has not yet met its minimum subscription requirement. How must the funds generally be handled?

- A. Deposited into the firm's operating account
- B. Returned immediately to investors
- C. Held in escrow pending conditions
- D. Invested temporarily in money market funds

Answer: C

Question: 3

A real estate DPP focuses on property development rather than existing operations. Which risk should be emphasized to investors?

- A. Stable net operating income
- B. Excess development costs and financing risk
- C. Daily cash distributions
- D. Fixed resale values

Answer: B

Question: 4

When assessing a customer's profile, why must other assets and liabilities be reviewed?

- A. To assess overall financial capacity and risk tolerance
- B. To determine issuer compensation
- C. To calculate offering expenses
- D. To meet filing requirements

Answer: A

Question: 5

A customer asks how a direct participation program differs from traditional securities. Which characteristic best defines a DPP?

- A. Daily pricing transparency
- B. Guaranteed principal and income
- C. Actively traded on exchanges
- D. Pass-through tax treatment and limited liquidity

Answer: D

Question: 6

During account opening, unusual funding patterns are identified. What should the representative do?

- A. Close the account automatically
- B. Notify the customer immediately
- C. Escalate per firm AML procedures
- D. Ignore unless losses occur

Answer: C

Question: 7

A customer account agreement includes a predispute arbitration clause. Which rule governs disclosures related to this clause?

- A. FINRA Rule 2268
- B. FINRA Rule 2210
- C. FINRA Rule 2310
- D. Regulation Best Interest

Answer: A

Question: 8

When recommending a DPP to a retail customer, which standard must be met under Regulation Best Interest?

- A. Lowest cost available
- B. Highest return potential
- C. Act in the customer's best interest
- D. Issuer preference

Answer: C

Question: 9

During account opening, the firm verifies a customer's identity. Which information is required under CIP for an individual customer?

- A. Credit score
- B. Date of birth
- C. Investment experience only
- D. Net worth only

Answer: B

Question: 10

In a DPP syndication, the dealer-manager coordinates due diligence and allocates participation to other broker-dealers. Which role best describes these activities?

- A. Dealer-manager
- B. Finder
- C. Wholesaler
- D. Issuer-managed sponsor

Answer: A

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