

# Operations Professional Qualification Examination (Series 99)

**CONTENT OUTLINE**

# Series 99

## PURPOSE OF THE EXAM

The Series 99 exam is designed to assess the competency of entry-level Operations Professionals. The Series 99 exam seeks to measure the degree to which each candidate possesses the knowledge, skills and abilities needed to perform the critical functions of an Operations Professional. In order to obtain registration as an Operations Professional, candidates must pass both the Series 99 and a general knowledge co-requisite, the Securities Industry Essentials (SIE) exam. For more information about the activities requiring registration as an Operations Professional, see FINRA Rule 1220(b)(3).

## STRUCTURE OF THE EXAM

The exam consists of 50 multiple-choice items, and each item consists of four answer choices. The allocation of exam items for each major function is as follows:

Function	Description	Percentage of Exam Items	Number of Items
1	Knowledge Associated with the Securities Industry and Broker-Dealer Operations	70%	35
2	Professional Conduct and Ethical Considerations	30%	15
TOTAL		100%	50

## ADMINISTRATION OF THE EXAM

The exam is administered via computer. A tutorial on how to take the exam is provided prior to taking the exam. Each candidate's exam includes 5 additional, unidentified pretest items that do not contribute toward the candidate's score. The pretest items are randomly distributed throughout the exam. Therefore, each candidate's exam consists of a total of 55 items (50 scored and 5 unscored). There is no penalty for guessing. Therefore, candidates should attempt to answer all items. Candidates will be allowed 1 hour and 30 minutes to complete the Series 99 exam.

All candidate test scores are placed on a common scale using a statistical adjustment process known as equating. Equating scores to a common scale accounts for the slight variations in difficulty that may exist among the different sets of exam items that candidates receive. This allows for a fair comparison of scores and ensures that every candidate is held to the same passing standard regardless of which set of exam items they received.

Candidates are not permitted to bring reference materials to their testing session. Severe penalties are imposed on candidates who cheat or attempt to cheat on FINRA-administered exams.

Please visit [www.finra.org](http://www.finra.org) for additional details.

## Series 99

### Function 1: Knowledge Associated with the Securities Industry and Broker-Dealer Operations

#### 1.1 Account Opening and Maintenance

##### Knowledge of:

- Types of retail, institutional and prime brokerage customer accounts
- Types of customer account registrations (e.g., individual, corporate)
- Types of individual and employer-sponsored retirement accounts
  - Contribution limits and required minimum distributions (RMDs)
  - Transfer versus rollover
- Account opening
  - Entities authorized to open and transact business in the account
  - New account paperwork and appropriate approvals
  - Standing settlement instructions (SSIs)
  - Required customer information and documentation
    - Customer identification program (CIP) requirements
    - Know your customer (KYC)
- Maintenance of accounts
  - Securities products and product specific disclosures (e.g., illiquid securities)
  - Escheatment process
  - Updating customer account records
  - Restricting account activity or freezing accounts
  - Accounts for associated persons of member firms
  - Account specific disclosures (e.g., options disclosure document (ODD), mutual fund prospectus)

FINRA Rule

2090 – Know Your Customer

#### 1.2 Cashiering and Account Transfers

##### Knowledge of:

- Movement of funds and securities
  - Methods of fund transfer (e.g., wires, Automated Clearing Houses (ACHs), journals)
  - Methods of giving instructions (e.g., letter of authorization (LOA))
  - Transfer processes for various account types
  - Medallion signature guarantee program
  - Currency Transaction Reports (CTRs)
  - Reinvestments and sweeps
- Transfers or partial transfers of accounts between broker-dealers
  - Automated Customer Account Transfer Service (ACATS) versus non-ACATS transfers
  - Residual and residual credit processing
- Handling checks
  - Characteristics of negotiable checks
  - Check issuance
  - Maintenance of a check blotter
- Prohibited activities related to cashiering and account transfers
  - Check kiting or altering checks
  - Holding checks for extended periods

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- Not processing (or holding) account transfers for an extended period

### FINRA Rules

2140 – Interfering With the Transfer of Customer Accounts in the Context of Employment Disputes

11870 – Customer Account Transfer Contracts

## 1.3 Custody and Control of Securities

### Knowledge of:

- Custody and control of securities
  - Safekeeping versus segregation
  - Custody and control
  - Street name
  - Directly held mutual fund shares
  - Securing customer assets
  - Periodic physical count of securities (“box count”)
  - Maintenance of a stock record and verifying securities
- Securities transfers
  - Registered versus bearer certificates
  - Good delivery, transfer agent and stock/bond power
  - Validation of a certificate
  - Maintenance of a securities blotter
  - Handling lost certificates
  - Direct Registration System (DRS) and Deposit/Withdrawal at Custodian (DWAC)
  - Types of securities that are depository eligible
- Stock legends
  - Impact of a legend on the negotiability of a certificate
  - Control and restricted securities
- Holding periods for the removal of legends (reporting versus non-reporting companies)

### FINRA Rules

4330 – Customer Protection – Permissible Use of Customers’ Securities

4522 – Periodic Security Counts, Verifications and Comparisons

11300 Series – Delivery of Securities

11500 Series – Delivery of Securities with Restrictions

### SEC Rules and Regulations

Securities Act of 1933

144 – Persons Deemed Not to be Engaged in a Distribution and Therefore Not Underwriters

Securities Exchange Act of 1934

15c3-3 – Customer Protection – Reserves and Custody of Securities

17f-1(c)(2) – Requirements For Reporting and Inquiry With Respect to Missing, Lost, Counterfeit or Stolen Securities — Reporting Requirements

## 1.4 Trade Reporting and Corrections

### Knowledge of:

- Trade reporting systems
- Best execution, trading capacity and quotation
- Trader corrections “as/of” and past settlement date

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- Error accounts
- Prohibited activities related to trading, including front running, churning or excessive trading, market manipulation, excessive markups, prohibited breakpoint sales, and improper sharing in profits and losses with customers

### FINRA Rules

- 2010 – Standards of Commercial Honor and Principles of Trade
- 2111 – Suitability
- 2342 – “Breakpoint” Sales
- 5210 – Publication of Transactions and Quotations
- 5220 – Offers at Stated Prices
- 5230 – Payments Involving Publications that Influence the Market Price of a Security
- 5250 – Payments for Market Making
- 5270 – Front Running of Block Transactions
- 5290 – Order Entry and Execution Practices
- 5310 – Best Execution and Interpositioning
- 5320 – Prohibition Against Trading Ahead of Customer Orders
- 6438 – Displaying Priced Quotations in Multiple Quotation Mediums

### SEC Rules and Regulations

- Securities Act of 1934
- Rule 15l-1 – Regulation Best Interest
- Rule 17a-14 – Form CRS, for preparation, filing and delivery of Form CRS

## 1.5 Margin and Stock Loan/Securities Lending

### Knowledge of:

- Different margin requirements for different securities
- Types of accounts that are permitted to trade on margin
- Documentation and disclosure requirements
- Federal and FINRA margin requirements, margin calls
- Stock lending
- Short sale requirements, including locating and borrowing securities
- Day trading and buying power

### FINRA Rule

- 4200 Series – Margin

## 1.6 Settlement

### Knowledge of:

- Comparison of trades
- Settlement service providers and methods of settlement (e.g., clearing broker-dealer versus clearing facility, institutional clearing and settlement arrangements)
- Repurchase agreement (repo)/resale trades and settlements
- Continuous net settlement (CNS)
- Don't know (DK) trade
- Requirements to buy-in or closeout a fail
- Confirmation of aged securities fails
- Delivery verses payment (DVP) settlement

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## FINRA Rules

- 11200 Series – Comparisons or Confirmations and “Don’t Know Notices”
- 11600 Series – Delivery of Bonds and Other Evidences of Indebtedness
- 11700 Series – Reclamations and Rejections
- 11800 Series – Close-out Procedures

## SEC Rules and Regulation

- Securities Exchange Act of 1934
  - 15c3-3 – Customer Protection — Reserves and Custody of Securities
- Regulation SHO
  - 204 – Close-out Requirement

## 1.7 Account Statements and Confirmations

### Knowledge of:

- Customer account statements
  - Types of information that appear on an account statement
  - Customer statement versus performance report
- Confirmations
  - Types of information that appear on a confirmation
  - Confirmation delivery requirements, including electronic confirmations
  - Non-trade confirmations/third-party activity notices
  - Prospectus delivery requirements
- Tax reporting
  - Purpose of tax forms
  - Cost basis
  - Types of optional and required tax withholding
- Prohibited activities related to pricing securities on account statements and confirmations
  - Falsifying or withholding documents

## 1.8 Regulatory Financial Requirements of Broker-Dealers

### Knowledge of:

- Financial and operations principal (FINOP) responsibilities
- FOCUS report
- General ledger
- Net capital and the reserve formula calculation

## FINRA Rule

- 4311 – Carrying Agreements

## SEC Rules and Regulations

- Securities Exchange Act of 1934
  - Rule 15c3-1 – Net Capital Requirements for Brokers or Dealers

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## 1.9 Books and Records

### Knowledge of:

- Reconciliations
- Timeline of posting entries
- Retention requirements for firm documents, including requirements for electronic storage
- Prohibited activities related to maintenance of books and records (e.g., falsifying records and improper maintenance/retention of records)

### FINRA Rules

4510 Series – Books and Records Requirements

4520 Series – Financial Records and Reporting Requirements

### SEC Rules and Regulations

Securities Exchange Act of 1934

17a-3 – Records to be Made by Certain Exchange Members, Brokers and Dealers

17a-4 – Records to be Preserved by Certain Exchange Members, Brokers and Dealers

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## Function 2: Professional Conduct and Ethical Considerations

### 2.1 Relationships and Dealings with Customers, Vendors and Associated Persons of the Firm

#### Knowledge of:

- Methods of communication
- Nonpublic personal information
- Commission management/soft dollars
- Prohibition against paying commissions to unregistered persons
- Due diligence for vendor selection

#### FINRA Rules

2210 – Communications with the Public

### 2.2 Customer Privacy

#### Knowledge of:

- Confidentiality of customer information
- Exchange and control of information between departments and outside the firm
- Disclosures to customers
- Objecting beneficial owner (OBO) versus non-objecting beneficial owner (NOBO)
- Privacy rules
- Red Flags Rule

#### FINRA Rule

2060 – Use of Information Obtained in Fiduciary Capacity

#### SEC Rules and Regulations

Regulation S-P – Privacy of Consumer Financial Information and Safeguarding Personal Information

Regulation S-ID – Identity Theft Red Flags

### 2.3 Importance of Escalating Complaints and/or Potential Red Flags

#### Knowledge of:

- Recognizing a complaint and/or potential red flag
- Methods of escalation

#### FINRA Rules

4513 – Records of Written Customer Complaints

4530 – Reporting Requirements



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USA PATRIOT Act

Section 326 – Verification of Identification

### 2.4 Broker-Dealer Supervision and Control

#### Knowledge of:

- Key controls and the separation/segregation of duties
  - Segregation of functions and supervision among departments of the broker-dealer
  - Information barriers
  - Controlling access to buildings, office spaces, files and systems
    - Entitlement policies
    - Restrictions on access to information
- Written supervisory procedures (WSPs)
  - Compliance with WSPs
  - Updating
  - Annual compliance meeting
- Business continuity plan (BCP)
  - Disclosure to customers

FINRA Rules

3110 – Supervision

3120 – Supervisory Control System

3130 – Annual Certification of Compliance and Supervisory Processes

4370 – Business Continuity Plans and Emergency Contact Information