OMB APPROVAL	
OMB Number:	3235-0045
Expires:	June 30, 2010
Estimated average burden hours per response...........38	

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. SR - 2007 - 028
Amendment No.

Proposed Rule Change by Financial Industry Regulatory Authority

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial	Amendment	Withdrawal	Section 19(b)(2)	Section 19(b)(3)(A)	Section 19(b)(3)(B)
☑	☐	☐	☐	☑	☐

Rule

☑ 19b-4(f)(1)	☐ 19b-4(f)(4)
☐ 19b-4(f)(2)	☐ 19b-4(f)(5)
☐ 19b-4(f)(3)	☐ 19b-4(f)(6)

Pilot ☐

Extension of Time Period for Commission Action ☐

Date Expires

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☑

Description

Provide a brief description of the proposed rule change (limit 250 characters).

Revisions to the Series 24 examination program.

Contact Information

Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name: Afshin   Last Name: Atabaki

Title: Assistant General Counsel

E-mail: afshin.atabaki@finra.org

Telephone: (202) 728-8902   Fax: (202) 728-8264

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date: 12/12/2007

By: Patrice Gliniecki
(Name)

Senior Vice President and Deputy General Counsel
(Title)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Patrice Gliniecki,

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information Add Remove View	The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.
Exhibit 1 - Notice of Proposed Rule Change Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications Add Remove View Exhibit Sent As Paper Document ☐	Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.
Exhibit 3 - Form, Report, or Questionnaire Add Remove View Exhibit Sent As Paper Document ☑	Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.
Exhibit 4 - Marked Copies Add Remove View	The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.
Exhibit 5 - Proposed Rule Text Add Remove View	The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.
Partial Amendment Add Remove View	If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),[1] Financial Industry Regulatory Authority, Inc. ("FINRA") (f/k/a National Association of Securities Dealers, Inc. ("NASD")) is filing with the Securities and Exchange Commission ("SEC" or "Commission") revisions to the study outline and selection specifications for the General Securities Principal (Series 24) examination program.[2] The proposed revisions update the material to reflect changes to the laws, rules and regulations covered by the examination and to better reflect the duties and responsibilities of a General Securities Principal. FINRA is not proposing any textual changes to the By-Laws, Schedules to the By-Laws, or Rules of FINRA.

The revised study outline is attached. The Series 24 selection specifications have been submitted to the Commission under separate cover with a request for confidential treatment pursuant to Rule 24b-2 under the Act.[3]

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

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1 15 U.S.C. 78s(b)(1).

2 FINRA also is proposing corresponding revisions to the Series 24 question bank, but based upon instruction from the Commission staff, FINRA is submitting SR-FINRA-2007-028 for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(1) thereunder, and is not filing the question bank for Commission review. See Letter to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000. The question bank is available for Commission review.

3 17 CFR 240.24b-2.

At its meeting on January 24, 2001, the Board of Directors of NASD Regulation, Inc. authorized the staff to propose modifications to examination programs, including study outlines, examination specifications, and question banks, and to file the proposed modifications with the Commission, without obtaining further or specific authorization from the Board of Directors of NASD Regulation, Inc. The Board of Governors of FINRA (then known as NASD) had an opportunity to review that action at its meeting on January 25, 2001. No other action by FINRA is necessary for the filing of the proposed rule change.

As further discussed below, FINRA is filing the proposed rule change for immediate effectiveness. FINRA proposes to implement the revised Series 24 examination program on February 12, 2008. FINRA will announce the proposed rule change and the implementation date in a Regulatory Notice ("Notice") to be published on the same date as this filing.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

Section 15A(g)(3) of the Act[4] requires FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. In accordance with that provision, FINRA has developed examinations, and administers examinations developed by other self-regulatory organizations, that are designed to establish that persons associated with FINRA members have attained specified levels of competence and knowledge. FINRA periodically reviews the content of the examinations to

[4] 15 U.S.C. 78o-3(g)(3).

determine whether revisions are necessary or appropriate in view of changes pertaining to the subject matter covered by the examinations.

Pursuant to NASD Rule 1022(a), each associated person of a member who is included within the definition of principal in NASD Rule 1021(b), and each person designated as a Chief Compliance Officer on Schedule A of Form BD (Uniform Application for Broker-Dealer Registration), is required to register with FINRA as a General Securities Principal, or in such other limited principal registration categories as may be appropriate.[5] An associated person also may be required to register as a General Securities Principal due to other FINRA rule requirements.[6] The Series 24 examination is the FINRA examination that qualifies an individual to function as a General Securities Principal. An associated person seeking to register as a General Securities Principal also must register as either a General Securities Representative (Series 7) or, depending on the scope of his or her supervisory responsibilities, as a Limited Representative—Corporate Securities (Series 62).[7]

A committee of industry representatives, together with FINRA staff, recently

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5 In addition, NYSE Rule 342.13 recognizes the Series 24 examination as an acceptable alternative to the General Securities Sales Supervisor (Series 9/10) examination for persons whose duties do not include supervision of options or municipal securities sales activities. FINRA has incorporated into its rulebook certain rules of NYSE, including NYSE Rule 342.13. FINRA's NYSE Rule 342.13 applies solely to those members of FINRA that also are members of NYSE on or after July 30, 2007.

6 See, e.g., NASD Rules 3010(a)(2), 3010(a)(4) and 3012(a)(1).

7 As a prerequisite to the Series 24 examination, FINRA also recognizes the Limited Registered Representative (Series 17), Canada Modules of the Series 7

undertook a review of the Series 24 examination program. As a result of this review, FINRA is proposing to make revisions to the study outline to reflect changes to the laws, rules and regulations covered by the examination and to better reflect the duties and responsibilities of a General Securities Principal.

Among other revisions, FINRA is proposing to revise the references to the FINRA and NASDAQ Stock Market LLC (NASDAQ) rules in the study outline to reflect NASDAQ's separation from FINRA (then known as NASD). In addition, FINRA is proposing to add sections on SEC Regulation M-A (Mergers and Acquisitions), SEC Regulation S-K, SEC Regulation S-X, SEC Regulation NMS, SEC Regulation SHO, the Sarbanes-Oxley Act, SEC Rule 3a4-1 (Associated Persons of an Issuer Deemed Not to Be Brokers), SEC Rule 405 (Definitions of Terms), the NASDAQ Initial Public Offering Process (NASDAQ Head Trader Alert 2005-096) and NYSE Rule 392 (Notification Requirements for Offerings of Listed Securities). FINRA also is proposing to add sections on NASD IM-2110-7 (Interfering With the Transfer of Customer Accounts in the Context of Employment Disputes), IM-2440-2 (Additional Mark-Up Policy For Transactions in Debt Securities, Except Municipal Securities) and IM-2210-6 (Requirements for the Use of Investment Analysis Tools), as well as on NASD Rules 2111 (Trading Ahead of Customer Market Orders), 2290 (Fairness Opinions), 2370 (Borrowing From or Lending to Customers), 2441 (Net Transactions with Customers) and 5110 (Transactions Related to Initial Public Offerings).

(Series 37 and Series 38) and Limited Representative—Private Securities Offerings (Series 82) examinations.

FINRA is proposing to change the title of Section 1 of the study outline from "Supervision of Investment Banking Activities" to "Supervision of Investment Banking, Underwriting Activities and Research" and the title of Section 4 from "Sales Supervision; General Supervision of Employees; Regulatory Framework of NASD" to "Sales Supervision and General Supervision of Employees." Further, as a result of the revisions discussed above, the number of questions on each section of the study outline were modified as follows: Supervision of Investment Banking, Underwriting Activities and Research, increased from 23 to 33 questions; Supervision of Trading and Market Making Activities, decreased from 39 to 31 questions; Supervision of Brokerage Office Operations, decreased from 34 to 29 questions; Sales Supervision and General Supervision of Employees, increased from 38 to 43 questions; and Compliance with Financial Responsibility Rules, decreased from 16 to 14 questions.

FINRA is proposing similar changes to the Series 24 selection specifications and question bank. The number of questions on the Series 24 examination will remain at 150, and candidates will continue to have 3½ hours to complete the exam. Also, each question will continue to count one point, and each candidate must correctly answer 70 percent of the questions to receive a passing grade.

(b) Statutory Basis

FINRA believes that the proposed revisions to the Series 24 examination program are consistent with the provisions of Sections 15A(b)(6)[8] and 15A(g)(3) of the Act,[9]

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[8] 15 U.S.C. 78o-3(b)(6).

[9] 15 U.S.C. 78o-3(g)(3).

which authorize FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members.

4. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The proposed rule change is effective upon filing pursuant to Section 19(b)(3)(A)(i) of the Act[10] and Rule 19b-4(f)(1) thereunder,[11] in that the proposed rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of FINRA. FINRA proposes to implement the revised Series 24 examination program on February 12, 2008. FINRA will announce the implementation date in a Notice to be published on the same date as this filing.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory

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10 15 U.S.C. 78s(b)(3)(A)(i).

11 17 CFR 240.19b-4(f)(1).

Organization or of the Commission

Not applicable.

9. Exhibits

Exhibit 1. Completed notice of proposed rule change for publication in the Federal Register.

Exhibit 3a. Revised Study Outline for the Series 24 Examination.

Exhibit 3b. Revised Selection Specifications for the Series 24 Examination. FINRA has requested confidential treatment for the Series 24 revised selection specifications, and thus the specifications are omitted from this filing. The Series 24 revised selection specifications have been filed separately with the Commission pursuant to Rule 24b-2 under the Act.[12]

Exhibit 3c. Letter to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, Inc. from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000.

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12 17 CFR 240.24b-2.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2007-028)

Self-Regulatory Organizations: Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Revisions to the Series 24 Examination Program

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on , Financial Industry Regulatory Authority, Inc. ("FINRA") (f/k/a National Association of Securities Dealers, Inc. ("NASD")) filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the self-regulatory organization pursuant to Section 19(b)(3)(A)(i) of the Act[3] and Rule 19b-4(f)(1) thereunder,[4] which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. <u>Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change</u>

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 15 U.S.C. 78s(b)(3)(A)(i).

4 17 CFR 240.19b-4(f)(1).

FINRA is filing revisions to the study outline and selection specifications for the General Securities Principal (Series 24) examination program.[5] The proposed revisions update the material to reflect changes to the laws, rules and regulations covered by the examination and to better reflect the duties and responsibilities of a General Securities Principal. FINRA is not proposing any textual changes to the By-Laws, Schedules to the By-Laws, or Rules of FINRA.

The revised study outline is attached. The Series 24 selection specifications have been submitted to the Commission under separate cover with a request for confidential treatment pursuant to Rule 24b-2 under the Act.[6]

II. **Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in Sections (A), (B), and (C) below, of the most significant aspects of such statements.

A. **Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

1. Purpose

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[5] FINRA also is proposing corresponding revisions to the Series 24 question bank, but based upon instruction from the Commission staff, FINRA is submitting SR-FINRA-2007-028 for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(1) thereunder, and is not filing the question bank for Commission review. See Letter to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000. The question bank is available for Commission review.

Section 15A(g)(3) of the Act[7] requires FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. In accordance with that provision, FINRA has developed examinations, and administers examinations developed by other self-regulatory organizations, that are designed to establish that persons associated with FINRA members have attained specified levels of competence and knowledge. FINRA periodically reviews the content of the examinations to determine whether revisions are necessary or appropriate in view of changes pertaining to the subject matter covered by the examinations.

Pursuant to NASD Rule 1022(a), each associated person of a member who is included within the definition of principal in NASD Rule 1021(b), and each person designated as a Chief Compliance Officer on Schedule A of Form BD (Uniform Application for Broker-Dealer Registration), is required to register with FINRA as a General Securities Principal, or in such other limited principal registration categories as may be appropriate.[8] An associated person also may be required to register as a General Securities Principal due to other FINRA rule requirements.[9] The Series 24 examination is the FINRA examination that qualifies an individual to function as a General Securities Principal. An associated person seeking to register as a General Securities Principal also

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6 17 CFR 240.24b-2.

7 15 U.S.C. 78o-3(g)(3).

8 In addition, NYSE Rule 342.13 recognizes the Series 24 examination as an acceptable alternative to the General Securities Sales Supervisor (Series 9/10) examination for persons whose duties do not include supervision of options or municipal securities sales activities. FINRA has incorporated into its rulebook certain rules of NYSE, including NYSE Rule 342.13. FINRA's NYSE Rule 342.13 applies solely to those members of FINRA that also are members of NYSE on or after July 30, 2007.

must register as either a General Securities Representative (Series 7) or, depending on the scope of his or her supervisory responsibilities, as a Limited Representative—Corporate Securities (Series 62).[10]

A committee of industry representatives, together with FINRA staff, recently undertook a review of the Series 24 examination program. As a result of this review, FINRA is proposing to make revisions to the study outline to reflect changes to the laws, rules and regulations covered by the examination and to better reflect the duties and responsibilities of a General Securities Principal.

Among other revisions, FINRA is proposing to revise the references to the FINRA and NASDAQ Stock Market LLC (NASDAQ) rules in the study outline to reflect NASDAQ's separation from FINRA (then known as NASD). In addition, FINRA is proposing to add sections on SEC Regulation M-A (Mergers and Acquisitions), SEC Regulation S-K, SEC Regulation S-X, SEC Regulation NMS, SEC Regulation SHO, the Sarbanes-Oxley Act, SEC Rule 3a4-1 (Associated Persons of an Issuer Deemed Not to Be Brokers), SEC Rule 405 (Definitions of Terms), the NASDAQ Initial Public Offering Process (NASDAQ Head Trader Alert 2005-096) and NYSE Rule 392 (Notification Requirements for Offerings of Listed Securities). FINRA also is proposing to add sections on NASD IM-2110-7 (Interfering With the Transfer of Customer Accounts in the Context of Employment Disputes), IM-2440-2 (Additional Mark-Up Policy For Transactions in Debt Securities, Except Municipal Securities) and IM-2210-6

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[9] See, e.g., NASD Rules 3010(a)(2), 3010(a)(4) and 3012(a)(1).

[10] As a prerequisite to the Series 24 examination, FINRA also recognizes the Limited Registered Representative (Series 17), Canada Modules of the Series 7 (Series 37 and Series 38) and Limited Representative—Private Securities Offerings (Series 82) examinations.

(Requirements for the Use of Investment Analysis Tools), as well as on NASD Rules 2111 (Trading Ahead of Customer Market Orders), 2290 (Fairness Opinions), 2370 (Borrowing From or Lending to Customers), 2441 (Net Transactions with Customers) and 5110 (Transactions Related to Initial Public Offerings).

FINRA is proposing to change the title of Section 1 of the study outline from "Supervision of Investment Banking Activities" to "Supervision of Investment Banking, Underwriting Activities and Research" and the title of Section 4 from "Sales Supervision; General Supervision of Employees; Regulatory Framework of NASD" to "Sales Supervision and General Supervision of Employees." Further, as a result of the revisions discussed above, the number of questions on each section of the study outline were modified as follows: Supervision of Investment Banking, Underwriting Activities and Research, increased from 23 to 33 questions; Supervision of Trading and Market Making Activities, decreased from 39 to 31 questions; Supervision of Brokerage Office Operations, decreased from 34 to 29 questions; Sales Supervision and General Supervision of Employees, increased from 38 to 43 questions; and Compliance with Financial Responsibility Rules, decreased from 16 to 14 questions.

FINRA is proposing similar changes to the Series 24 selection specifications and question bank. The number of questions on the Series 24 examination will remain at 150, and candidates will continue to have 3½ hours to complete the exam. Also, each question will continue to count one point, and each candidate must correctly answer 70 percent of the questions to receive a passing grade.

2. Statutory Basis

FINRA believes that the proposed revisions to the Series 24 examination program are consistent with the provisions of Sections 15A(b)(6)[11] and 15A(g)(3) of the Act,[12] which authorize FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members.

B. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The proposed rule change has become effective pursuant to Section 19(b)(3)(A)(i) of the Act[13] and Rule 19b-4(f)(1) thereunder,[14] in that the proposed rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the self-regulatory organization. FINRA proposes to implement the revised Series 24 examination program on February 12, 2008. FINRA will announce the implementation date in a Regulatory Notice to be published on the same date as this filing.

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11 15 U.S.C. 78o-3(b)(6).

12 15 U.S.C. 78o-3(g)(3).

13 15 U.S.C. 78s(b)(3)(A)(i).

14 17 CFR 240.19b-4(f)(1).

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. **Solicitation of Comments**

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FINRA-2007-028 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2007-028. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing also will be available for inspection and copying at the principal office of FINRA.

All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2007-028 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.[15]

Nancy M. Morris

Secretary

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[15] 17 CFR 200.30-3(a)(12).

Exhibit 3a
SR-FINRA-2007-028

FINRA
Financial Industry Regulatory Authority

General Securities Principal Qualification Examination (Test Series 24)

Study Outline

Introduction

The FINRA General Securities Principal Qualification Examination (Series 24) is designed to test a candidate's knowledge of the rules and statutory provisions applicable to the management of a general securities broker-dealer. This study outline has been prepared to assist member firms in preparing candidates to sit for the examination. The outline is designed for use by course developers in the preparation of training material, for training directors in the development of lecture notes and seminar programs, and for use by candidates, both to structure their study and as a final review checklist prior to taking the examination. The General Securities Principal Qualification Examination and this study outline are composed of five general areas of supervision, which are listed below with the number of questions in each section.

Section	Description	Number of Questions
1	Supervision of Investment Banking, Underwriting Activities and Research	33
2	Supervision of Trading and Market Making Activities	31
3	Supervision of Brokerage Office Operations	29
4	Sales Supervision and General Supervision of Employees	43
5	Compliance with Financial Responsibility Rules	14
Total		**150**

Detail on the content of each of these general areas of supervision is included in the text of the study outline that follows.

Structure of the Examination and Grading Procedures

The General Securities Principal Qualification Examination is composed of 150 multiple choice questions covering all of the material in the following outline in accordance with the subject-matter distribution shown above. A maximum of 3 1/2 hours testing time is allowed for candidates to complete the examination. The examination is graded on a 150-point system. Each multiple choice question is worth one point. No credit is given for incorrect answers to these questions. The passing grade is equal to 70% of the total number of questions on the examination. Candidates will be required, therefore, to answer correctly 105 of the 150 questions on the General Securities Principal Qualification Examination in order to receive a passing grade. The results will identify the percentage performance of the candidate in each of the five general areas of the examination. The examination is a closed-book test and candidates will not be permitted to use any reference material during their testing session. Severe penalties are imposed on candidates who cheat on FINRA-administered examinations. Scratch paper and basic electronic calculators will be provided to a candidate by the test administrator, but must be returned to the administrator at the end of the testing session. Questions used in the examination will be updated to reflect the most current interpretations of the rules and regulations on which they are based. Questions on new rules will be added to the pool of questions for this examination within a reasonable time period after their effective dates. Questions on rescinded rules will be promptly deleted from the pool of questions.

The following page lists reference materials that may be used as a starting point for course developers in preparing training programs. Much of the reference material overlaps topics covered in other references. It is, therefore, not necessary, to obtain each reference listed. In addition, nonmember commercial training vendors offer packaged study courses specifically designed for this registration category. These vendors are often listed in local Yellow Page directories and advertise in securities industry periodicals.

This outline is available on the FINRA Web Site at *www.finra.org*.

At the end of this outline there are five sample questions written in the various formats used in the Series 24 test questions. These samples do not reflect the difficulty level of the test questions or the subject-matter distribution of the test itself. Their use is to familiarize candidates with the types of multiple-choice question formats used in the Series 24.

References

Securities Act Handbook
Aspen Publishers
111 Eighth Avenue
New York, NY 10011

Code of Federal Regulations
Title 17 — Commodity and Securities Exchanges
Superintendent of Documents
U.S. Government Printing Office
Washington, DC 20402

Federal Securities Law Reporter
Volumes 2 and 3
Commerce Clearing House, Inc.
4025 W. Peterson Avenue
Chicago, IL 60646

Handbook of Stock Brokerage Accounting
Richard Ross
New York Institute of Finance
Two Broadway
New York, NY 10004

Modern Securities Transfers
Egon Guttman
Warren, Gorham & Lamont
31 St. James Avenue
Boston, MA 02116

NASD Manual
Commerce Clearing House, Inc.
4025 W. Peterson Avenue
Chicago, IL 60646

New York Stock Exchange, Inc.
Constitution and Rules
Commerce Clearing House, Inc.
4025 W. Peterson Avenue
Chicago, IL 60646

Regulation of Brokers, Dealers and Securities Markets
N. Wolfson, R.M. Phillips, and T.A. Russo
Warren Gorham & Lamont Inc.
31 St. James Avenue
Boston, MA 02116

Resales of Restricted Securities
J. William Hicks
Clark Boardman Callahan
375 Hudson Street
New York, NY 10014

Securities Law Handbook
Harold Bloomenthal
Clark Boardman Callahan
375 Hudson Street
New York, NY 10014

Securities Regulation
Warren, Gorham & Lamont
31 St. James Avenue
Boston, MA 02116

The Stock Market, 7th Edition
R.J. Teweles and E.S. Bradley
John Wiley & Sons, Inc.
605 Third Avenue
New York, NY 10158

Other Publications Available through www.finra.org:

NASD Rules
NASD Notices to Members
NASD Guide to Rule Interpretations
NASD Sanctions Guidelines

Publications available from NASDAQ through www.nasdaqtrader.com

NASDAQ Marketplace Rules
Head Trader Alerts

Other Publications Available through www.NYSE.com:

NYSE Rules
NYSE Information Memos

1.0
Supervision of Investment Banking, Underwriting Activities and Research

1.1 New Issue Market— Underwriting Corporate Securities (negotiated)

1.1.1 Issuer Requirements

1.1.1.1 SEC Rule 405—Definitions of terms
- Ineligible issuer
- Unseasoned reporting issuer (not primary S-3 eligible)
- Seasoned issuer (primary S-3 eligible)
- Well-known seasoned issuer ("WKSI")

1.1.1.2 Issuer organizations
- C Corporations
- S Corporations
- Limited Liability Companies
- Limited Partnerships
- Trusts
- Master Limited Partnerships
- REITs

1.1.1.3 Issuer-related on-going reporting obligations

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1.1.1.3.2 Regulation FD — Fair Disclosure
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1.1.1.4.1 Securities Exchange Act of 1934
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1.1.2.1 NASDAQ initial public offering (IPO) process *(See Head Trader Alert 2005-096)*
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- Rule 502 — General conditions to be met
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1.1.5.2 SEC Rule 405—Definition of terms
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1.3.1.2 Content and filing requirements of prospectus
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Rule 169—Exemptions from Sections 2(a)(10) and 5(c) of the Act for certain communications of regularly released factual business information

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Rule 139 — Definition of "offer for sale" and "offer to sell" in Sections 2(10) and 5(c) in relation to certain publications

1.3.1.4 Distribution of the preliminary and final prospectuses
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1.3.1.5 Special issues dealing with electronic offerings
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1.3.2 Regulatory Requirements Pertaining to Filing of Registration Statements

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1.3.3.2 NASD Rule 2711/ NYSE Rule 472 — Research analysts and research reports
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1.5.5.1 Section 8(b) — Filing requirements for investment companies
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2.3.2.1 Rule 11a-1 — Regulation of floor trading

2.3.2.2 Rule 11a1-1(T) — Transactions yielding priority, parity and precedence

2.3.2.3 Rule 11a1-2 — Transactions for certain accounts of associated persons of members

2.3.2.4 Rule 11a1-3(T) — Bona fide hedge transactions in certain securities

2.3.2.5 Rule 11a1-4(T) — Bond transactions on national securities exchanges

2.3.2.6 Rule 11a1-5 — Transactions by registered competitive market makers and registered equity market makers

2.3.2.7 Rule 11a2-2(T) — Transactions effected by exchange members through other members

2.3.3 Regulation NMS — Regulation of the National Market System

2.3.3.1 Rule 600 — NMS security designation and definitions
- Block size
- Electronic communications network
- Exchange market maker
- Exchange-traded security
- NMS security/stock
- OTC market maker
- Quotation size

2.3.3.2 Rule 602/ NYSE Rule 60 — Dissemination of quotations in NMS securities
- Obligations of responsible brokers and dealers

2.3.3.3 Rule 604— Display customer limit orders
- Specialists and OTC market makers

2.3.3.4 Rule 605– Disclosure of order execution information

2.3.3.5 Rule 606– Disclosure of order routing information

2.3.3.6 Rule 607 — Customer account statements

2.3.3.7 Rule 611 – Order Protection Rule (trade-throughs)

2.3.3.8 Rule 612—Minimum pricing increments

2.3.4 Penny Stock Rules

Rule 3a51-1 — Definition of penny stock
Rule 15g-1 — Exemptions for certain transactions
Rule 15g-2 — Risk disclosure document relating to the penny stock market
Rule 15g-3 — Broker or dealer disclosure of quotations and other information relating to the penny stock market
Rule 15g-4 — Disclosure of compensation to brokers or dealers
Rule 15g-5 — Disclosure of compensation of associated persons in connection with penny stock transactions
Rule 15g-6 — Account statements for penny stock customers
Rule 15g-9 — Sales practice requirements for certain low priced securities

2.4 NASD — Regulations

2.4.1 Conduct Rules

2.4.1.1 Rule 2110 — Standards of commercial honor and principles of trade
- IM-2110-2 — Trading ahead of customer limit orders (Manning)
- IM-2110-3 — Front running policy
- IM-2110-4 — Trading ahead of research reports

2.4.1.2 Rule 2111 – Trading Ahead of Customer Market Orders

2.4.1.3 Day-trading accounts
- Rule 2360/ NYSE Rule 431(b)(4) — Approval procedures for day-trading accounts
- Rule 2361 — Day-trading risk disclosure statement
- Rule 2520(f)(8)(B)/ NYSE Rule 431(8)(B)) — Day trading
  - Definition of pattern day trader
  - Definition of day trading buying power
  - Special requirements for pattern day traders

2.4.1.4 Rule 2440 — Fair prices and commissions
- IM-2440-1 — Mark-Up Policy
  - General considerations
  - Relevant factors
  - Transactions to which the Policy is applicable
  - Transactions to which the Policy is not applicable
- IM-2440-2—Additional mark-up policy for transactions in debt securities, except municipal securities

2.4.1.5 Rule 2441—Net transactions with customers

3.0
Supervision of Brokerage Office Operations

3.1 Client Accounts

3.1.1 Account Documentation

3.1.1.1 Customer information
- Identification data
- Name and occupation of third party authorized to act on behalf of the beneficial owner
  - Limited authorization
  - Full authorization
  - Discretionary powers to broker/dealers
- Payment/delivery and/or duplicate mailing instructions
  - Transfer and ship
  - Hold in "street name"
  - Transfer and hold in safekeeping
  - Hold cash or forward cash balance on settlement date
  - Deliver against payment to a bank or depository
  - Reinvestment plan (reinvesting cash balances)
- Signature of and acceptance of account by general securities or options principal of firm

3.1.1.2 Supplementary documentation
- Hypothecation agreement
- Loan consent agreement
- Credit agreement
- Powers of attorney —discretionary accounts
- Options agreement
- Arbitration agreement
- Account guarantee acknowledgment
- W-8 and W-9 tax withholding forms under the Tax Equity and Fiscal Responsibility Act of 1982

3.1.1.3 Discretionary accounts

3.1.1.3.1 NASD Rule 2510/ NYSE Rule 408 — Discretionary accounts
- Excessive transactions
- Authorization and acceptance of account
- Approval and review of transactions
- Exceptions

3.1.1.3.2 SEC Rule 15c1-7 — Discretionary accounts

3.1.2 Customer Accounts and Documents

3.1.2.1 Individual customers

3.1.2.2 Joint customers

3.1.2.3 Corporate customers

3.1.2.4 Unincorporated associations (partnerships, charitable organizations, schools, churches, hospitals, investment clubs and hedge funds)

3.1.2.5 Fiduciaries
- Prohibition regarding margin accounts and grants of trading authority to others
- Restrictions regarding "legal investments"
- Prudent man rules
- Administrators of estates
- Trustees
- Guardians
- Receivers in bankruptcy
- Committees or conservators for incompetents
- Executors of estates

3.1.2.6 Investment advisors contracts
- Special omnibus account for broker/dealer subsidiary or affiliate
- Introduced accounts of investment advisors' clients
- Advisors' client account

3.1.2.7 Accounts with check writing capability

3.1.2.8 Customer confirmations

3.1.2.8.1 SEC Rule 10b-10 — Confirmation of transactions
3.1.2.8.1 NASD IM-2110-6 — Confirmation of callable common stock
3.1.2.8.3 NASD Rule 2230/ NYSE Rule 409(f) — Confirmations
- IM-2230 "Third market" confirmations

3.1.3 Custodial Accounts under the Uniform Gifts/Transfers to Minors Act

3.1.3.1 Irrevocability of gift

3.1.3.2 Custodian
- Appointed by donor
- Successor custodians
- Securities registered in name of custodian
- Legal ownership vested in minor

3.1.3.3 Securities registered to beneficiary upon attaining majority

3.1.3.4 Must be cash account — no margin

3.1.3.5 Securities in account cannot be pledged

3.1.3.6 Reinvestment of cash proceeds, dividends and interest within reasonable period

3.1.3.7 Rights and warrants

Exercised if sufficient cash is in account
Liquidated at the market

3.1.3.8 Reimbursement of expenses to custodian

3.1.3.9 Use of custodial property for support of minor

3.1.3.10 Maintenance of records

3.1.4 Requirements Regarding Accounts of Deceased/Incompetent Persons

3.1.4.1 Outstanding orders
Cancel open orders
Freeze assets in account until necessary documents are obtained from administrator, executor, or conservator of estate

3.1.4.2 Death or incompetence of a joint tenant
Presentation of death certificate and inheritance tax waiver, letters testamentary or other required documents before assets in account are released
Assignment by surviving/competent tenant and by the legal representative of the deceased/ incompetent tenant

3.1.4.3 Death or incompetence of tenant-in-common
Freeze assets and acceptance of orders until instructions are received from survivor(s) and executor, administrator, or conservator of the estate together with applicable inheritance tax waivers, letters testamentary or other required documents

3.1.4.4 Death or incompetence of a partner
Required authority from surviving/competent partners before executing any further orders
Follow stipulations in partnership agreement

3.1.4.5 Death or incompetence of principal on a power of attorney
Immediate termination of power

3.1.4.6 Valuation of the securities for estate purposes

3.1.4.7 Uniform Transfer-on-death Security Registration Act

3.1.5 Qualified Retirement Plans

3.1.5.1 Individual retirement investment account (IRA) — Conventional and Roth
Purpose
Contributions
Payout period
Tax free rollovers

3.1.5.2 Keogh plans — HR-10
Purpose
Funding — annuities, mutual funds, trust accounts, savings accounts
Contributions

Payout period
Eligibility

3.1.5.3 Other types of qualified plans
Corporate pension plans
Corporate deferred payment profit — sharing plans
Tax — deferred annuity plans
401(k) plans
403(b) plans
Employee stock ownership plans (ESOP)
Eligible worker-owned cooperative (EWOC)

3.1.5.4 ERISA concept
Party-in-interest — definitions
Pension plan regulations
Disclosure requirements
Reports to employees
Funding policies
Minimum funding standards
Employers funding objectives
Fiduciary requirements
Fiduciary standards
Diversification of plan investments
Identification of fiduciary
Loans
Prohibited transactions
Self-dealing transactions —prohibitions and exemptions
Class exemptions for certain broker/dealers and registered representatives
Transfer of plan assets
Investment of pension plans

3.1.6 Non-Qualified Retirement Plans

3.1.6.1 Payroll deduction plans

3.1.6.2 Deferred compensation plans

3.1.7 Transactions in Client Accounts

3.1.7.1 Entering an order
Client identifier
RR identifier
Originating office identifier (if applicable)
Security description (symbol)
Number of shares or bonds
Where traded (NYSE, AMEX, NASDAQ, etc.)
Action
Price and qualifications
Type of account (cash, margin, special bond, etc.)
Settlement instructions if not established when account was opened

3.1.7.2 Review report of execution
- Check against order ticket
- Report execution to client
- Report all errors immediately through appropriate firm channels

3.1.7.3 Records of customer transactions

3.1.7.4 Pre-arranged and third-party trades for client accounts
- Painting the tape
- Cross
- Third-party trades
- Step-out
- Wrap accounts
- NYSE Rule 138 — Give-up (clearing)
- Prime brokers

3.2 Extensions of Credit in the Securities Industry

3.2.1 Regulation T — Credit by Brokers and Dealers

3.2.1.1 Definitions
- Creditor
- Customer
- Registered security
- OTC margin stock
- Margin security
- Exempted security
- Non-equity security

3.2.1.2 General provisions
- Separation of accounts
- Maintenance of credit
- Guarantee of accounts
- Receipt of funds or securities
- Arranging for loans by others

3.2.1.3 Margin accounts
- Margin transactions
- Required margin
- Additional margin requirement
- Liquidation in lieu of deposit
- Withdrawals of cash or securities

3.2.1.4 Special memorandum account

3.2.1.5 Good faith account
- Arbitrage
- Prime broker
- Non-purpose credit

3.2.1.6 Broker/dealer credit account

Purchase or sale of security against full payment
Joint back office
Capital contribution
Emergency and subordinated credit
Omnibus credit
Special purpose credit

3.2.1.7 Cash accounts
Permissible transactions
Time periods for payment, cancellation, or liquidation
90-day freeze
Extension of time periods; transfers

3.2.1.8 Borrowing and lending securities

3.2.2 Regulation U of the Federal Reserve Board — Credit by Banks for the Purpose of Purchasing or Carrying Margin Stocks
Purpose credit secured by stock
Exceptions from general rule for broker/dealers
OTC market maker exemption

3.2.3 General Purpose of Other FED Credit Regulations
Regulation X — Rules governing borrowers who obtain securities credit

3.2.4 NASD Margin Requirements

3.2.4.1 Rule 2341—Margin disclosure statement

3.2.4.2 Rule 2520/ NYSE Rules 431 and 432 — Margin Requirements
Definitions
Initial margin
Maintenance margin
Additional margin
Exceptions to Rule
Offsetting long and short positions
Exempted securities, non-equity securities, and baskets
Specialists' and market makers' accounts
Broker/dealer accounts
Shelf-registered, control, and restricted securities
Other provisions
Determination of value for margin purposes
"When issued" and "when distributed" securities
Guaranteed accounts
Consolidation of accounts
Mark to market must be obtained
Prohibition on liquidations
Special initial and maintenance margin requirements
Prohibition on free riding in cash accounts
Portfolio margin

3.2.4.3 Rule 3160—Extension of time under Reg T and SEC Rule 15c3-3

3.2.5 SEC Requirements for Extensions of Credit and Related Disclosure

3.2.5.1 Rule 3a12-9 — Exemption of certain direct participation program securities from the restrictions regarding the extending or arranging of credit under Sections 7(c) and 11(d)(1)

3.2.5.2 Rule 10b-16 — Disclosure of credit terms in margin transactions

3.2.5.3 Section 11(d)(1) — Extension of credit
- Rule 11d-1 — Exemption of certain securities from Section 11(d)(1)
- Rule 11d1-2 — Exemption from Section 11(d)(1) for certain investment company securities held by broker/dealers as collateral in margin accounts

3.2.5.4 Rule 15c2-5—Disclosure and other requirements when extending or arranging credit in certain transactions

3.2.5.5 Regulation S-P — Privacy of consumer financial information
- Treatment of nonpublic personal information about consumers by financial institutions

3.2.6 Short Sales

3.2.6.1 Lender's privileges
- Return of securities
- Marking to the market
- Interest on bonds loaned
- Cash dividends
- Stock dividends
- Subscription rights
- Voting rights

3.2.6.2 Short sale rules

3.2.6.2.1 SEC Rules
- Regulations SHO
  - Rule 200—Definition of "short sale"
  - Rule 203—Borrowing and delivery requirements
    - List of available securities must be no older than 24 hours old
- Regulation M
  - Rule 105 — Short selling in connection with a public offering

3.2.6.2.2 NASD Rule 3210 — Short sale delivery requirements

3.3 Broker-to-Broker Clearing Procedures

3.3.1 Settlement Procedures

3.3.1.1 Contract sheet

3.3.1.2 Netted trades

3.3.1.3 Continuous net settlement

3.3.1.4 Money settlement

3.3.1.5 OTC trade comparisons on locked-in trades

3.3.1.6 Comparison sheet or ticket

3.3.1.7 Regular way and when issued contract sheets

3.3.1.8 SEC Rule 15c6-1 — Settlement cycle

3.3.1.9 NASD Rule 4618 — Clearance and settlement

3.3.2 Firm Must be Member of One of the Following Clearing Corporations

National Securities Clearing Corporation
Midwest Clearing Corporation
Philadelphia Clearing Corporation
Pacific Clearing Corporation

3.3.3 Depository Trust and Clearing Corporation

Securities certificate safekeeping
Exchange effected by computerized bookkeeping entries

3.3.4 Clearing Funds

Participant contribution based on processing activity
Interest earned is transferred to Participant

3.4 NASD — Regulations

3.4.1 Conduct Rules

3.4.1.1 Rule 2340/ NYSE Rule 409 — Customer account statements

3.4.1.2 Rule 3110/ NYSE Rules 401A, 406, 410, 440 and 636 — Books and records

Requirements
Marking of customer order tickets
Customer account information
IM-3110 — Customer account information
Record of written complaints
“Complaint” defined
Requirements when using predispute arbitration agreements with customers
Negotiable instruments drawn from a customer’s account
Holding of customer mail
Changes in account name or designation

3.4.1.3 Rule 3150—Reporting requirements for clearing firms

3.4.1.4 Rule 3230 — Clearing agreements

3.4.1.5 Rule 3220 — Adjustment of open orders

3.4.1.6 Rule 3360/ NYSE Rule 421 — Short-interest reporting

3.4.2 Uniform Practice Code

3.4.2.1 Rule 11100 — Scope of the Uniform Practice Code

3.4.2.2 Rule 11120 — Definitions

3.4.2.3 Rule 11130/ NYSE Rule 63 — When, as and if issued/distributed contracts

3.4.2.4 Rule 11140/ NYSE Rules 235 and 236 — Transactions in securities "ex-dividend," "ex-rights," or "ex-warrants"

3.4.2.5 Rule 11150 — Transactions "ex-interest" in bonds which are dealt in "flat"

3.4.2.6 Rule 11160 — "Ex" liquidating payments

3.4.2.7 Rule 11170/ NYSE Rule 193 — Transactions in "part-redeemed" bonds

3.4.2.8 Rule 11190 — Reconfirmation and pricing service participants

3.4.2.9 Rule 11200/ NYSE Rule 133 and 134 (a) — Comparisons or confirmations and "Don't Know Notices"

3.4.2.10 Rule 11220 — Description of securities

3.4.2.11 Rule 11300 — Delivery of Securities

3.4.2.12 Rule 11320 — Dates of delivery
- NYSE Rule 177 — Cash
- Regular way
- NYSE Rules 73 and 179 — Seller's option
- Buyer's option
- NYSE Rule 178 — Contracts due on holidays or Saturdays
- Delayed delivery
- Prior to delivery date
- Time and place of delivery

3.4.2.13 Rule 11361/ NYSE Rule 185 — Units of delivery — stocks

3.4.2.14 Rule 11362/ NYSE Rule 186 — Units of delivery — bonds

3.4.2.15 Rule 11363 — Units of delivery — unit investment trust securities

3.4.2.16 Rule 11364/ NYSE Rule 187 — Units of delivery — certificates of deposit for bonds
- IM-11364 — Trading securities as "units" or bonds "with stock"

3.4.2.17 Rule 11410 — Delivery of securities with draft attached — time of presentation
- Prior to settlement date

With irregularities

3.4.2.18 Rule 11520/ NYSE Rules 223 and 224 — Delivery of mutilated securities

3.4.2.19 Rule 11550/ NYSE Rules 195, 196, 198, 199, 201 and 207 — Assignments and powers of substitution; delivery of registered securities
National medallion signature guarantee program

3.4.2.20 Rule 11574 — Certificate in name of deceased person, trustee, etc.

3.4.2.21 Rule 11620/ NYSE Rule 243 — Computation of interest

3.4.2.22 Rule 11630/ NYSE Rule 255 — Due-bills and due-bill checks

3.4.2.23 Rule 11640 — Claims for dividends, rights, interest, etc.

3.4.2.24 Rule 11650/ NYSE Rule 182 — Transfer fees

3.4.2.25 Rule 11700 — Reclamations and rejections
Definitions
Uniform reclamation form
Time for delivery of reclamation and manner of settlement

3.4.2.26 Rule 11720 — Irregular delivery; transfer refused; lost or stolen securities

3.4.2.27 Rule 11740/ NYSE Rules 165, 166, 168 — Marking to the market

3.4.2.28 Rule 11810/ NYSE Rules 282, 284, 289, 290 — "Buying-in"

3.4.2.29 Rule 11820/ NYSE Rule 283 — "Selling-out"

3.4.2.30 Rule 11840 — Rights and warrants

3.4.2.31 Rule 11860/ NYSE Rule 387 — Acceptance and settlement of COD orders

3.4.2.32 Rule 11900 — Clearance of corporate debt securities

3.4.2.33 Rule 11890/ NYSE Rule 411 — Erroneous transactions
Authority to review transactions
Procedures for reviewing transaction
Procedures for reviewing transactions executed during system disruptions or malfunctions
Review by the Market Operations Review Committee

3.4.3 Customer Account Transfers

3.4.3.1 IM-2110-7. Interfering With the Transfer of Customer Accounts in the Context of Employment Disputes

3.4.3.2 Rule 11870/ NYSE Rule 412 — Customer account transfer contracts

4.0
Sales Supervision and General Supervision of Employees

4.1 Securities Exchange Act of 1934 and SEC Rules Thereunder

4.1.1 Section 3 — Certain Definitions under the Act

4.1.1.1 Section 3(a)(10)/ NYSE Rule 3 — Security

4.1.1.2 Section 3(a)(39) — Statutory disqualification

4.1.1.3 Rule 3a11-1 — Equity security

4.1.1.4 Rule 3a12-2 — Exemption of certain securities, the income on which is substantially guaranteed by states or political subdivisions thereof

4.1.1.5 Rule 3b-5 — Non-exempt securities issued under governmental obligations

4.1.2 Section 9 — Prohibitions against Manipulation of Security Prices

4.1.2.1 Section 9(a)(1) — Misleading appearance of active trading

4.1.2.2 Section 9(a)(2) — Inducing purchase or sale by others

4.1.2.3 Section 9(a)(3) — Dissemination of information as to rise or fall of security prices

4.1.2.4 Section 9(a)(4) — Making false or misleading statements

4.1.2.5 Section 9(a)(5) — Dissemination of information for consideration

4.1.2.6 Section 9(a)(6) — Pegging, fixing, or stabilizing prices

4.1.2.7 Section 9(e) — Liability for unlawful acts or transactions

4.1.3 Section 10 — Regulation of the Use of Manipulative and Deceptive Devices

4.1.3.1 Rule 10b-17 — Untimely announcements of record dates

4.1.3.2 Rule 10b-18 — Purchases of certain equity securities by the issuer and others

4.1.4 Section 15 — Registration and Regulation of Brokers and Dealers

4.1.4.1 Section 15(a)(1) — Prohibitions relating to unregistered broker/dealers
4.1.4.1.1 Rule 15a-6 — Exemption of certain foreign brokers or dealers

4.1.4.2 Section 15(b)(4) — Sanctions against brokers or dealers

4.1.4.3 Section 15(b)(6) — Sanctions for person associated with broker or dealer

4.1.5 Section 17 — Accounts and Records, Reports, Examinations of Exchanges, Members and Others

4.1.5.1 Rule 17f-2 — Fingerprinting of securities industry personnel (general requirement)

4.1.6 Soft Dollar Arrangements

Section 3(a)(35)—Definition of “investment discretion”
Section 28(e)—Research services in exchange for brokerage

4.2 Investment Company Act of 1940 and SEC Rules Thereunder

4.2.1 Section 22 — Distribution, Redemption, and Re-Purchase of Redeemable Securities

4.2.1.1 Section 22(c) — Regulation of underwriters and dealers by Commission
Rule 22c-1 — Pricing of redeemable securities for distribution, redemption and re-purchase

4.2.1.2 Section 22(d) — Persons to and through whom redeemable securities may be sold (offer securities at a price based on NAV)
Rule 22d-1 — Exemption from Section 22(d) to permit sales of redeemable securities at prices which reflect sales loads set pursuant to a schedule
Rule 22d-2 — Exemption from Section 22(d) for certain registered separate accounts

4.2.1.3 Section 22(e) — Suspension of rights of redemption
Rule 22e-1 — Exemption from Section 22(e) during annuity payment period of variable annuity contracts participation in certain registered separate accounts

4.3 Investment Advisers Act of 1940 and SEC Rules Thereunder

4.3.1 Section 202(a)(11) — Definition~~s~~ of Investment Adviser

4.3.2 Section 203 — Registration of Investment Advisers

4.3.3 Section 205 — Investment Advisory Contracts

4.3.4 Section 206 — Prohibited Transactions by Investment Advisers

4.4 Compliance and Ethics

4.4.1 Sarbanes-Oxley Act

4.4.1.1 Section 302—Corporate responsibility for financial reports
Development, implementation and assessment of an ethics course

4.4.1.2 Section 401—Disclosures in periodic reports

4.4.1.3 Section 402—Enhanced conflict of interest provisions

4.4.1.4 Section 403—Disclosures of transactions involving management and principal stockholders
Required documentation

4.4.1.5 Section 404—Management assessment of internal controls
- Execution of mergers and acquisitions; timing of deals
- Extensive documentation
  - Testing of "control environment by management"
  - Testing and issuance of opinions by external auditors
  - Certification and reporting requirements apply to the entire company--including acquisitions

4.4.2 Insider Trading Regulations— Insider Trading and Securities Fraud Enforcement Act of 1988

4.4.2.1 Section 3 — Civil penalties of controlling persons for illegal insider trading by controlled persons
- Securities Exchange Act of 1934
  - Section 15(f) — Policies and procedures to be developed by broker/dealers to prevent misuse of material, non-public information
  - Section 21(d) — Injunctions and prosecution of offenses
  - Section 21A — Civil penalties
- Investment Advisers Act of 1940
  - Section 204 — Annual and other reports

4.4.2.2 Section 4 — Increases in criminal penalties
- Securities Exchange Act of 1934
  - Section 32(a) — Penalties

4.4.2.3 Section 5 — Liability to contemporaneous traders for insider trading
- Securities Exchange Act of 1934
  - Section 20A — Liability to contemporaneous traders for insider trading

4.4.3 Securities Exchange Act of 1934 and SEC Rules Thereunder

4.4.3.1 Section 10 — Regulation of the Use of Manipulative and Deceptive Devices
- Rule 10b-1 — Prohibitions with respect to securities exempted from registration
- Rule 10b-3 — Employment of manipulative and deceptive devices by brokers or dealers
- Rule 10b-5 — Employment of manipulative and deceptive devices
  - Insider trading
  - Material information
  - Non-public information
  - Insiders and tippees
  - Information barriers (Chinese wall doctrine)

- Rule 10b5-1 — Trading "on the basis of" material nonpublic information in insider trading
- Rule 10b5-2 — Duties of trust or confidence in misappropriation insider trading cases

4.4.3.2 Section 15 — Registration and Regulation of Brokers and Dealers
- Rule 15c1-1 — Definitions
- Rule 15c1-2 — Fraud and misrepresentation

Rule 15c1-3 — Misrepresentation by brokers and dealers as to registration
Rule 15c1-9 — Use of pro forma balance sheets

4.4.4 NASD Business Conduct Rules

4.4.4.1 Rule 2110/ NYSE Rule 401 – Standards of commercial honor and principles of trade

4.4.4.2 Rule 2120/ NYSE Rule 435(4) — Use of manipulative, deceptive or other fraudulent devices

4.4.4.3 Rule 3010/ NYSE Rules 342 and 405 — Supervision
- Supervisory system
- Written procedures
- Internal inspections
- Review of transactions and correspondence
- Supervision of registered representatives
- Review of correspondence
  - Retention of correspondence
- Qualifications investigated
- Applicant's responsibility
- Definitions
  - Office of supervisory jurisdiction
  - Branch office
- IM 3010-1—Standards for reasonable review

4.4.4.4 Rule 3011/ NYSE Rule 445 — Anti-money laundering compliance program
- IM-3011-1 — Independent testing requirements
- IM-3011-2 — Review of anti-money laundering compliance person information

4.4.4.5 Rule 3012/ NYSE Rule 342.23—Supervisory control system

4.4.4.6 Rule 3013/NYSE Rule 342.30—Annual certification of compliance and supervisory processes
- IM 3013—Annual compliance and supervision certification

4.4.4.7 Rule 3510/ NYSE Rule 446—Business continuity plan

4.5 Communications with the Public

4.5.1 SEC Rule 156 — Investment Company Sales Literature

4.5.2 NASD Rule 2210/ NYSE Rule 472 — Communications with the Public
- Definitions
  - Advertisement
  - Sales literature
  - Public appearance
  - Independently prepared reprint
- Approval and recordkeeping
- Filing requirements and review procedures
- Content standards
  - Standards applicable to all communications with the public

Standards applicable to advertisements and sales literature
IM-2210-1 — Guidelines to ensure that communications with the public are not misleading
IM-2210-2 — Communications with the public about variable life insurance and variable annuities
IM-2210-3 — Use of rankings in investment companies advertisements and sales literature
IM-2210-4 — Limitations on use of NASD's name
IM-2210-5 — Requirements for the use of bond mutual fund volatility ratings
IM-2210-6 — Requirements for the use of investment analysis tools
IM-2210-8 — Communications with the public about collateralized mortgage obligations (CMOs)

4.5.3 Rule 2211 — Institutional Sales Material and Correspondence

Definitions
- Correspondence
- Institutional sales material
- Institutional investor
- Existing retail customer

Approval and recordkeeping
Spot-check procedures
Content standards applicable to institutional sales material and correspondence

4.5.4 Rule 2212/ NYSE Rule 440A — Telemarketing

4.6 NASD — Regulations

4.6.1 By-Laws

4.6.1.1 Article I/ NYSE Article I — Definitions

4.6.1.2 Article III — Qualifications of members and associated persons
- Section 1 — Persons eligible to become members and associated persons of members
- Section 2 — Authority of Board to adopt qualification requirements
- Section 3 — Ineligibility of certain persons for membership or association
- Section 4/ NYSE Rule 351 — Definition of disqualification

4.6.1.3 Article IV/ NYSE Article II and Rule 312 — Membership
- Section 1 — Application for membership
- Section 3 — Executive representative
- Section 5 — Resignation of members
- Section 6 — Retention of jurisdiction
- Section 7 — Transfer and termination of membership
- Section 8 — Registration of branch offices

4.6.1.4 Article V/ NYSE Rules 345 and 347 — Registered representatives and associated persons
- Section 1 — Qualification requirements
- Section 2 — Application for registration
- Section 3 — Notification by member to the NASD and associated person of termination; amendments to notification
- Section 4 — Retention of jurisdiction

4.6.2 Membership and Registration

4.6.2.1 Rule 1000/ NYSE Rule 311 — Membership, registration, and qualification requirements
- IM-1000-1 — Filing of misleading information as to membership or registration
- IM-1000-3 — Failure to register personnel
- IM-1000-4/ NYSE Rule 342 — Branch offices and offices of supervisory jurisdiction

4.6.2.2 Rule 1010 — Membership proceedings
- Definitions
- General provisions
- New member application and interview
- Department decision
- Review by the National Adjudicatory Council
- Discretionary review by NASD Board
- Application for approval of change in ownership, control or business operations
- Application to Commission for review

4.6.2.3 Rule 1020/ NYSE Rule 342.13 — Registration of principals
- Registration requirements
- Categories of principal registration
  - General securities principal
  - Limited principals

4.6.2.4 Rule 1030/ NYSE Rule 345.10 — Registration of representatives
- Registration requirements
- Categories of representative registration
  - General securities representative
  - Limited representatives

4.6.2.5 Assistant representatives
- Rule 1041—Registration requirements for assistant representatives
- Rule 1042—Restrictions for assistant representatives

4.6.2.6 Rule 1050/ NYSE Rule 344—Registration of research analysts

4.6.2.7 Rule 1060 — Persons exempt from registration

4.6.2.8 Rule 1070 — Qualification examinations and waiver of requirements

4.6.2.9 Rule 1080 — Confidentiality of examinations

4.6.2.10 Rule 1090 — Foreign members

4.6.2.11 Rule 1100 — Foreign associates

4.6.2.12 Rule 1120/ NYSE Rule 345A — Continuing education requirements

4.6.2.13 Rule 1140 — Electronic filing rules

4.6.2.14 Rule1150—Executive representative

4.6.2.15 General knowledge of the NASD/NASAA Central Registration Depository (CRD) and public disclosure of disciplinary information via NASD toll free number

4.6.3 Conduct Rules

4.6.3.1 Rule 2310/ NYSE Rules 405 and 435(1)—Recommendations to customers [suitability]
- IM-2310-2 — Fair dealing with customers
  - Recommending speculative low-priced securities
  - Excessive trading activity
  - Trading in mutual fund shares
  - Fraudulent activity
  - Recommending purchases beyond customer capability
- Fair dealing with customers with regard to derivative products or new financial products
- IM-2310-3 — Suitability obligations to institutional customers

4.6.3.2 Rule 2315 – Recommendations to customers in OTC equity securities

4.6.3.3 Rule 2330/NYSE Rule 352 — Customers' securities or funds
- Improper use
- Prohibition against guarantees
- Sharing in accounts; extent permissible

4.6.3.4 Rule 2350 — Broker/dealer conduct on the premises of financial institutions
- Applicability
- Definitions
- Standards for member conduct
- Setting
- Networking and brokerage affiliate agreements
- Customer disclosure and written acknowledgment
- Communications with the public
- Notifications of terminations

4.6.3.5 Rule 2370—Borrowing from or lending to customers

4.6.3.6 Rule 2410 — Net prices to persons not in investment banking or securities business

4.6.3.7 Rule 2420 — Dealing with non-members
- Transactions with non-members
- Transactions with foreign non-members
- Non-member broker or dealer
- IM-2420-1 — Transactions between members and non-members
- IM-2420-2 — Continuing commission policy

4.6.3.8 Rule 2820 — Variable contracts of an insurance company
- Application
- Definitions
- Sales charges
- Receipt of payment
- Transmittal

Selling agreements
Redemption

4.6.3.9 Rule 2830 — Investment company securities
Application
Definitions
Conditions for discounts to dealers
Selling dividends
Withhold orders
Purchase for existing orders
Purchases as principal
Repurchase from dealer
Execution of investment company portfolio transactions
Dealer concessions
Prompt payment for investment company shares
Sales charge
Refund of sales charge
Disclosure of deferred sales charges
IM-2830-1 — "Breakpoint" sales
IM-2830-2 — Maintaining the public offering price

4.6.3.10 Rule 3030/ NYSE Rule 346 — Outside business activities of an associated person
(NOTE: Rule 3030 requires prior written **notification** by an associated person be made to a member; Rule 346 requires that a written request be made by an associated person and that the member employer provide prior written **consent**.)

4.6.3.11 Rule 3040 — Private securities transactions of an associated person
Applicability
Written notice
Transactions for compensation
Transactions not for compensation
Definitions
Private securities transaction
Selling compensation

4.6.3.12 Rule 3050/ NYSE Rule 407 — Transactions for or by associated persons
Determine adverse interest
Obligations of executing member
Obligations of associated persons concerning an account with a member
Obligations of associated persons concerning an account with an investment adviser, bank, or other financial institution
Exemption for transactions in investment company shares and unit investment trusts
(NOTE: Rule 3050 requires prior written **notification** to the employer member; Rule 407 requires the prior written **consent** of the employer.)

4.6.3.13 Rule 3060/NYSE Rules 350 and 353 — Influencing or rewarding employees of others

4.6.3.14 Rule 3070/NYSE 351d — Reporting requirements

4.6.3.15 Rule 3080 – Disclosure to associated persons when signing Form U-4

4.6.3.16 Rule 3330 — Payment designed to influence market prices, other than paid advertising

4.6.3.17 Rule 2260/NYSE Rule 451 — Forwarding of proxy and other materials
IM-2260 — Suggested rates of reimbursement

4.6.3.18 Rule 2280 — Investor education and protection

4.6.4 Procedural Rules

4.6.4.1 Rule 8000 — Investigations and Sanctions

4.6.4.1.1 Rule 8100 — General provisions
Rule 8110 — Availability of Manual to customers
Rule 8120 — Definitions

4.6.4.1.2 Rule 8200 — Investigations
Rule 8210 — Provision of information and testimony and inspection and copying of books
Rule 8220 — Suspension for failure to provide requested information

4.6.4.1.3 Rule 8300 — Sanctions
Rule 8310 — Sanctions for violation of the Rules
IM-8310-1 — Effect of a suspension, revocation, cancellation, or bar
IM-8310-2 — Release of disciplinary information
Rule 8320 — Payment of fines, other monetary sanctions, or costs; summary action for failure to pay
Rule 8330 — Cost of proceedings

4.6.4.2 Rule 9000 — Code of Procedure

4.6.4.2.1 Rule 9100 — Application and purpose
Rule 9110 — Application
Rule 9120 — Definitions
Rule 9130 — Service; filing of papers
Rule 9140 — Proceedings

4.6.4.2.2 Rule 9200 — Disciplinary proceedings
Rule 9210 — Complaint and answer
Rule 9220 — Request for hearing; extensions of time, postponements, adjournments
Rule 9230 — Appointment of hearing panel, extended hearing panel
Rule 9240 — Pre-hearing conference and submission
Rule 9250 — Discovery
Rule 9260 — Hearing and decision
Rule 9270 — Settlement procedure
Rule 9280 — Contemptuous conduct

4.6.4.2.3 Rule 9300 — Review of disciplinary proceeding by National Adjudicatory Council and NASD Regulation and NASD Board; application for Commission review
Rule 9310 — Appeal to or review by National Adjudicatory Council
Rule 9340 — Proceedings

Rule 9350 — Discretionary review by NASD Board
Rule 9360 — Effectiveness of sanctions
Rule 9370 — Application to Commission for review

4.6.4.2.4 Rule 9500 —Other proceedings

4.6.4.2.5 Rule 9800—Temporary cease and desist orders
Rule 9810—Initiation of proceeding
Rule 9830—Hearing
Rule 9840—Issuance of temporary cease and desist order by hearing panel
Rule 9870—Application to Commission for review

4.6.4.3 Rule 12000 and 13000 Series/ NYSE Rules 600-639 — Code of Arbitration Procedure

4.6.4.3.1 Part I Interpretive Material, Definitions, Organization and Authority
IM-12000 and IM-13000— Failure to act under provisions of code of arbitration procedure for customer/industry disputes
Rules 12105 and 13105—Agreement of the parties

4.6.4.3.2 Part II General Arbitration Rules
Rule 12200—Arbitration under an arbitration agreement or the rules of NASD
Rule 12201—Elective arbitration
Rule 12202—Claims against inactive members
Rules 12204 and 13204—Class action claims
Rule 12205—Shareholder derivative actions
Rule 13200—Required arbitration
Rule 13201—Statutory employment discrimination claims
Rule 13202—Claims involving registered clearing agencies

4.6.4.3.3 Part VIII Simplified Arbitration and Default Proceedings
Rules 12800 and 13800— Simplified arbitration
Rules 12801 and 13801—Default proceedings

4.6.4.4 Rule 10400/NYSE Rule 638 — Mediation rules
Rule 10404 — Mediation under the Code
Rule 10405 — Effect of mediation on arbitration proceedings
Rule 10408 — Mediation ground rules

4.7 MSRB Rules

4.7.1 Rule G-37 — Political Contributions and Prohibitions on Municipal Securities Business

5.0
Compliance with Financial Responsibility Rules

5.1 Securities Act of 1934 and SEC Rules Thereunder

5.1.1 Section 15 — Registration and Regulation of Brokers and Dealers

5.1.1.1 Rule 15c2-1 — Hypothecation of customers' securities (See Rule 8c-1)
- General provisions
- Definitions

5.1.1.2 Rule 15c3-1/ NYSE Rules 325 and 326 — Net capital requirements for brokers and dealers

5.1.1.2.1 Minimum net capital requirements
- Broker/dealers that carry customer accounts
- Prime brokers
- Broker/dealers that carry accounts but do **not** hold customer funds or securities and operate under Paragraph (k)(2)(i) exemption of Rule 15c3-3
- Introducing broker/dealers
  - Firms that introduce accounts on a fully disclosed basis to another broker or dealer and do **not** receive funds or securities
  - Firms that introduce accounts on a fully disclosed basis to another broker or dealer **and receive, but do not hold,** customer or other broker/dealer securities **and do not receive funds**
- Dealers
- Mutual fund brokers or dealers transacting a business in redeemable shares of registered investment companies and certain other share accounts
  - Wire order basis
  - Subscription basis **(do not otherwise receive or hold funds or securities)**
- Market makers
- Brokers or dealers transacting a business only in direct participation programs
- Brokers or dealers engaged exclusively in mergers and acquisition

5.1.1.2.2 Definitions and general understanding of the following terms
- Aggregate indebtedness
- Net capital including adjustments to net worth for illiquid assets
- Securities differences — treatment when computing net capital
- Haircuts — effect on capital of proprietary positions
  - Additional haircuts on securities with a limited market, unduly concentrated positions and non-marketable securities
  - Open contractual commitments
  - Treatment of aged fails to deliver

5.1.1.2.3 Debt—Equity requirements

5.1.1.2.4 Withdrawal of equity capital

5.1.1.2.5 Alternative net capital requirement

5.1.1.2.6 Appendix D — Satisfactory subordination agreements
Definitions
Subordinated loan agreement
Collateral Value
Secured demand note agreement
Minimum requirements of subordination agreements
Temporary and revolving subordination agreements
Filing requirements (general)

5.1.1.3 Rule 15c3-2/ NYSE Rule 409 — Use of customer free credit balances

5.1.1.4 Rule 15c3-3/ NYSE Rule 402 — Customer protection — reserves and custody of securities
Definitions
Physical possession or control of securities
Requirement to reduce securities to possession or control —timeliness
Special reserve bank account for the exclusive benefit of customers
Notification of banks
Withdrawals from the reserve bank account
Buy-in of short security differences
Exemptions under subsection (k)
Delivery of fully paid and excess margin securities
Completion of sell orders on behalf of customers — mandatory buy-in
Extensions of time

5.1.2 Section 17 — Accounts and Records, Reports, Examinations of Exchanges, Members and Others

5.1.2.1 Rule 17a-3 — Records to be made by certain exchange members, brokers and dealers (general understanding of major provisions)
Blotters or other records of original entry
Ledgers or other records reflecting all assets and liabilities
NYSE Rule 421 — Securities position records
Memorandum of each brokerage order given or received for the purchase or sale of securities (for customer and firm accounts)
Memorandum of each purchase and sale for the account of the firm
NYSE Rule 421 — Copies of customer confirmations and copies of notices of all other debits and credits for accounts of customers
Identification data on beneficial owners of all accounts
Subsidiary ledgers and proofs of money balances in all accounts (trial balance)
Questionnaire or application for employment executed by each “associated person”
Fingerprint records required by Rule 17f-2

5.1.2.2 Rule 17a-4 — Records to be preserved by certain exchange members, brokers and dealers
Requirement for ready accessibility of all records for two years
General type of record to be maintained for six years
Maintenance of records with respect to associated persons
Preservation of required records
Outside service bureaus

5.1.2.3 Rule 17a-5/ NYSE Rule 418 — Reports to be made by certain brokers and dealers
- Filing of monthly and quarterly reports
- Report filed upon termination of membership interest
- Customer statements
  - Who must furnish the statements
  - Unaudited statements to be furnished
  - Definition of customer
- Annual filing of audited financial statements
- Qualification of accountants
- Audit objectives
- Accountant's reports —general provisions
- Accountant's report on material inadequacies
- Extensions and exemptions
- Notification of changes of fiscal year
- Filing requirements

5.1.2.4 Rule 17a-8 — Financial recordkeeping and reporting of currency and foreign transactions

5.1.2.5 Rule 17a-11 — Notification provisions for brokers and dealers

5.1.2.6 Rule 17a-13 — Quarterly security counts to be made by certain exchange members, brokers and dealers (general requirement)
- Requirements for each calendar quarter year
- Persons to perform or supervise required securities counts

5.1.2.7 Rule 17f-1 — Requirements for reporting and inquiry with respect to missing, lost, counterfeit or stolen securities
- Definition of "reporting institution"
- Reporting requirements
- Required inquiries
- Permissive inquiries

5.2 Securities Investor Protection Act and SIPC Rules Thereunder

5.2.1 SIPC Rules

5.2.1.1 Accounts of separate customers
- Individual accounts
- Accounts held by executors or administrators
- Accounts held by a corporation, partnership, or unincorporated association
- Trust accounts
- Joint accounts

5.2.1.2 Prohibited acts
- Failure to pay assessment or file reports
- Engaging in business after appointment of trustee or initiation of direct payment procedure
- Concealment of assets; false statements or claims

5.2.1.3 Advertising by members of SIPC protection
- Member of displaying SIPC membership

5.3 NASD Conduct Rules

5.3.1 Rule 2270 — Disclosure of Financial Condition to Customers

Requirement of members to furnish recent financial statement to other members

5.3.2 Rule 2330 — Customers' Securities or Funds

Authorization to lend
Segregation and identification of securities
IM-2330—Segregation of customers' securities

5.3.3 Rule 2910 — Disclosure of Financial Condition to Other Members

5.3.4 Rule 3020/ NYSE Rule 319 — Fidelity Bonds

Coverage required
Deductible provision
Annual review of coverage
Notification of change
Definitions

5.3.5 Rule 3130 — Regulation of Activities of Members Experiencing Financial and/or Operational Difficulties

IM-3130 — Restrictions on a member's activity

5.3.6 Rule 3140 — Approval of Change in Exempt Status under SEC Rule 15c3-3

Loss of 15c3-3(k) exemption when member conducts business that will disqualify it from the exemption without the prior written approval of the NASD

Sample Question Formats

The questions and answers that appear below are similar in format and content to questions on the examination. These sample questions, however, are not intended to exactly parallel either the level of difficulty or the subject coverage of the actual examination. Their purpose here is to assist candidates and training personnel in preparing for the types of multiple-choice questions that will appear on the examination.

Answers

1. (C)
2. (B)
3. (D)
4. (A)

1. Under NASD rules, which two of the following are TRUE regarding a fully disclosed clearing agreement between two NASD members?

I. Customers must provide a written acknowledgement of the clearing agreement.
II. The introducing member is required to submit the agreement to NASD for review.
III. The clearing member is required to submit the agreement to NASD for review.
IV The agreement must provide for written notification to customers, upon account opening, of the existence of the clearing agreement.

(A) I and III
(B) I and IV
(C) II and III
(D) II and IV

2. A customer wishes to purchase securities in a margin account. In order for the broker/dealer to borrow money with the margined securities, the customer must sign which of the following?

(A) Power of attorney
(B) Hypothecation agreement
(C) Discretionary account agreement
(D) Maintenance agreement

3. Under what conditions may an NASD member firm sell shares of a “new issue” to one of its non-registered employees?

(A) The amount of the purchase is small and not disproportionate to the size of the issue.
(B) The employee promises in writing to hold the securities for two years.
(C) The transaction is consistent with the employee’s normal investment practice.
(D) Under no circumstances.

4. While engaged in a distribution, a managing underwriter may do each of the following EXCEPT

(A) solicit purchases through an updated research report
(B) accept unsolicited buy orders
(C) effect stabilizing transactions
(D) solicit purchase through a prospectus

Exhibit 3c
SR-FINRA-2007-028

DIVISION OF
MARKET REGULATION

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

July 24, 2000

Mr. Alden S. Adkins
Senior Vice President & General Counsel
NASD Regulation, Inc.
1735 K Street, N. W.
Washington, D.C. 20006-1500

Re: Procedure for Filings Relating to Qualification Examinations

Dear ~~Mr. Adkins~~: Alden

I am writing to inform you of a change in the filing requirements for proposed rule changes involving qualification examinations for associated persons. In the past, the Division required the SROs to file question banks for new examinations for Commission approval pursuant to Section 19(b)(2) of the Exchange Act. The Division also required SROs to file questions being added to the question bank for Commission approval.

The Division has decided that it is no longer necessary for SROs to file new exam question banks for Commission approval under Section 19(b)(2). In the future, any new examinations should be filed as non-controversial rule changes for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Exchange Act and Rule 19b-4(f)(6) thereunder. As you know, Rule 19b-4(f)(6) requires the SRO to give notice to the Commission of its intent to file a proposed rule change five days before doing so. During the five days prior to filing, the Division will determine if the proposed rule change is appropriately filed as non-controversial. To assist us in our analysis, please include a complete description of the examination in your rule filing. For example, the proposed rule change should address who will be required to take the exam, what information the exam will cover, the time allotted for each section, the weight assigned to each topic, the effective date of the exam requirement, and any other information that would be helpful to us in determining whether the proposal should become effective on filing. Also, pursuant to Rule 19b-4(f)(6), the rule change should be designated as effecting a change that does not significantly affect the protection of investors or the public interest, does not impose any significant burden on competition and, by its terms, does not become operative for 30 days after the date of the filing.

Alden S. Adkins
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Filings to modify an existing examination should be submitted as "constituting a stated policy, practice, or interpretation with respect to the meaning, administration or enforcement of an existing rule..." pursuant to Section 19(b)(3)(A) of the Exchange Act.

Our goal in changing these procedures is to expedite the effectiveness of proposed rule changes involving examination requirements for persons associated with SRO members. Please contact Kathy England, Assistant Director, at 202-942-0154, or Karl Varner, Special Counsel, at 202-942-7125, if you have any questions.

Sincerely,

B. K

Belinda Blaine
Associate Director