



# **Investment Company And Variable Contracts Products Representative Qualification Examination (Series 6)**

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## **INTRODUCTION**

The Series 6 Examination is the Investment Company and Variable Contracts Products Representative Qualification Examination. The examination is developed and maintained by the Financial Industry Regulatory Authority (FINRA). This Content Outline provides a comprehensive guide to the topics covered on the Investment Company and Variable Contracts Products Representative Qualification Examination (Series 6). The outline is intended to familiarize examination candidates with the range of subjects covered on the examination, as well as the depth of knowledge required. Sample questions are also included to acquaint candidates with the types of multiple-choice questions used on the examination. It is recommended that candidates refer to the content outline as part of their preparation to take the examination. Candidates are responsible for planning their course of study in preparation for the examination.

## **THE PURPOSE OF THE EXAMINATION**

The Series 6 Examination is designed to assess the competency of entry-level Investment Company and Variable Contracts Products Representatives. It is intended to safeguard the investing public by helping to ensure that Investment Company and Variable Contracts Products Representatives are competent to perform their jobs. Given this purpose, the Series 6 Examination seeks to measure the degree to which each candidate possesses the knowledge, skills and abilities needed to perform the critical functions of an Investment Company and Variable Contracts Products Representative. For more information about the permissible activities of an Investment Company and Variable Contracts Products Representative, please see NASD Rule 1032, which can be viewed in the FINRA Rule Manual through the following web link: [www.finra.org](http://www.finra.org).

## **ELIGIBILITY REQUIREMENTS**

The candidate must be associated with and sponsored by a FINRA member firm to be eligible to take the Series 6 Examination. There is no prerequisite requirement for this examination. For more information on eligibility requirements, please see NASD Rule 1031, which can be viewed in the FINRA Rule Manual through the following web link: [www.finra.org](http://www.finra.org)

## **APPLICATION PROCEDURES**

The FINRA member firm that sponsors the applicant must file a Uniform Application for Securities Industry Registration or Transfer (Form U4) in the Central Registration Depository (CRD®) and request the Investment Company and Variable Contracts Products Representative position (ET) on the Form U4.

## **STRUCTURE OF THE EXAMINATION**

The examination consists of 100 multiple-choice questions, which are distributed among the four major content areas listed in the table below.

### Job Functions and Number of Questions by Job Function

Job Functions		Number of Questions
Function 1	Regulatory fundamentals and business development	22
Function 2	Evaluates customers' financial information, identifies investment objectives, provides information on investment products, and makes suitable recommendations	47
Function 3	Opens, maintains, transfers and closes accounts and retains appropriate account records	21
Function 4	Obtains, verifies, and confirms customer purchase and sale instructions	10
Total		100

## DEVELOPMENT AND MAINTENANCE OF THE CONTENT OUTLINE AND EXAMINATION

The Series 6 Content Outline was developed based on the results of a job analysis study of Investment Company and Variable Contracts Products Representatives. The job analysis process included collecting data about the job functions, tasks and required knowledge of Investment Company and Variable Contracts Products Representatives from a wide variety of firms using numerous data collection techniques, including a survey.

To ensure and sustain the job relevance of the examination, under the guidance of FINRA staff, a committee of industry representatives ("the Committee") writes, reviews and validates all test questions. Test questions are subjected to multiple reviews prior to inclusion on the examination and each question is linked directly to a component of the content outline. Test questions vary in difficulty and complexity. Each question will have only one correct or best answer.

The bank of test questions changes constantly as a result of amendments to, or the introduction of, government and self-regulatory organization (SRO) rules and regulations, changes in industry practice and the introduction of new products. It is the candidate's responsibility to keep abreast of such changes when preparing to take the examination. Examination questions and their statistical performance are analyzed routinely by FINRA staff and the Committee to ensure that test questions continue to be relevant to the functions of Investment Company and Variable Contracts Products Representatives. Examination questions are updated when necessary to reflect current industry practices and government and SRO rules and regulations. **Please Note: Candidates are responsible for keeping abreast of changes made to the applicable rules and regulations, as the examination is updated when new rules are introduced and when the rules are amended.**

## **THE ADMINISTRATION OF THE EXAMINATION**

The examination is administered via computer. A tutorial on how to take the examination via computer is provided prior to taking the examination. Each candidate's examination includes 5 additional, unidentified pretest questions that do not contribute toward the candidate's score. The 5 questions are randomly distributed throughout the examination. Therefore, each candidate's examination consists of a total of 105 questions (100 scored and 5 unscored). Each scored test question is worth one point. There is no penalty for guessing. Therefore, candidates should attempt to answer all questions. Candidates will be allowed 135 minutes to complete the examination.

Scratch paper and basic electronic calculators will be provided to candidates by the test administrator, and must be returned to the test center administrator at the end of the testing session. Some test questions involve calculations. Only calculators provided by the test center administrators are allowed for use during the examination.

Candidates will not be permitted to bring any reference material to their testing session. Severe penalties are imposed on candidates who cheat or attempt to cheat on FINRA-administered examinations.

## **HOW THE EXAMINATION IS SCORED**

### **HOW THE PASSING SCORE IS DETERMINED**

Following a well-established process known as standard setting, FINRA determines the passing score for the examination based on the judgment of a committee of industry professionals with the designated registration. For the Series 6 exam, the passing score is 70. This passing score reflects the competency needed to hold the designated registration.

### **EQUATING OF TEST SCORES**

All candidate test scores have been 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 questions 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 questions he or she received.

## **CANDIDATES' TEST RESULTS**

On the day of the test, candidates will receive a report of their test results both on screen and in paper format at the end of their test session. The score report will indicate pass/fail status and a score profile indicating performance based on each major content area covered on the examination. It is recommended that candidates who fail the examination review the information provided on the score report, as they may want to focus on the areas that they performed poorly on when preparing to retake the examination. For security reasons, the examination and individual test questions are not available for review after taking the examination.

## THE SERIES 6 CONTENT OUTLINE

### **FUNCTION 1 – Regulatory fundamentals and business development**

#### **1.1: Demonstrates understanding of fundamental regulatory knowledge and provides personal and professional information required to be disclosed to obtain and maintain appropriate registration(s)**

Knowledge of:

- General industry regulations, including SEC, SRO, and state requirements
- Registration, qualification, continuing education, and termination of employment of associated persons
- Permitted activities for registered and non-registered associated persons

##### FINRA By-Laws

Article I – Definitions

Paragraph (rr) – Person Associated with a Member

Article III – Qualifications of Members and Associated Persons

Section 1 – Persons Eligible to Become Members and Associated Person of Members

Section 3 – Ineligibility of Certain Persons for Membership or Association

Section 4 – Definition of Disqualification

Article V – Registered Representatives and Associated Persons

##### FINRA Rules

1010 – Electronic Filing Requirements for Uniform Forms

1122 – Filing of Misleading Information as to Membership or Registration

1250 – Continuing Education Requirements

2263 – Arbitration Disclosure to Associated Persons Signing or Acknowledging Form U4

3110 – Supervision

3270 – Outside Business Activities of an Associated Person

4530 – Reporting Requirements

8312 – FINRA BrokerCheck Disclosure

##### NASD Rules

IM-1000-2 – Status of Persons Serving in the Armed Forces of the United States

1031 – Registration Requirements

1032(b) – Investment Company and Variable Contracts Products Representative

1060 – Persons Exempt from Registration

1070 – Qualification Examinations and Waiver of Requirements

1080 – Confidentiality of Examinations

3010(e) – Supervision (Qualifications Investigated)

3010(f) – Supervision (Applicant's Responsibility)

3040 – Private Securities Transactions of an Associated Person

## 3050 – Transactions for or by Associated Persons

### Securities Exchange Act of 1934

Section 3(a) – Definitions and Application of Title

Section 15 – Registration and Regulation of Brokers and Dealers

Section 15A – Registered Securities Associations

Section 17(f)(2) – Accounts and Records, Reports, Examinations of Exchanges, Members, and Others

Rule 17f-2 – Fingerprinting of Security Industry Personnel

### Investment Advisers Act of 1940

Section 201 – Findings

Section 202(a) – Definitions (of investment advisers and persons associated with an investment adviser)

Section 203 – Registration of Investment Advisers

## **1.2: Solicits business by contacting and building relationships with customers and prospects in person, by telephone, mail or electronic means**

### Knowledge of:

- Product definitions and classifications
- Required approvals and content standards of public communications: retail communications, institutional communications, correspondence, research reports, telephone solicitations
- Appropriate use of professional designations
- Definition of regulated investment company by the Internal Revenue Code
- “Conduit” or “pipeline” theory, required distribution of income and realized capital gains
- “Do-not-call” lists and other telemarketing requirements

### FINRA Rules

2210 – Communications with the Public

2212 – Use of Investment Companies Rankings in Retail Communications

2213 – Requirements for the Use of Bond Mutual Fund Volatility Rating

2214 – Requirements for the Use of Investment Analysis Tools

3160 – Networking Arrangements Between Members and Financial Institutions

3170 – Tape Recording of Registered Persons by Certain Firms

3230 – Telemarketing

4512 – Customer Account Information

5230 – Payments Involving Publications that Influence the Market Price of a Security

### NASD Rules

IM-2210-2 – Communications with the Public About Variable Life Insurance and Variable Annuities

#### Securities Act of 1933

Section 2 – Definitions; Promotion of Efficiency, Competition, and Capital Formation (definitions of “offer to sell” and “prospectus”)

Section 5 – Prohibitions Relating to Interstate Commerce and the Mails

Section 17 – Fraudulent Interstate Transactions

Rule 134 – Communications Not Deemed a Prospectus

Rule 482 – Advertising by an Investment Company as Satisfying Requirements of Section 10 of Securities Act of 1933

#### Investment Company Act of 1940

Section 2 – General Definitions

Section 3 – Definition of Investment Company

Section 4 – Classification of Investment Companies

Section 5 – Subclassification of Management Companies

Section 6 – Exemptions

Section 8 – Registration of Investment Companies

Rule 34b-1 – Sales Literature Deemed to Be Misleading

### **1.3: Discusses the products and services offered with customers and prospects and distributes offering and disclosure documents**

#### Knowledge of:

- Content and delivery of prospectuses, Statement of Additional Information (SAI), and other offering documents
- Networking arrangements
- Regulations related to marketing/prospecting
- Initial privacy disclosures to customers (e.g., definitions, privacy and opt-out notices, disclosure limitations, exceptions)

#### FINRA Rules

2020 – Use of Manipulative, Deceptive, or other Fraudulent Devices

2266 – SIPC Information

#### NASD Rule

2420 – Dealing with Non-Members

#### Securities Exchange Act of 1934

Section 3(a)(4)(B) – Definitions and Application, Broker (Exception for Certain Bank Activities)

Section 10 – Manipulative and Deceptive Devices

Rule 10b-3 – Employment of Manipulative and Deceptive Devices by Brokers or Dealers

#### Securities Act of 1933

Section 10 – Information Required in Prospectus

Section 23 – Unlawful Representations



Regulation D – Rules Governing the Limited Offer and Sale of Securities Without Registration Under the Securities Act of 1933  
Rule 431 – Summary Prospectuses  
Rule 498 – Summary Prospectuses for Open-End Management Investment Companies  
Rule 501 – Definitions and Terms Used in Regulation D  
Rule 506 – Exemption for Limited Offers and Sales Without Regard to Dollar Amount of Offering

Investment Company Act of 1940  
Section 35 – Unlawful Representations and Names  
Rule 35d-1 – Investment Company Names

**1.4: Conducts seminars and holds other public forums with customers and prospects, and obtains appropriate approvals**

Knowledge of:

- Definitions of retail communications, institutional communications and correspondence, including categorization of public appearances, seminars and related sales literature and advertising
- Regulations regarding communications with the public
- Standards and approval of communications

FINRA Rules  
2210 – Communications with the Public

NASD Rule  
IM-2210-2 – Communications with the Public About Variable Life Insurance and Variable Annuities

Securities Act of 1933  
Section 12 – Civil Liabilities Arising in Connection with Prospectuses and Communications  
Rule 135a – Generic Advertising  
Rule 135b – Materials Not Deemed an Offer to Sell or Offer to Buy Nor a Prospectus  
Rule 156 – Investment Company Sales Literature  
Rule 482 – Advertising by an Investment Company as Satisfying Requirements of Section 10 of Securities Act of 1933

Investment Company Act of 1940  
Section 30(b) – Periodic and Other Reports; Reports of Affiliated Persons  
Rule 34b-1 – Sales Literature Deemed to be Misleading

## **FUNCTION 2 – Evaluates customers’ financial information, identifies investment objectives, provides information on investment products, and makes suitable recommendations**

### **2.1: Gathers customers’ financial and non-financial information to identify, analyze, and assess risk tolerance, investment experience and sophistication level**

Knowledge of:

- Essential facts regarding customers and customer relationships
- Financial and personal profile of a customer (e.g., age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance)
- Reasonable-basis suitability, customer-specific suitability and quantitative suitability
- Investment strategies and recommendations to hold

FINRA Rules

2010 – Standards of Commercial Honor and Principles of Trade

2090 – Know Your Customer

2111 – Suitability

2111.03 – Recommended Strategies

2111.05 – Components of Suitability Obligations

### **2.2: Makes suitable investment recommendations based on customers’ current investment profile, including financial status, tax status, and investment objectives and explains to customers how recommended products are structured and priced and the risks associated with the underlying investments**

Knowledge of:

- Investment profile and strategies
- Types of investment returns (e.g., dividends, capital gains, return of capital)
- Securities markets (e.g., exchange markets, over-the-counter (OTC)/negotiated market, new issue market (e.g., primary offering, role of investment banker))
- Fair dealings with customers and appropriate business conduct (e.g., application, definitions, sales charges, withhold orders, refund of sales charges, dealer concessions, member compensation, execution of portfolio transactions, breakpoint sales)
- FINRA’s cash and non-cash compensation regulations (e.g., gifts and business entertainment limits)
- Insider trading and prohibited activities (e.g., churning, front running, switching, commingling, unauthorized trading, guarantees against losses, selling away)
- Capitalization, pricing, secondary market trading, and redeemability
- Types of underlying securities
  - Equity securities: Definitions and features of common stock, preferred stock and other types of equity securities (e.g., ADRs, rights, and warrants)

- Debt securities: Definitions and features of corporate bonds and other debt securities (e.g., zero coupon bond, convertible bond, mortgage-backed securities (pass through), collateralized mortgage obligations (CMOs), asset-backed securities (ABS))
- Options: definition and features
- U.S. Treasury securities (e.g., Treasury bills, notes, and bonds, Separate Trading of Registered Interest and Principal Securities (STRIPS), and Treasury Inflation Protection Securities (TIPS))
- U.S. government agencies securities (e.g., Government National Mortgage Association (GNMA) securities, Federal National Mortgage Association (FNMA) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities) issuing agencies and their purposes, risks, payment of interest and principal
- Municipal bonds (General Obligation (GO) bonds, Revenue bonds)
- Other types of debt securities and money market instruments, including but not limited to: corporate commercial paper, brokered certificates of deposit (CDs) and banker's acceptances
- Other investment types, including but not limited to: Exchange Traded Funds (ETFs) and hedge funds
- Variable annuities, deferred variable annuities and variable life (fees and charges, premiums, riders, investment options, death benefits and payout options)
- Tax considerations
  - Mutual fund investor activities, reporting dividend and capital gains distributions to IRS and state tax agency, tax treatment of securities transactions and realized/unrealized net capital gains/losses, exchanges as taxable event, shareholder's tax basis (e.g., offering price, exchange of securities, gift of securities, inheritance of securities, reinvested dividends and capital gains distributions)
  - Determining holding period of securities (e.g., trade date, acquisition, redemption, wash sale rule)
  - Tax treatment of variable annuity contracts (e.g., accumulation period, annuitization period, 72(t) taxation of annuity payments, withdrawals and surrenders, death benefits, 1035 exchanges)
  - Tax treatment of variable life insurance to the policyholder (e.g., during the life of the policy, upon the death of the insured, upon full or partial surrender of the policy, 1035 exchanges, modified endowment contract (MEC))

## FINRA Rules

2000 Series – Duties and Conflicts

2060 – Use of Information Obtained in Fiduciary Capacity

2111 - Suitability

2150 – Improper Use of Customers' Securities or Funds; Prohibition Against Guarantees and Sharing in Accounts

2320 – Variable Contracts of an Insurance Company

2330 – Members' Responsibilities Regarding Deferred Variable Annuities

2342 – "Breakpoint" Sales

3220 – Influencing or Rewarding Employees of Others

3240 – Borrowing From or Lending to Customers

## NASD Rules

- IM-2420-1 — Transactions Between Members and Non-Members
- IM-2420-2 — Continuing Commissions Policy
- 1060(b) – Persons Exempt from Registration
- 2830 – Investment Company Securities

## MSRB Rule

- G-19 – Suitability of Recommendations and Transactions; Discretionary Accounts

## Securities Exchange Act of 1934

- Section 3(a) – Definitions and Application (Definitions of broker, dealer, security, investment contract)
- Section 20A – Liability to Contemporaneous Traders for Insider Trading
- Section 21A – Civil Penalties for Insider Trading
- Rule 10b-5 – Employment of Manipulative and Deceptive Devices

## Securities Act of 1933

- Section 2 – Definitions; Promotion of Efficiency, Competition, and Capital Formation (Definitions of issuer and underwriter)

## Investment Company Act of 1940

- Section 8(b) — Registration of Investment Companies
- Section 11 — Offers of Exchange
- Section 12 — Functions and Activities of Investment Companies
- Rule 12b-1 — Distribution of Shares by Registered Open-End Management Investment Company
- Section 13 — Changes in Investment Policy
- Section 19 — Payments or Distributions
- Rule 19a-1 — Written Statement to Accompany Dividend Payments by Management Companies
- Rule 19b-1 — Frequency of Distribution of Capital Gains
- Section 22 — Distribution, Redemption, and Repurchase of Redeemable Securities
- Rule 22c-1 — Pricing of Redeemable Securities For Distribution, Redemption and Repurchase
- 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
- Rule 22e-1 — Exemption From Section 22(e) During Annuity Payment Period of Variable Annuity Contracts Participating in Certain Registered Separate Accounts
- Section 23 — Distribution and Repurchase of Securities: Closed-End Companies
- Section 35 — Unlawful Representations and Names
- Section 37 — Larceny and Embezzlement

## Insider Trading and Securities Fraud Enforcement Act of 1988

- Section 3 - Civil Penalties of Controlling Persons for Illegal Insider Trading by Controlled Persons
- Section 4 - Increases in Criminal Penalties

## Section 5 - Liability to Contemporaneous Traders for Insider Trading

### 2.3: Provides appropriate disclosures concerning products, risks, services, costs, fees, current quotes and explains pricing method

Knowledge of:

- Definitions, characteristics, and concepts of products, types of accounts, and plans
  - Price and yield terms (e.g., bid, ask, NAV, premium, par)
  - Tax treatment, contributions, accumulation, withdrawals, account ownership, beneficiaries, benefits, required minimum distributions (RMD), and rollovers and transfers
  - Retirement and tax advantaged plans
    - Types of individual retirement accounts (e.g., IRAs: traditional, Roth and SEP)
    - Employer-sponsored retirement plans (e.g., Simplified Employee Pension Plan (SEP), Savings Incentive Match Plans for Employees (SIMPLE), IRA and 401(k), 403(b) and 403(b)(7); 501(c)(3), and 457 plans, Employee Retirement Income Security Act (ERISA)
    - Non-qualified deferred compensation
    - Education plans (e.g., 529 College Savings Plans, Coverdell Education Savings Plan)
  - Open-end investment company
    - Fund shares, important factors in comparison of funds, structure and operation (e.g., functions of the board of directors, investor advisor, underwriter/distributor, custodian, and transfer agent), rights of shareholders, exchange privileges within families of funds, automatic reinvestment of dividend income and capital gains distributions, systematic purchase and withdrawal plans, performance, dollar cost averaging (DCA)
  - Mutual fund
    - Types of portfolios and funds (e.g., money market, fixed income, equity, specialized)
    - NAV per share, offering price, ex-dividend, share class, SEC Rule 12b-1 distribution plans, letter of intent, rights of accumulation,
    - Fees, charges, and expenses including no load, load (e.g., front-end, back-end), management fees, 12b-1 fees, administrative expenses, redemption fee, reduced sales charges/quantity discounts, and breakpoints
  - Variable annuity and variable life insurance
    - Insurance company separate accounts/general accounts (Exempt under 3a-8 of the Securities Act of 1933, Investment Company Act of 1940 Section 2(a)(37))
    - Valuation of variable annuity contracts (accumulation units, annuitization units, assumed interest rate (AIR), relationship between AIR and actual rate of return)
    - Variable life insurance (fixed and flexible premium types)
    - Fees, charges, and expenses including management fees, 12b-1 fees, mortality and expense charges, administrative expenses, payout or withdrawal plans, conversion privilege, restrictions, contingent deferred sales charge, and reduced sales charges/quantity discounts
  - Unit Investment Trust (UIT)
  - Closed-end fund
    - Capitalization, pricing, distribution, redemption restrictions
- FINRA Rules

2330 – Members' Responsibilities Regarding Deferred Variable Annuities  
2330(b) – Recommendation Requirements  
2330(e) – Training

Securities Act of 1933

Section 3a-8 – Classes of Securities under this Title

Investment Company Act of 1940

Section 2(a)(37) – General Definitions

Rule 12b-1 – Distribution of Shares by Registered Open-End Management Investment Company

**2.4: Provides explanations to customers regarding how economic events and investment risk factors may impact investments**

Knowledge of:

- Investment risk factors (e.g., call, capital, credit, currency, inflationary, interest rate, liquidity, market (systematic, non-systematic), social and political, pre-payment, reinvestment, timing)
- Concept of risk/reward and the effects of diversification
- Types of investment strategies
- Sources of market and investment information (e.g., news outlets, internet, rating agencies, research reports) and economic factors (e.g., inflation, deflation, monetary policy, economic policy)
- The role of the Federal Reserve Board
- Changing interest rates and the effect on money supply, fiscal policy, federal taxation and spending
- International economic factors (e.g., currency exchange rates, balance of trade, gross domestic product (GDP))

## **FUNCTION 3 – Opens, maintains, transfers and closes accounts and retains appropriate account records**

### **3.1: Provides information and disclosures to customers regarding various account types, characteristics, and restrictions**

Knowledge of:

- Account registration types (e.g., individual, JTWROS, UGMA)
- Distribution elections (e.g., cash, reinvestment)

### **3.2: Obtains and updates customer information and documentation necessary to open, maintain, and close the account**

Knowledge of:

- Customer screening (e.g., Customer Identification Program (CIP), determining whether a customer is an associated person of another broker-dealer)
- Account authorizations and legal documents (e.g., power of attorney, authorized account user, discretionary accounts, Transfer on Death (TOD), beneficiary forms)
- Recordkeeping (e.g., retention of customer and firm-related records)
- Customer account record maintenance (e.g., update personal information, holding of customer mail, sending required SEC Rule 17a-3 notifications)
- Transferring customer accounts between broker-dealers (e.g., Automated Customer Account Transfer Service (ACATS))
- Account registration changes and internal transfers (e.g., TOD, divorce)
- Delivery of annual reports and notices of corporate actions (e.g., proxy statements)

#### **FINRA Rules**

2090 – Know Your Customer  
2251 – Forwarding of Proxy and Other Issuer-Related Materials  
2267 – Investor Education and Protection  
3150 – Holding of Customer Mail  
3250 – Designation of Accounts  
4510 Series – Books and Records Requirements  
11870 – Customer Account Transfer Contracts

#### **NASD Rules**

2510 – Discretionary Accounts

#### **Securities Exchange Act of 1934**

Rule 17a-3 – Records to Be Made by Certain Exchange Members, Brokers and Dealers  
Rule 17a-3(a)(9) – Customer Account Information  
Rule 17a-3(a)(17) – Customer Account Records and Updates  
Rule 17a-4 – Records to Be Preserved by Certain Exchange Members, Brokers and Dealers  
Rule 17a-4(b)(6) – Records relating to discretionary authority

Rule 17a-8 – Financial Recordkeeping and Reporting of Currency and Foreign Transactions

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

USA PATRIOT Act  
Section 326 – Customer Identification Programs

**3.3: Identifies and responds appropriately to suspicious customer account activity for the life of an account**

Knowledge of:

- Anti-Money Laundering (AML) compliance procedures, program, and reporting (e.g., Bank Secrecy Act (BSA), Office of Foreign Asset Control (OFAC) Specially Designated Nationals (SDN) list, Currency Transactions Reports (CTRs), Customer Identification Program (CIP), Suspicious Activity Reports (SARs))
- Circumstances for notifying FinCEN or refusing or restricting activity in an account and/or closing accounts

FINRA Rule  
3310 – Anti-Money Laundering Compliance Program

USA PATRIOT Act  
Section 314 – Cooperative Efforts to Deter Money Laundering  
Section 352 – Anti-Money Laundering Programs



## **FUNCTION 4 – Obtains, verifies, and confirms customer purchase and sale instructions**

### **4.1: Verifies, enters and monitors orders in accordance with customers' instructions and regulatory requirements and reports trade executions to customers**

Knowledge of:

- Cash accounts (e.g., prompt payment for securities purchased, extension of time, frozen accounts)
- Market terms (e.g., trade date, settlement date, ex-dividend date)
- Delivery requirements and settlement of transactions
- Trade execution activities (e.g., market timing, late trading, prompt payment for securities purchased, extension of time, frozen accounts, prohibition on arranging loans for others)
- Information required on an order ticket
- Sharing of referral fees and commissions
- Confirmations and account statements

#### FINRA Rules

2232 – Customer Confirmations

4510 – Books and Records Requirements

4514 – Authorization Records for Negotiable Instruments Drawn From a Customer's Account

4515 – Approval and Documentation of Changes in Account Name or Designation

5310 – Best Execution and Interpositioning

11860 – COD Orders

#### NASD Rules

2340 – Customer Account Statements

#### Securities Exchange Act of 1934

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

Rule 10b-10 — Confirmation of Transactions

Rule 17a-3(a)(6) and (a)(7) – Order Tickets and Memoranda of Purchases and Sales

Rule 17a-3(a)(19) – Records to Be Made by Certain Exchange Members, Brokers and Dealers

#### Federal Reserve Board

Regulation T – Credit by Brokers and Dealers

### **4.2: Informs the appropriate supervisor and assists in the resolution of trade discrepancies, possible errors, disputes, and complaints**

Knowledge of:

- Customer complaint procedures
- Arbitration procedures

- Investigations and sanctions

FINRA Rules

2080 – Obtaining an Order of Expungement of Customer Dispute Information from the Central Registration Depository (CRD) System

3110 – Supervision

4513 – Records of Written Customer Complaints

4530 – Reporting Requirements

8000 Series – Investigations and Sanctions

9000 Series – Code of Procedure

12000 Series – Code of Arbitration Procedure for Customer Disputes

13000 Series – Code of Arbitration Procedure for Industry Disputes

14000 Series – Mediation Ground Rules

## SAMPLE QUESTIONS

The following sample questions are included to provide an introduction to the basic formats of multiple-choice questions used on the examination. The sample questions do not reflect the difficulty level of actual test questions. Candidates who familiarize themselves with these formats may be able to improve their test-taking skills so that their performance on the examination will better reflect their knowledge of the areas tested.

**Closed-Stem:** The stem (the part that poses the question) is a complete sentence, and thus concludes with a question mark. The options (answer choices) may be complete or incomplete sentences.

**Example:** Which of the following mutual fund services must be offered continually to the mutual fund's shareholders?

- (A) Issuing shares
- (B) Redeeming shares
- (C) Exchanging shares
- (D) Transferring ownership of shares\*

**Open-Stem (Sentence Completion):** The stem is an incomplete statement, and the options represent conclusions to the sentence.

**Example:** The major difference between a closed-end fund and an open-end fund is that the closed-end fund:

- (A) is unmanaged.
- (B) is not diversified.
- (C) does not have a sales charge.
- (D) does not redeem shares held by the investors.\*

**Except or Not:** The "except" case is used when the task is to select the response option that is an exception to the principle or rule stated in the stem. If it is clearly more straightforward or less awkward to use "not," rather than "except," this is done. In either case, the stem may be open or closed.

**Example:** In the Investment Company Act of 1940, the term "management company" applies to all of the following except:

- (A) open-end companies.
- (B) closed-end companies.
- (C) unit investment trusts.\*
- (D) non-diversified companies.

## REFERENCES

Listed below are government and SROs' websites that provide information about rules and other information that may be useful in preparing for the examination. In addition to information about rules, the SROs may publish glossaries of terms, explanations of securities products, and compliance procedures. Candidates are encouraged to refer to the SROs' websites for information memos or Regulatory Notices concerning amendments to rules and the announcement of new rules that may be pertinent to the examination. Copies of federal securities laws and SEC rules may be purchased through the network of federal government printing offices. However, some of this information may be available on the SROs' and pertinent federal government's (e.g., the SEC) websites. It is recommended that candidates refer to the content outline as part of their preparation to take the examination. Candidates are responsible for planning their course of study in preparation for the examination. FINRA produces only the content outline and is not involved with and does not endorse any particular course of study.

**Financial Industry Regulatory Authority (FINRA)**

1735 K Street  
Washington DC, 20006  
[www.finra.org](http://www.finra.org)

**Securities Industry/Regulatory Council**

**On Continuing Education**  
[www.cecouncil.com](http://www.cecouncil.com)

**Securities and Exchange Commission**

**Office of Investor Education and Advocacy**

1-800-SEC-0330  
[www.sec.gov](http://www.sec.gov)