Investment Company And Variable Contracts Products Principal Qualification Examination (Series 26)

Content Outline

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INTRODUCTION

The Series 26 Exam is the Investment Company and Variable Contracts Products Principal Qualification Examination. The exam is developed and maintained by the Financial Industry Regulatory Authority (FINRA). This content outline provides a comprehensive guide to the topics covered on the Series 26 exam. The outline is intended to familiarize exam candidates with the range of subjects covered on the exam, as well as the depth of knowledge required. Sample items are also included to acquaint candidates with the types of multiple-choice items used on the exam. It is recommended that candidates refer to the content outline as part of their preparation to take the exam. Candidates are responsible for planning their course of study in preparation for the exam.

THE PURPOSE OF THE EXAM

The Series 26 exam is designed to assess the competency of entry-level Investment Company and Variable Contracts Products Principals. It is intended to safeguard the investing public by helping to ensure that Investment Company and Variable Contracts Products Principals are competent to perform their jobs. Given this purpose, the Series 26 exam 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 Principal. For more information about the permissible activities of an Investment Company and Variable Contracts Products Principal, please see NASD Rule 1022, which can be viewed in the FINRA Rule Manual through the following web link: **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 26 Exam. In order to be registered in this registration category, candidates must first be qualified as an Investment Company and Variable Contracts Products Representative (Series 6), or General Securities Representative (Series 7). For more information on eligibility requirements, please see NASD Rule 1021, which can be viewed in the FINRA Rule Manual through the following web link: **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 Principal position on the Form U4.

STRUCTURE OF THE EXAM

The exam consists of 110 multiple-choice items, which are distributed among the three major content areas listed in the table below.

Job Functions and Number of Items by Job Function

Job Functions		Number of Items
Function 1	**Personnel Management Activities and Registration of the Broker-Dealer**	**16**
Function 2	**Supervises Associated Persons and Oversees Sales Practices**	**49**
Function 3	**Oversees Compliance and Business Processes of the Broker-Dealer and its Offices**	**45**
	Total	**110**

DEVELOPMENT AND MAINTENANCE OF THE CONTENT OUTLINE AND EXAM

The Series 26 content outline was developed based on the results of a job analysis study of Investment Company and Variable Contracts Products Principals. The job analysis process included collecting data about the job functions, tasks and required knowledge of Investment Company and Variable Contracts Products Principals from a wide variety of firms using numerous data collection techniques.

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

The bank of exam items changes constantly as a result of amendments to, or the introduction of, government and 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 exam. Exam items and their statistical performance are analyzed routinely by FINRA staff and the Committee to ensure that test items continue to be relevant to the functions of Investment Company and Variable Contracts Products Principals. Exam items are updated when necessary to reflect current industry practices and government and SRO rules and regulations. **Candidates are responsible for keeping abreast of changes made to the applicable rules and regulations as the exam is updated when new rules are introduced and when the rules are amended.**

ADMINISTRATION OF THE EXAM

The exam is administered via computer. A tutorial on how to take the exam via computer is provided prior to taking the exam. Each candidate's exam includes 10 additional, unidentified pretest items that do not contribute toward the candidate's score. The 10 items are randomly distributed throughout the exam. Therefore, each candidate's exam consists of a total of 120 items (110 scored and 10 unscored). There is no penalty for guessing. Therefore, candidates should attempt to answer all items. Candidates will be allowed 2 hours and 45 minutes to complete the exam.

White boards/dry erase markers 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 items involve calculations. Only calculators provided by the test center administrators are allowed for use during the exam.

Candidates are not 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 exams.

HOW THE EXAM IS SCORED

The passing score for the exam is the minimum number of test items that a candidate has to answer correctly in order to pass the exam. FINRA staff, in consultation with the Committee, using a standard setting procedure, establishes the passing score for the exam. The passing score is an absolute standard and is independent of the performance of candidates taking the exam. The passing score is 70%.

CANDIDATES' TEST RESULTS

On the day of the test, candidates will receive a report of their exam results both on screen and in paper format at the end of their exam session. The score report will indicate pass/fail status and a score profile indicating performance based on each major content area covered on the exam. It is recommended that candidates who fail the exam 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 exam. For security reasons, the exam and individual exam items are not available for review after taking the exam.

THE SERIES 26 CONTENT OUTLINE

Function 1 – Personnel Management Activities and Registration of the Broker-Dealer

1.1 Conducts personnel management activities and administers the registration of the broker-dealer and associated persons in the Central Registration Depository (CRD)® System by filing, updating or amending appropriate documents

KNOWLEDGE OF:

- **SEC, SRO and state requirements, including basic information about registration requirements and exemptions**
- **Filing requirements of Uniform Forms: U4, U5, BD, BDW, BR**
- **Pre-hire requirements based on background, disciplinary, complaint or financial history and registration/affiliation**
- **Differences between registered investment adviser and broker-dealer, broker-dealer and non-broker-dealer, and members and non-members, including registration requirements**
- **Permitted activities of registered and non-registered associated persons**
- **Requirements for heightened supervision**

FINRA By-Laws
- Article I – Definitions
- Article III – Qualifications of Members and Associated Persons
- Article IV – Membership
  - Section 1 – Application for Membership
  - Section 3 – Executive Representative
  - Section 5 – Resignation of Members
  - Section 7 – Transfer and Termination of Membership
  - Section 8 – Registration of Branch Offices
- Article V – Registered Representatives and Associated Persons
  - Section 1 – Qualification Requirements
  - Section 2 – Application for Registration
  - Section 3 – Notification by Member to the Corporation and Associated Person of Termination; Amendments to Notification

FINRA Rules
- 1010 – Electronic Filing Requirements for Uniform Forms
- 1122 – Filing of Misleading Information as to Membership or Registration
- 1230 – Registration Categories
- 2263 – Arbitration Disclosure to Associated Persons Signing or Acknowledging Form U4
- 3110 – Supervision
- 3110.01 – Registration of Main Office
- 3110.02 – Designation of Additional OSJs
- 3110.03 – Supervision of Multiple OSJs by a Single Principal (on-site principal)

8312 – FINRA BrokerCheck Disclosure

NASD Rules

IM-1000-2 – Status of Persons Serving in the Armed Forces of the United States
IM-1000-3 – Failure to Register Personnel
IM-1000-4 – Branch Offices and Offices of Supervisory Jurisdiction
1010 Series – Membership Proceedings
1020 Series – Registration of Principals
1030 Series – Registration of Representatives
1040 Series – Registration of Assistant Representatives and Proctors
1060 – Persons Exempt from Registration
1070 – Qualification Examinations and Waiver of Requirements
1080 – Confidentiality of Examinations

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 15b1-1 – Application for Registration of Brokers or Dealers
Rule 15b1-3 – Registration of Successor to Registered Broker or Dealer
Rule 15b2-2 – Inspection of Newly Registered Brokers and Dealers
Rule 15b3-1 – Amendments to Application
Rule 15b6-1 – Withdrawal From Registration
Rule 15b7-1 – Compliance with Qualification Requirements of Self-Regulatory Organizations
Rule 17a-3(a)(17) – Records to Be Made By Certain Exchange Members, Brokers and Dealers
Rule 17a-4(d) – Records to Be Preserved By Certain Exchange Members, Brokers and Dealers
Rule 17f-2 – Fingerprinting of Security Industry Personnel
Rule 19h-1 – Notice By a Self-Regulatory Organization of Proposed Admission to or Continuance in Membership or Participation or Association With a Member of Any Person Subject to a Statutory Disqualification, and Applications to the Commission For Relief Therefrom

Investment Advisers Act of 1940

Section 201 – Findings
Section 202 – Definition of Investment Adviser
Section 203 – Registration of Investment Advisers

1.2 Provides training and education on securities industry structure, rules and regulations, product characteristics, and firm policies

KNOWLEDGE OF:

- **Product types, characteristics, fees and charges**
- **Risk characteristics of investment companies and underlying products**
- **Regulatory element and firm element continuing education requirements**
- **Annual compliance meeting requirement**

FINRA Rules

1250 – Continuing Education Requirements
2111 – Suitability
2320 – Variable Contracts of an Insurance Company
2330 – Members' Responsibilities Regarding Deferred Variable Annuities
3110(a)(7) – Supervision (Supervisory System)
3110.04 – Annual Compliance Meeting
3130(b) – Annual Certification of Compliance and Supervisory Process (Annual Certification Requirement)

NASD Rule

2830 – Investment Company Securities

Securities Act of 1933

Section 2 – Definitions; Promotion of Efficiency, Competition, and Capital Formation

Investment Company Act of 1940

Section 2 – General Definitions
Section 4 – Classification of Investment Companies
Section 5 – Subclassification of Management Companies
Section 8 – Registration of Investment Companies
Section 11 – Offers of Exchange
Section 12 – Functions and Activities of Investment Companies
Section 13 – Changes in Investment Policy
Section 22 – Distribution, Redemption, and Repurchase of Securities
Section 35 – Unlawful Representations and Names
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

FUNCTION 2 – Supervises Associated Persons and Oversees Sales Practices

2.1 Monitors, supervises and documents the sales activities of associated persons to achieve compliance with securities industry rules and regulations and firm policies and provides feedback regarding product knowledge and performance

KNOWLEDGE OF:

- **Standards of conduct and prohibited activities**
- **Regulatory requirements to manage conflicts of interests**
- **Regulatory requirements related to personal trading**

FINRA Rules

2010 – Standards of Commercial Honor and Principles of Trade
2020 – Use of Manipulative, Deceptive or Other Fraudulent Devices
3110(a) – Supervision (Supervisory System)
3110(b) – Supervision (Written Procedures)
3110.05 – Risk-based Review of Member's Investment Banking and Securities Business
5270 – Front Running of Block Transactions

Securities Act of 1933

Section 12 – Civil Liabilities Arising in Connection with Prospectuses and Communications
Section 17 – Fraudulent Interstate Transactions
Section 23 – Unlawful Representations

Securities Exchange Act of 1934

Section 10 – Regulation of the Use of Manipulative and Deceptive Devices
Rule 10b-3 – Employment of Manipulative and Deceptive Devices by Brokers or Dealers
Rule 10b-5 – Employment of Manipulative and Deceptive Devices
Rule 10b5-1 – Trading "On the Basis Of" Material Nonpublic Information in Insider Trading Cases
Rule 10b5-2 – Duties of Trust or Confidence in Misappropriation Insider Trading Cases
Section 15 – Registration and Regulation of Brokers and Dealers
Section 15(c)(1) – Use of Manipulative or Deceptive Devices; Contravention of Rules and Regulations
Section 15(c)(2) – Fraudulent Acts or Practices and Fictitious Quotations
Rule 15c1-1 – Definitions
Rule 15c1-2 – Fraud and Misrepresentation
Rule 15c1-3 – Misrepresentation by Brokers, Dealers and Municipal Securities Dealers as to Registration

Investment Company Act of 1940

Section 37 – Larceny and Embezzlement

2.2 Monitors, reviews and approves communications with the public to achieve compliance with securities industry rules, regulations, filing requirements and firm policies

KNOWLEDGE OF:

- **Advertising regulations and requirements**
- **Definitions and differences among retail communications, institutional communications and correspondence**
- **Telemarketing requirements**
- **Regulation of telephone solicitations ("cold calling") including national telephone solicitation rules and the National "Do Not Call" Registry**
- **Regulations regarding public appearances, including sales prospecting, seminars and speaking engagements**
- **Prohibitions on misleading sales literature and factors affecting whether sales literature might be misleading**
- **Appropriate use of professional designations**

FINRA Rule

2210 – Communications with the Public
2211 – Communications with the Public About Variable Life Insurance and Variable Annuities
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
3110(b) – Written Procedures
3110(d) – Transaction Review and Investigation
3110.06 – Risk-based Review of Correspondence and Internal Communications
3110.07 – Evidence of Review of Correspondence and Internal Communications
3110.08 – Delegation of Correspondence and Internal Communication Review Functions
3170 – Tape Recording of Registered Persons by Certain Firms
3230 – Telemarketing
4511 – General Requirements (Books and Records)

NASD Rules

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

Securities Act of 1933

Rule 135a – Generic Advertising
Rule 156 – Investment Company Sales Literature
Rule 482 – Advertising By an Investment Company as Satisfying Requirements of Section 10
Regulation D – Rules Governing the Limited Offer and Sale of Securities Without Registration Under the Securities Act of 1933

Investment Company Act of 1940
Section 24(b) - Registration of Securities Under Securities Act of 1933
Rule 24b-3 – Sales Literature Deemed Filed
Rule 34b-1 – Sales Literature Deemed to be Misleading

2.3 Supervises recommendations and the handling of customers' accounts and transactions for appropriate disclosures concerning products, sales charges, risks, services, costs, fees, and delivery of disclosure and legal documents

KNOWLEDGE OF:

- **Required information to establish a new account**
- **Mutual fund and variable product account and transaction characteristics**
- **Suitability requirements including reasonable-basis suitability, customer-specific suitability, quantitative suitability, investment strategies and recommendations to hold**
- **Regulatory requirements for the delivery of offering documents (*e.g.,* prospectuses and SAI)**
- **Regulatory requirements for point-of-sale and on-going disclosures to customers**

FINRA Rules
2060 – Use of Information Obtained in a Fiduciary Capacity
2090 – Know Your Customer
2111 – Suitability
2111.05 – Components of Suitability Obligations
2121 – Fair Prices and Commissions
2122 – Charges for Services Performed
2330 – Members' Responsibilities Regarding Deferred Variable Annuities
3110(d) – Transaction Review and Investigation

NASD Rules
2510 – Discretionary Accounts

Securities Act of 1933
Section 5 – Prohibitions Relating to Interstate Commerce and the Mail
Rule 153a – Definition of "Preceded by a Prospectus" as Used in Section 5(b)(2) of the Act, in Relation to Certain Transactions Requiring Approval of Security Holders

Securities Exchange Act of 1934
Rule 15c1-7 – Discretionary Accounts
Rule 15c2-8 – Delivery of Prospectus

2.4 Supervises compliance with FINRA's cash and non-cash compensation rules

KNOWLEDGE OF:

- **Limits on gifts and business entertainment**
- **Restrictions on receipt of cash compensation**
- **Restrictions regarding training and educational meetings and sales contests**
- **Rules and regulation regarding influencing employees of others, including associated persons of other broker-dealers**
- **Payments for referrals**
- **Networking arrangements**

FINRA Rules

2040 – Payments to Unregistered Persons
2320(g) – Variable Contracts of an Insurance Company (Member Compensation)
3220 – Influencing or Rewarding Employees of Others
3160 – Networking Arrangements Between Members and Financial Institutions

NASD Rules

1060(b) – Persons Exempt from Registration
2830(l) – Investment Company Securities (Member Compensation)

2.5 Reviews and approves or prohibits outside business and personal financial activities of associated persons

KNOWLEDGE OF:

- **Notification and approval requirements**

FINRA Rules

2150 – Improper Use of Customers' Securities or Funds; Prohibition Against Guarantees and Sharing in Accounts
3210 – Accounts at Other Broker-Dealers and Financial Institutions
3240 – Borrowing From or Lending to Customers
3270 – Outside Business Activities of a Registered Person
3280 – Private Securities Transactions of an Associated Person

2.6 Takes action, as necessary, regarding the conduct of associated persons and addresses violations or potential violations of securities industry rules and regulations and firm policies and procedures

KNOWLEDGE OF:

- **Insider trading and related internal control policies and procedures**
- **Civil and criminal penalties**

FINRA By-Laws

Article IV – Membership

Section 6 – Retention of Jurisdiction

Article V – Registered Representatives and Associated Persons
Section 4 – Retention of Jurisdiction

FINRA Rules
5240 – Anti-Intimidation/Coordination
8000 Series – Investigations and Sanctions
9000 Series – Code of Procedure
9100 – Application and Purpose
9200 – Disciplinary Proceedings
9300 – Review of Disciplinary Proceeding by National Adjudicatory Council and FINRA Board; Application for SEC Review
9600 – Procedures for Exemptions

Securities Exchange Act of 1934
Section 15(f) – Registration and Regulation of Brokers and Dealers; Prevention of Misuse of Material, Nonpublic Information
Section 20A – Liability to Contemporaneous Traders for Insider Trading
Section 21A – Civil Penalties for Insider Trading
Section 21(d) – Investigations; Injunctions and Prosecution of Offenses

Insider Trading Sanctions Act of 1984

Insider Trading and Securities Fraud Enforcement Act of 1988

FUNCTION 3 – Oversees Compliance and Business Processes of the Broker-Dealer and its Offices

3.1 Supervises the firm's operational processes for compliance with regulatory requirements related to the opening and ongoing maintenance of customer accounts

KNOWLEDGE OF:
- **Required content for new account forms and product application**
- **Requirement to maintain current and accurate account information**
- **Delivery of securities**
- **Cash Accounts**
- **Prompt payment for securities purchased, extensions of time, and frozen accounts**
- **Transferring accounts between broker-dealers (*e.g.,* Automated Customer Account Transfer Service (ACATS))**
- **Account registration changes and internal transfers (*e.g.,* Transfer on Death (TOD), divorce)**
- **Privacy requirements including controls to safeguard customers' personal information**

FINRA Rules

2140 – Interfering With the Transfer of Customer Accounts in the Context of Employment Disputes
2090 – Know Your Customer
2232 – Customer Confirmations
2251 – Forwarding of Proxy and Other Issuer-Related Materials
4510 – Books and Records Requirements
4512 – Customer Account Information
4514 – Authorization Records for Negotiable Instruments Drawn From a Customer's Account
4515 – Approval and Documentation of Changes in Account Name or Designation
11310 – Book-Entry Settlement
11320 – Dates of Delivery
11330 – Payment
11870 – Customer Account Transfer Contracts

NASD Rules
2340 – Customer Account Statements
2830(m) – Prompt Payment for Investment Company Shares

Securities Exchange Act 1934
Rule 10b-10 – Confirmation of Transactions
Rule 15c6-1 – Settlement Cycle (i.e., exemptions for variable contracts)
Rule 17a-3(a)(9) – Records to be Made by Certain Exchange Members, Brokers and Dealers (Customer Account Information)
Rule 17a-3(a)(17) – Records to be Made by Certain Exchange Members, Brokers and Dealers (Customer Account Records and Updates)

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

Federal Reserve Board Regulation T – Credit by Brokers and Dealers

3.2 Monitors, identifies and reports suspicious activities consistent with regulatory and firm requirements and verifies that documentation is retained and filed

KNOWLEDGE OF:

- **Red flags and escalation requirements upon discovery of suspicious or prohibited activities**
- **Bank Secrecy Act (BSA) and USA PATRIOT Act**
- **Office of Foreign Assets Control (OFAC)**
- **Financial Crimes Enforcement Network (FinCEN)**
- **Anti-money laundering regulations**
- **Currency Transaction Reporting (CTR) and Suspicious Activity Report (SAR)**
- **Requirement to verify that accounts comply with the Customer Identification Program (CIP)**

FINRA Rules

2267 – Investor Education and Protection
3250 – Designation of Accounts (new accounts)
3310 – Anti-Money Laundering Compliance Program

Securities Exchange Act of 1934
Rule 17a-4(c) – Records to Be Preserved by Certain Exchange Members, Brokers and Dealers
Rule 17a-4(e)(8) – Records to Be Preserved by Certain Exchange Members, Brokers and Dealers
Rule 17a-8 – Financial Recordkeeping and Reporting of Currency and Foreign Transactions
SEC Regulation S-ID – Identity Theft Red Flags

Financial Crimes Enforcement Network (FinCEN)
Bank Secrecy Act (BSA) Requirements

USA PATRIOT Act
Section 314 – Cooperative Efforts to Deter Money Laundering
Section 326 – Customer Identification Programs
Section 352 – Anti-Money Laundering Programs

U.S. Treasury – Office of Foreign Assets Control (OFAC)
OFAC Specially Designated National List (SDN)

3.3 Develops, implements and tests the adequacy of internal controls and monitors business activities for compliance with regulatory and reporting requirements

KNOWLEDGE OF:

- **Requirement that all activities and systems have proper controls**
- **Appropriate testing of the firm's written supervisory procedures and controls, including the CEO Certification**
- **Regulatory requirements for firm's systems and technologies**
- **Requirements to implement and test the firm's business continuity plan (BCP)**
- **Exception reports and risk management**
- **Annual audit and testing requirements**
- **FOCUS filing requirements**
- **Requirements for handling of customer funds**

FINRA Rules
2342 – "Breakpoint" Sales
3110(b) – Supervision (Written Procedures)
3110.10 – Supervision of Supervisory Personnel
3110.11 – Use of Electronic Media to Communicate Written Supervisory Procedures
3110.12 – Standards for Reasonable Review
3120 – Supervisory Control System
3130 – Annual Certification of Compliance and Supervisory Processes
4370 – Business Continuity Plans and Emergency Contact Information

4517 – Member Filing and Contact Information Requirements
4524 – Supplemental FOCUS Information
4530 – Reporting Requirements
8110 – Availability of Manual to Customers

Securities Exchange Act of 1934
Rule 17a-4 – Records to be Preserved by Certain Exchange Members, Brokers and Dealers
Rule 17a-5(e) – Reports to Be Made by Certain Brokers and Dealers

3.4 Performs required office inspections to verify compliance with regulatory requirements and firm policies and procedures

KNOWLEDGE OF:

- **Books and records requirements**
- **Requirement to conduct periodic inspections and reviews of activities of personnel located at offices of supervisory jurisdiction (OSJ), branch offices and unregistered office locations**
- **Supervisory files**
- **Appropriate signage based on office classification**

FINRA Rules
2261 – Disclosure of Financial Condition
3110(c) – Internal Inspections
3110(e) – Definitions
3110.09 – Retention of Correspondence and Internal Communications
3110.12 – Standards for Reasonable Review
3110.13 – General Presumption of Three-Year Limit for Periodic Inspection Schedules
3110.14 – Exception to Persons Prohibited from Conducting Inspections
3150 – Holding of Customer Mail
3160 – Networking Arrangements Between Members and Financial Institutions
4110 – Capital Compliance
4510 – Books and Records Requirement
7440 – Recording of Order Information

NASD Rules
3140 – Approval of Change in Exempt Status Under SEC Rule 15c3-3

Securities Exchange Act of 1934
Section 15(c)(3) – Financial Responsibility of Brokers and Dealers
Section 17(a)(1) – General Requirements
Rule 15b2-2 – Inspection of Newly Registered Brokers and Dealers
Rule 15c3-3 – Customer Protection – Reserves and Custody of Securities
Rule 15c3-3 (k) – Exemptions
Rule 17a-3 – Records to be Made by Certain Exchange Members, Brokers and Dealers
Rule 17a-5 – Reports to Be Made by Certain Brokers and Dealers
Rule 17a-11 – Notification Provisions For Brokers and Dealers

Rule 17f-1 – Requirements for Reporting and Inquiry with Respect to Missing, Lost, Counterfeit or Stolen Securities
Rule 17f-2 (d) – Fingerprinting of Securities Industry Personnel (Record maintenance)

3.5 Proper handling, resolution and required regulatory reporting of customer complaints

KNOWLEDGE OF:

- **Disclosure reporting and filing requirements**

FINRA Arbitration Procedures
12000 Series – Code of Arbitration Procedure for Customer Disputes
13000 Series – Code of Arbitration Procedure for Industry Disputes
14000 Series – Code of Mediation Procedure

FINRA Rules
2080 – Obtaining an Order of Expungement of Customer Dispute Information from the Central Registration Depository (CRD) System
2268 – Requirements When Using Predispute Arbitration Agreements for Customer Accounts
4513 – Records of Written Customer Complaints
4530.08 – Customer Complaints

Securities Exchange Act of 1934
Rule 17a-3(a)(18) – Records to be Made by Certain Exchange Members, Brokers and Dealers (Customer Complaint Records)

3.6 Supervises introduction, maintenance and reporting requirements of products/business lines and financial responsibility compliance

KNOWLEDGE OF:

- **Minimum requirements, aggregate indebtedness and net capital notification provisions**
- **Adjustments to net worth for illiquid assets, effect on capital of proprietary positions**
- **SIPC coverage restrictions and limitations**
- **Due diligence process for products offered by the firm**
- **Policies, procedures and controls before introducing new products or business lines**
- **Delivery requirements for annual reports and notices of corporate actions (*e.g.,* proxy statements)**
- **Continuance in membership applications (CMA)**

FINRA Rules
2111.05 – Components of Suitability Obligations
2266 – SIPC Information
4110 – Capital Compliance
4120 – Regulatory Notification and Business Curtailment
4360 – Fidelity Bonds

NASD Rule

1017(c) – Application for Approval of Change in Ownership, Control, or Business Operations

Securities Exchange Act of 1934
- Section 14 – Proxies
- Rule 15c3-1 – Net Capital Requirements for Brokers and Dealers

Securities Investor Protection Act (SIPA)
- Section 3 – Securities Investor Protection Corporation (SIPC)
- Section 5 – Protection of Customers
- Section 9 – SIPC Advances
- Section 14 – Prohibited Acts
- Section 15(d) – Advertising

Federal Deposit Insurance Corporation (FDIC) disclosures

SAMPLE ITEMS

The following sample items are included to provide an introduction to the basic formats of multiple-choice items used on the exam. The sample items do not reflect the difficulty level of actual test items. Candidates who familiarize themselves with these formats may be able to improve their test-taking skills so their performance on the exam will better reflect their knowledge of the areas tested. The correct answer to each sample item is indicated by an asterisk.

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: An investor in an IRA may avoid early withdrawal penalties for which of the following?

(A) Qualified private high school
(B) Purchase of a vacation home
(C) Disability*
(D) Change in employment status

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

Example: Under SEC record keeping rules, trial balances must be prepared by a broker-dealer at least:

(A) daily.
(B) monthly.*
(C) quarterly.
(D) semiannually.

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: The Investment Company Act of 1940 requires prospectus disclosure of each of the following **except** the:

(A) fund's past investment performance.
(B) waiver of sales charges applicable to qualified purchasers.
(C) fees charged to the fund by the investment advisers.
(D) investment experience of the officers and directors of the fund.*

REFERENCES

Listed below are government and SRO websites that provide information about rules and other information that may useful in preparing for the exam. In addition to information about rules, the SRO may publish glossaries of terms, explanations of securities products, and compliance procedures. Candidates are encouraged to refer to the SRO websites for information memos or Regulatory Notices concerning amendments to rules and the announcement of new rules that may be pertinent to the exam. 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 SRO and pertinent federal government (*e.g.,* the SEC) websites. It is recommended that candidates refer to the content outline as part of their preparation to take the exam. Candidates are responsible for planning their course of study in preparation for the exam. 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)
www.finra.org

Securities and Exchange Commission
Office of Investor Education and Advocacy
www.sec.gov

Securities Industry/Regulatory Council on Continuing Education
www.cecouncil.com