



# **Securities Trader Qualification Examination (Series 57)**

## **Content Outline**

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## **INTRODUCTION**

The Series 57 exam is the Securities Trader 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 57 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.

## **PURPOSE OF THE EXAM**

The Series 57 exam is designed to assess the competency of entry-level Securities Traders. It is intended to safeguard the investing public by helping to ensure that Securities Traders are competent to perform their jobs. Given this purpose, the Series 57 exam seeks to measure the degree to which each candidate possesses the knowledge, skills and abilities needed to perform the critical functions of a Securities Trader. For more information about the permissible activities of a Securities Trader under FINRA rules, please see FINRA Rule 1220(b)(4), which is viewable in the FINRA Rule Manual through the following link: [www.finra.org](http://www.finra.org).

## **ELIGIBILITY REQUIREMENTS**

The candidate must be associated with and sponsored by a FINRA member firm or other applicable self-regulatory organization (SRO) member firm to be eligible to take the Series 57 exam. There is no prerequisite requirement for this exam. For more information on eligibility requirements, please see FINRA Rule 1220(b)(4), which is viewable in the FINRA Rule Manual through the following link: [www.finra.org](http://www.finra.org), or other applicable SRO rules.

## **APPLICATION PROCEDURES**

The FINRA member firm or other applicable SRO 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 Securities Trader position on the Form U4.

## STRUCTURE OF THE EXAM

The exam consists of 125 multiple-choice items, which are distributed among the four major content areas listed in the table below.

Job Functions		Number of Items
Function 1	Market Overview and Products	22
Function 2	Engaging in Professional Conduct and Adhering to Regulatory Requirements	12
Function 3	Trading Activities	79
Function 4	Maintaining Books and Records and Trade Reporting	12
Total		125

## DEVELOPMENT AND MAINTENANCE OF THE CONTENT OUTLINE AND EXAM

The Series 57 content outline was developed based on the results of a job analysis study of Securities Traders. The job analysis process included collecting data about the job functions, tasks and required knowledge of Securities Traders from a wide variety of firms using numerous data collection techniques.

Under the guidance of FINRA staff, a committee of industry representatives (Committee) writes, reviews and validates all exam items to ensure and sustain the job relevance of the exam. Exam items are subject to multiple reviews prior to inclusion on the exam, and each item links directly to a component of the content outline. Items vary in difficulty and complexity. Each item has only one correct or best answer.

The bank of items changes frequently 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. Exam items and their statistical performance are analyzed routinely by FINRA staff and the Committee to ensure relevance to the functions of Securities Traders. **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.**

Candidates should read and answer all items as they apply to exchange-listed standardized options unless an item specifically asks about conventional over-the-counter (OTC) options. Also, unless an item is specifically worded to the contrary, all items involving calculations exclude commissions and other transactions cost considerations.

## **ADMINISTRATION OF THE EXAM**

The exam is administered via computer. A tutorial on how to take the exam via computer is provided prior to 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 135 items (125 scored and 10 unscored). There is no penalty for guessing. Therefore, candidates should attempt to answer all items. Candidates will be allowed 3 hours and 45 minutes to complete the exam.

The test administrator will provide white boards/dry erase markers and basic electronic calculators to candidates, who must return these materials to the test center administrator at the end of the testing session. Some exam items may 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**

Following a well-established process known as standard setting, FINRA determines the passing score for the examination based on a number of factors including industry trends, historical exam performance and evaluations of the content difficulty by a committee of industry professionals with the designated registration. For the Series 57 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 items that candidates receive. This allows for a fair comparison of scores and ensures that every candidate is held to the same passing standard regardless of which set of exam items he or she received.

# SERIES 57 CONTENT OUTLINE

## FUNCTION 1 – Market Overview and Products

### 1.1 Understanding the Structure of the Marketplace

- Regulatory and self-regulatory organizations (SROs)
  - Definition of an SRO
  - Regulatory framework
  - Jurisdiction
- Types of markets (e.g., physical, electronic)
- Types of broker-dealers
- Business and economic cycles
- Role of Federal Reserve
  - The structure of the Federal Reserve
  - Monetary vs. fiscal policy
  - Open market activities and impact on economy
  - Different rates (e.g., interest rate, discount rate, federal funds rate)
- Depositories and clearing facilities
- Priority of debtors' claims in bankruptcies
- Securities Investor Protection Corporation (SIPC) vs. Federal Deposit Insurance Corporation (FDIC)
- Blue Sky
- Offerings:
  - The role of investment banker
  - Public securities offering
  - Private securities offering
  - Initial public offering (IPO)
  - Secondary offering
  - Syndicates
  - Types of tombstones
  - Shelf registration
  - Prospectus delivery requirements

### 1.2 Understanding Types of Products

- Equities
  - Control and restricted securities (SEC Rule 144)
  - IPOs
  - Penny stocks
- Debt/fixed income
- Options
  - Basic option contracts (e.g., call, put, long, short)
- Derivatives
- Money market instruments
- Alternative investments (e.g., hedge funds, structured products)
- Limited partnerships
- Real estate investment trusts (REITs)

- Exchange traded products [e.g., exchange-traded funds (ETF), exchange-traded notes (ETN)]
- Depositary receipts and shares [e.g., American Depositary Receipt (ADR), American Depositary Shares (ADS), Global Depositary Receipt (GDR), Global Depositary Shares (GDS)]
- Investment company securities (e.g., mutual funds, variable annuities)
- 529 college savings plans
- Investment risks (e.g., interest rate, liquidity, market)

### **1.3 Understanding Corporate Actions**

- Dividends
- Stock splits and reverse stock splits
- Making adjustments for securities subject to corporate actions
- Processing customer instructions and special situations related to corporate actions
- Delivery of notices
- Corporate action deadlines
- Proxies and proxy voting

## **FUNCTION 2 – Engaging in Professional Conduct and Adhering to Regulatory Requirements**

### **2.1 Adhering to Regulatory Requirements**

- FINRA registration requirements
- SRO and state registration requirements
- Failing to register an associated person
- Reporting of certain events and information
  - Form U4 and U5 disclosures
  - FINRA Rule 4530 reporting
  - Criminal records, bankruptcies, judgments and liens
  - Outside business activities
  - Private securities transactions
  - Personal Securities Transactions
  - Dollar/value limits for gifts and gratuities and noncash compensation
  - Business entertainment
- Consequences of filing misleading information or omitting information
- Continuing education requirement (*e.g.*, firm element, regulatory element)
- Customer complaints
- Appropriate use of social media and electronic communications

### **2.2 Avoiding Prohibited Activities**

- Restrictions for associated persons purchasing IPOs
- Use of manipulative, deceptive or other fraudulent devices
- Improper use of customers' securities or funds and prohibitions against guarantees and sharing in customer accounts
- Prohibition against paying commissions to unregistered persons
- Falsifying or withholding documents
- Prohibited activities related to maintenance of books and records (*e.g.*, falsifying records, improper maintenance/retention of records)



## FUNCTION 3 – Trading Activities

### 3.1 Understanding General Trading Practices

#### 3.1.1 Achieving Market Making Status

- Qualified block positioner
- Registration as a market maker
- Market participant identifiers (MPIDs)
- Net capital requirements
- Floor Brokers

#### 3.1.2 Understanding Order Types

- Market
- Limit
- Stop
- Stop limit
- Contingent/Stipulation [e.g., Day, good-til-cancelled (GTC), immediate-or-cancel (IOC), fill-or-kill (FOK), all-or-none (AON)]
- Market not held
- Market-on-open (MOO), market-on-close (MOC)
- Reserve
- Bid-ask
- Long and short
- Buy and sell
- Naked and covered
- Bearish and bullish

#### 3.1.3 Market Access

- DMA/sponsored access
- Credit and capital limits
- Pre-trade risk controls

#### 3.1.4 Identifying and Handling Clearly Erroneous Transactions

#### 3.1.5 Display, Execution, and Trading Systems

- Order entry parameters
- Trading rotations
- Alternative Display Facility (ADF)
- Regulation Alternative Trading System (ATS)

#### 3.1.6 Identifying and Avoiding Prohibited Activities

- Insider trading
- Trading ahead of research reports
- Coordination/intimidation

- Painting the tape
- Pre-arranged trading
- Wash sales
- Spoofing
- Pump and dump
- Gaming

### 3.1.7 Clearance and Settlement

- Same day vs. regular way settlement
- Standard settlement time frames for various products

### 3.1.8 Disseminating Quotes and Trade Advertisements

- Quotation and trading halts
- Halt and imbalance crosses
- Trade volume advertising
- Publishing indications of interest
- Volatility trading pauses (VTPs)
- Offers at stated prices

## 3.2 Trading Specific Products

### 3.2.1 IPOs, Secondary Offerings and Safe Harbors

- Permitted and prohibited trading activities related to IPOs and secondary offerings
- Penalty bids
- Stabilizing bids
- Passive market making
- Required notifications related to IPOs and secondary offerings
- Trading within safe harbors

### 3.2.2 Non-listed and Penny Stocks

- Penny stocks
- Form 211
- Disclosure requirements
- Over-the-counter (OTC) quoting and trading
- OTC Bulletin Board (OTCBB)

### 3.2.3 Options Trading

- Options orders and types
  - Spread
  - Straddle
  - Combination
  - Index options (*e.g.*, VIX)
- Exercise and assignment
  - Tender of exercise notices
  - Assignment of exercise limits

- Position and exercise limits

### 3.2.4 Handling and Executing Short Sales

- Regulation SHO
- Locates and borrows
- Price test
- Close-out requirements
- Order marking
- Exemptions

## 3.3 Handling Customer Orders

### 3.3.1 Meeting Obligations to Customers Regarding Orders

- Market hours vs. pre- and post-market trading
- Best execution vs. due diligence
- Adjustment of orders
- Fair prices and commissions
- Net transactions
- Order marking

### 3.3.2 Identifying and Avoiding Prohibited Activities

- Front running
- Trading ahead of customer orders
- Use of manipulative or deceptive devices
- Prohibited transactions of investment advisers

### 3.3.3 Regulation NMS

- Order protection
- Display of customer limit orders

### 3.3.4 Managing Various Account Activities

- Account holder types and characteristics [e.g., individual, joint, corporate, trust, custodial, retirement IRA, 403b)]
- Account types (e.g., cash, margin)
  - Account approvals
  - Required disclosures
  - Margin, hypothecation and re-hypothecation
  - Margin-eligible/ineligible securities
  - Federal and FINRA margin requirements and margin calls (Regulation T)

### 3.3.5 Account Statements and Confirmations

- Types of information that appear on an account statement
- Time frame for providing account statements
- Types of information that appear on a confirmation
- Confirmation delivery requirements, including electronic confirmations

- Non-trade confirmations/third party activity notices
- Updating customer account records

### 3.3.6 Customer accounts and compliance considerations

- Anti-money laundering (AML) compliance
  - Structuring, layering and other money laundering activities
- Customer identification program (CIP) requirements
- “Know Your Customer” (KYC) obligations
- Office of Foreign Asset Control (OFAC) and the Specially Designated Nationals and Blocked Persons (SDNs) list
- Financial Crimes Enforcement Network (FinCEN)
- Suspicious activity reports (SARs)

## **FUNCTION 4 – Maintaining Books and Records and Trade Reporting**

### **4.1 Reporting Trades to the Designated Reporting Facility**

- Distinctions among reporting facilities
- Trade reporting requirements (e.g., modifiers, timing, trade acceptance)

### **4.2 Creating, Retaining and Reporting Required Records of Orders and Transactions**

- Large Trader ID and related reporting and monitoring requirements
- Order execution/routing information
- Order Audit Trail System (OATS)
- Consolidated Options Audit Trail System (COATS)
- OATS reporting obligations, including timing and required fields
- Books and records and pre-time stamping
- ATS Transparency

## **RULES AND REGULATIONS REFERENCES**

This section provides a list of laws, rules and regulations that are associated with the functions described in the content outline. The list is provided to serve as a resource for some general concepts that will be tested on the exam, although not every function and associated task listed in the content outline has an associated law, rule or regulation.

The listing of laws, rules and regulations is intended to serve as a reference tool to aid candidates in studying to take the exam. The test questions will not require candidates to identify specific laws, rules or regulations. Instead, the candidate should know the definition, general characteristics and concepts associated with a particular law, rule or regulation. For example, an exam question will NOT ask the candidate to identify the specific FINRA rule number associated with trading halts (FINRA Rule 6120).

New laws, rules and regulations, as applicable, will be added to this reference list when associated definitions and general concepts are added to the content outline and examination. Similarly, laws, rules and regulations will be removed from this reference list at the time the associated definitions and general concepts are removed from the content outline and exam.

### **FUNCTION 1 – Market Overview and Products**

#### **1.1 Understanding the Structure of the Marketplace**

##### **BOX Rules**

Rule 2020 — Participant Eligibility and Registration

Rule 2040 — Restrictions

##### **CBOE Rules**

Rule 6.70 — Floor Broker Defined

Rule 6.71 — Registration of Floor Brokers

Rule 6.73 — Responsibilities of Floor Brokers

Rule 7.3 — Designation of Order Book Officials

Rule 7.12 — Par Official

##### **CHX Rules**

Article 17 — Institutional Brokers

Rule 1 — Registration and Appointment

Rule 2 — Registration Procedures

Rule 3 — Responsibilities

##### **Nasdaq OMX PHLX Rules**

Rule 155 — General Responsibility of Floor Brokers

Rule 1060 — Floor Broker Defined

Rule 1061 — Registration of Floor Brokers

Rule 1063 — Responsibilities of Floor Brokers

##### **NYSE American (Options)**

Rule 930NY — Floor Broker Defined

Rule 931NY — Registration of Floor Brokers

Rule 933NY — Responsibilities of Floor Brokers

##### **NYSE Arca Rules**

- Rule 6.43 — Options Floor Broker Defined
- Rule 6.44 — Registration of Floor Brokers
- Rule 6.46 — Responsibilities of Floor Brokers

#### Securities Act of 1933

- Section 6 — Registration of Securities and Signing of Registration Statement

#### Securities Act of 1933 Rules and Regulations

- Regulation C — Registration

- Regulation D — Rules Governing the Limited Offer and Sale of Securities Without Registration Under the Securities Act of 1933

## **1.2 Understanding Types of Products**

#### Investment Company Act of 1940

- Section 2 — General Definitions

- Section 3 — Definition of Investment Company

- Section 4 — Classification of Investment Companies

- Section 5 — Sub-Classification of Management Companies

- Section 6 — Exemptions

- Section 8 — Registration of Investment Companies

## **FUNCTION 2 – Engaging in Professional Conduct and Adhering to Regulatory Requirements**

### **2.1 Adhering to Regulatory Requirements**

#### FINRA Rules

- Rule 1210 Series — Registration Requirements

- Rule 1220(b)(1) – Definition of Representative

- Rule 1240 — Continuing Education Requirement

- Rule 2310(c) — Direct Participation Programs

- Rule 2320(g)(4) — Variable Contracts of an Insurance Company

- Rule 3110(e) — Responsibility of Member to Investigate Applicants for Registration

- Rule 3220 — Influencing or Rewarding Employees of Others

- Rule 3270 — Outside Business Activities of Registered Persons

- Rule 3280 — Private Securities Transactions of an Associated Person

- Rule 4513 — Records of Written Customer Complaints

- Rule 4530 — Reporting Requirements

- Rule 5110(h) — Corporate Financing Rule – Underwriting Terms and Arrangements

- Rule 3210 — Accounts at Other Broker-Dealers and Financial Institutions

- Rule 2341(l)(5) — Investment Company Securities

#### Securities Exchange Act of 1934 Rules

- Rule 17f-2 — Finger-Printing of Security Industry Personnel

### **2.2 Avoiding Prohibited Activities**

#### FINRA Rules

- Rule 2010 — Standards of Commercial Honor and Principles of Trade

Rule 2040 — Payments to Unregistered Persons  
Rule 2150 — Improper Use of Customers' Securities or Funds; Prohibition Against Guarantees and Rule Sharing in Accounts  
Rule 3240 — Borrowing From or Lending to Customers  
Rule 6130 — Transactions Related to Initial Public Offerings

### **3.1.1 Achieving Market Making Status**

#### **BZX Rules**

Rule 11.5 — Registration of Market Makers  
Rule 11.6 — Obligations of Market Maker Authorized Traders  
Rule 11.7 — Registration of Market Makers in a Security  
Rule 11.8 — Obligations of Market Makers  
Rule 22.2 — Options Market Maker Registration  
Rule 22.3 — Continuing Options Market Maker Registration  
Rule 22.4 — Good Standing for Market Makers  
Rule 22.5 — Obligations of Market Makers  
Rule 22.6 — Market Maker Quotations  
Rule 22.7 — Securities Accounts and Orders of Market Makers  
Rule 22.10 — Limitations on Dealings

#### **BYX Rules**

Rule 11.5 — Registration of Market Makers  
Rule 11.6 — Obligations of Market Maker Authorized Traders  
Rule 11.7 — Registration of Market Makers in a Security  
Rule 11.8 — Obligations of Market Makers

#### **BOX Rules**

Rule 100(a)(30) — Definition of a Market Maker  
Rule 8000 — Market Maker Registration  
Rule 8010 — Qualifications Requirements for Market Maker Registration  
Rule 8020 — Good Standing for Market Makers  
Rule 8030 — Appointment of Market Makers  
Rule 8040 — Obligations of Market Makers  
Rule 8050 — Market Maker Quotations  
Rule 8060 — Securities Accounts and Orders of Market Makers  
Rule 8090 — Limitations on Dealings  
Rule 8100 — Standard Market Maker Protection Mechanism  
Rule 8110 — Advanced Market Maker Protection Mechanism

#### **CBOE Rules**

Rule 8.1 — Market-Maker Defined  
Rule 8.2 — Registration of Market-Makers  
Rule 8.7 — Obligations of Market-Makers  
Rule 8.13 — Preferred Market-Maker Program  
Rule 8.14 — Index Hybrid Trading System Classes Market-Maker Participants  
Rule 8.15 — Lead Market-Makers and Supplemental Market-Makers in Hybrid 3.0 Classes  
Rule 8.15A — Lead Market-Makers in Hybrid Classes  
Rule 8.80 — Designated Primary Market-Makers – DPM Defined  
Rule 8.81 — DPM Designees



Rule 8.83 — Approval to Act as DPM

Rule 8.85 — DPM Obligations

#### C2 Rules

Rule 8.1 — Initial Market Maker Registration

Rule 8.13 — Preferred Market Maker Program

#### CHX Rules

Article 16 — Market Makers

Rule 1 — Registration and Appointment

Rule 2 — Initial Registration Procedures

Rule 3 — Approval by the Exchange

Rule 5 — Identification of Securities Traded as a Market Maker

Rule 8 — Responsibilities

Rule 9 — Limitation on Dealings

Rule 10 — Reporting of Position Information

#### EDGA and EDGX Rules

Rule 11.17 — Registration of Market Makers

Rule 11.18 — Obligations of Market Maker Authorized Traders

Rule 11.19 — Registration of Market Makers in a Security

Rule 11.20 — Obligations of Market Makers

#### FINRA Rules

Rule 5250 — Payments for Market Making

Rule 6271 — Registration as an ADF Market Maker or ADF ECN

Rule 6275 — Withdrawal of Quotations

Rule 6480 — Multiple MPIDs for Quoting and Trading in OTC Equity Securities

#### MIAX Rules

Rule 600 — Registration of Market Makers

Rule 601 — Registered Option Traders

Rule 602 — Appointment of Market Makers

Rule 603 — Obligations of Market Makers

Rule 604 — Market Maker Quotations

#### Nasdaq OMX PHLX Rules

Rule 1014 — Obligations and Restrictions Applicable to Specialists and Registered Options Traders

#### Nasdaq Stock Market Rules

Rule 4612 — Registration as a Nasdaq Market Maker

Rule 4613 — Market Maker Obligations

Rule 4620 — Voluntary Termination of Registration

#### Nasdaq OMX BX Rules

Rule 4612 — Registration as an Equities Market Maker

Rule 4613 — Market Maker Obligations

#### Nasdaq Options Market Rules

Chapter VII, Section 2 — Market Maker Registration

Chapter VII, Section 3 — Continuing Market Maker Registration

Chapter VII, Section 4 — Good Standing for Market Makers

Chapter VII, Section 5 — Obligations of Market Makers

Chapter VII, Section 6 — Market Maker Quotations

Chapter VII, Section 7 — Securities Accounts and Orders of Market Makers

#### Nasdaq OMX BX Options Rules

- Chapter VII, Section 2 — Market Maker Registration
- Chapter VII, Section 3 — Continuing Market Maker Registration
- Chapter VII, Section 4 — Good Standing of Market Makers
- Chapter VII, Section 5 — Obligations of Market Makers
- Chapter VII, Section 6 — Market Maker Quotations
- Chapter VII, Section 7 — Securities Accounts and Orders of Market Makers
- NYSE American Rules (Options)
  - Rule 920NY — Market Makers
  - Rule 921NY— Registration of Market Makers
  - Rule 925NY— Obligations of Market Makers
  - Rule 927NY — Specialists
  - Rule 927.4NY — E-Specialists
- NYSE Arca Rules
  - Rule 6.32 — Market Maker Defined (Options)
  - Rule 6.33 — Registration of Market Makers (Options)
  - Rule 6.37 — Obligations of Market Makers (Options)
  - Rule 6.82 — Lead Market Makers (Options)
  - Rule 7.20 — Registration of Market Makers (Equities)
  - Rule 7.23 — Obligations of Market Makers (Equities)
- Securities Exchange Act of 1934
  - Section 3(a)(38) — Definition of a Market Maker
- Securities Exchange Act of 1934 Rules
  - Rule 3b-8 —Definitions of “Qualified OTC Market Maker,” “Qualified Third Market Maker” and “Qualified Block Positioner”

## **FUNCTION 3 – Trading Activities**

### **3.1.2 Understanding Order Types**

- BZX Rules
  - Rule 11.9 — Orders and Modifiers
  - Rule 11.12 — Priority of Orders
  - Rule 11.13 — Order Execution and Routing
  - Rule 21.1 — Definitions
  - Rule 21.8 — Order Display and Book Processing
  - Rule 21.9 — Order Routing
  - Rule 21.10 — Anonymity
- BYX Rules
  - Rule 11.9 — Orders and Modifiers
  - Rule 11.12 — Priority of Orders
  - Rule 11.13 — Order Execution and Routing
- BOX Rules
  - Rule 100(a)(44) — Definition of an Order
  - Rule 7110 — Order Entry
  - Rule 7240 — Complex Orders
  - Rule 7270 — Block Orders
- CBOE Rules

- Rule 6.53 — Certain Types of Orders Defined
- C2 Rules
  - Rule 6.10 — Order Types Defined
- CHX Rules
  - Article 1 — Rule 2 — Order Types, Modifiers, and Related Terms
- EDGA and EDGX Rules
  - Rule 11.8 — Order Types
  - Rule 11.10 — Order Execution
  - Rule 11.11 — Routing to Away Trading Center
- ISE Rules
  - Rule 715 — Types of Orders
  - Rule 722 — Complex Orders
- MIAX Rules
  - Rule 100 — Definitions
  - Rule 513 — Submission of Orders and Clearance of Transactions
  - Rule 514 — Priority of Quotes and Orders
  - Rule 515 — Execution of Orders and Quotes
  - Rule 516 — Order Types Defined
  - Rule 517 — Quote Types Defined
- Nasdaq OMX PHLX Rules
  - Rule 1066 — Certain Types of Floor-Based (Non-PHLX XL) Orders Defined
  - Rule 1080 — PHLX XL and PHLX II
  - Rule 3301A (PSX) — Order Types
  - Rule 3301B (PSX) — Order Attributes
- Nasdaq Stock Market Rules
  - Rule 4702 — Order Types
  - Rule 4703 — Order Attributes
- Nasdaq OMX BX Rules
  - Rule 4702 — Order Types
  - Rule 4703 — Order Attributes
- Nasdaq Options Market Rules
  - Chapter VI — Section 1 — Definitions
- Nasdaq OMX BX Options Rules
  - Chapter VI — Section 1 — Definitions
- NSX Rules
  - Rule 11.11 — Orders and Modifiers
  - Rule 11.14 — Priority of Orders
  - Rule 11.15 — Order Execution
- NYSE American Rules
  - Rule 900.3NY — Orders Defined
- NYSE Arca Rules
  - Rule 6.62 — Certain Types of Orders Defined
  - Rule 7.31 — Orders and Modifiers

### **3.1.3 Market Access**

Securities Exchange Act of 1934 Rules

### **3.1.4 Identifying and Handling Clearly Erroneous Transactions**

#### BZX Rules

Rule 11.17 — Clearly Erroneous Executions

Rule 20.6 — Nullification and Adjustment of Option Transactions Including Obvious Errors

#### BYX Rules

Rule 11.17 — Clearly Erroneous Executions

#### BOX Rules

Rule 7180 — Transaction Price Binding

Rule 7170 — Nullification and Adjustment of Options Transactions including Obvious Errors

Rule 7180 — Transaction Price Binding

#### CBOE Rules

Rule 6.25 — Nullification and Adjustment of Options Transactions Including Obvious Errors

Rule 6.52 — Price Binding Despite Erroneous Report

Rule 6.60 — Unmatched Trade Reports

Rule 6.61 — Reconciliation and Resolution of Unmatched Trades

#### CHX Rules

Article 20 — Rule 9 — Cancellations or Adjustment of Bona Fide Error Trades

Article 20 — Rule 10 — Handling of Clearly Erroneous Transactions

#### C2 Rules

Rule 6.15 — Nullification and Adjustment of Options Transactions Including Obvious Errors

Rule 6.16 — Price Binding Despite Erroneous Report

#### EDGA and EDGX Rules

Rule 11.15 — Clearly Erroneous Executions

#### FINRA Rule 11890 Series — Clearly Erroneous Transactions

#### ISE Rules

Rule 719 — Transaction Price Binding

#### MIAX Rules

Rule 521 — Nullification and Adjustment of Options Transactions Including Obvious Errors

Rule 522 — Price Binding Despite Erroneous Report

#### Nasdaq OMX PHLX Rules

Rule 128 — Price of Execution Binding

Rule 1092 — Nullification and Adjustment of Options Transactions Including Obvious Errors

Rule 3312 (PSX) — Clearly Erroneous Transactions

#### Nasdaq Stock Market Rules

Rule 11890 — Clearly Erroneous Transactions

#### Nasdaq OMX BX Rules

Rule 11890 — Clearly Erroneous Transactions

#### Nasdaq Q Options Market Rules

Chapter V — Section 6 — Nullification and Adjustment of Options Transactions Including Obvious Errors

Chapter VI — Section 13 — Transaction Price Binding

#### Nasdaq OMX BX Options Rules

Chapter V — Section 6 — Nullification and Adjustment of Options Transactions Including Obvious Errors

Chapter VI — Section 13 — Transaction Price Binding

NSX Rules

Rule 11.19 — Clearly Erroneous Executions

NYSE American Rules

Rule 958NY — Price Binding Despite Erroneous Report

Rule 970 — Comparison of Option Transactions Excluded from Clearance

NYSE Arca Rules

Rule 6.21 — Resolution of Un-Compared Trades

Rule 6.70 — Price Binding Despite Erroneous Report

**3.1.5 Display, Execution, and Trading Systems**

BZX Rules

Rule 2.11 — BATS Trading, Inc. as Outbound Router

Rule 2.12 — BATS Trading, Inc. as Inbound Router

Rule 11.8 — Obligations of Market Makers

Rule 11.9 — Orders and Modifiers

Rule 11.11 — Price Variations

Rule 11.12 — Priority of Orders

Rule 11.13 — Order Execution and Routing

Rule 11.15 — Clearance and Settlement; Anonymity

Rule 11.20 — Locking or Crossing Quotations in NMS Stocks

Rule 11.23 — Auctions

Rule 11.24 — Opening Process for Non-BATS Listed Securities

Rule 20.4 — Resumption of Trading After a Halt

Rule 21.3 — Units of Trading

Rule 21.4 — Meaning of Premium Quotes and Orders

Rule 21.5 — Minimum Increments

Rule 21.6 — Entry of Orders

Rule 21.7 — Market Opening Procedures

Rule 21.8 — Order Display and Book Processing

Rule 21.9 — Order Routing

Rule 21.10 — Anonymity

Rule 22.5 — Obligations of Market Makers

Rule 27.2 — Order Protection

BYX Rules

Rule 2.11 — BATS Trading, Inc. as Outbound Router

Rule 2.12 — BATS Trading, Inc. as Inbound Router

Rule 11.8 — Obligations of Market Makers

Rule 11.9 — Orders and Modifiers

Rule 11.11 — Price Variations

Rule 11.12 — Priority of Orders

Rule 11.13 — Order Execution and Routing

Rule 11.15 — Clearance and Settlement; Anonymity

Rule 11.20 — Locking or Crossing Quotations in NMS Stocks

BOX Rules

Rule 8100 — Standard Market Maker Protection Mechanism

Rule 15010 — Order Protection  
Rule 15020 — Locked and Crossed Markets

#### CBOE Rules

Rule 6.24 — Required Order Information  
Rule 6.45 — Priority of Bids and Offers – Allocation of Trades  
Rule 6.45A — Priority and Allocation of Equity Option Trades on the CBOE Hybrid System  
Rule 6.45B — Priority and Allocation of Trades in Index Options and Options on ETFs on the CBOE Hybrid System  
Rule 6.74 — Crossing Orders  
Rule 6.74A — Automated Improvement Mechanism (AIM)  
Rule 6.74B — Solicitation Auction Mechanism  
Rule 6.9 — Solicited Transactions  
Rule 8.15 — Lead Market-Makers and Supplemental Market-Makers in Hybrid 3.0 Classes  
Rule 8.87 — Participation Entitlements of DPMs and E-DPM  
Rule 8.85 — DPM Obligations

#### C2 Rules

Rule 6.2 — Unit of Trading  
Rule 6.3 — Meaning of Premium Bids and Offers  
Rule 6.4 — Minimum Increments for Bids and Offers  
Rule 6.10 — Order Types Defined  
Rule 6.11 — Openings (And Sometimes Closings)  
Rule 6.40 — Contract Made on Acceptance of Bid or Offer  
Rule 8.5 — Obligations of Market-Makers  
Rule 8.6 — Market-Maker Firm Quotes

#### CHX Rules

Article 1 — Rule 2 — Order Types, Modifiers, and Related Terms  
Article 16 — Rule 8 — Responsibilities  
Article 20 — Rule 3 — Firm Orders  
Article 20 — Rule 4 — Eligible Orders  
Article 20 — Rule 5 — Prevention of Trade Throughs  
Article 20 — Rule 6 — Locked and Crossed Markets

#### EDGA and EDGX Rules

Rule 2.11 — BATS Trading, Inc. as Outbound Router  
Rule 2.12 — BATS Trading, Inc. as Inbound Router  
Rule 11.8 — Order Types  
Rule 11.9 — Priority of Orders  
Rule 11.10 — Order Execution  
Rule 11.13 — Clearance and Settlement; Anonymity

#### FINRA Alternative Display Facility (ADF) Rule 6200 Series

Rule 6210 — General  
Rule 6220 — Definitions  
Rule 6230 — Use of Alternative Display Facility Data Systems  
Rule 6240 — Prohibition from Locking or Crossing Quotations in NMS Stocks  
Rule 6250 — Quote and Order Access Requirements  
Rule 6260 — Review of Direct or Indirect Access Complaints  
Rule 6270 Series — Quoting and Trading in ADF-Eligible Securities  
Rule 6273 — Normal Business Hours

## ISE Rules

- Rule 701 — Trading Rotations
- Rule 711 — Acceptance of Quotes and Orders
- Rule 712(a) — Order Identification
- Rule 713 — Priority of Quotes and Orders
- Rule 717 — Limitations on Orders
- Rule 803 — Obligations of Market Makers
- Rule 803(c) — Primary Market Makers
- Rule 1901 — Order Protection
- Rule 1902 — Locked and Crossed Markets

## MIAX Rules

- Rule 501 — Day and Hours of Business
- Rule 503 — Openings on the Exchange
- Rule 504 — Trading Halts
- Rule 515 — Execution of Orders and Quotes
- Rule 529 — Order Routing to Other Exchanges
- Rule 1400 — Definitions
- Rule 1401 — Order Protection
- Rule 1402 — Locked and Crossed Markets

## Nasdaq OMX PHLX Rules

- Rule 1014 — Obligations and Restrictions Applicable to Specialists and Registered Options Traders
- Rule 1017 — Openings in Options
- Rule 1047 — Trading Rotations, Halts and Suspensions
- Rule 1080 — PHLX XL and PHLX XL II
- Rule 1082 — Firm Quotations
- Rule 1083 — Order Protection; Locked and Crossed Markets
- Rule 3213 (PSX) — Market Making Obligations
- Rule 3301A — Order Types
- Rule 3301B — Order Attributes
- Rule 3302 (PSX) — Opening Process
- Rule 3306 (PSX) — Entry and Display of Quotes and Orders
- Rule 3310 (PSX) — Anonymity

## Nasdaq Stock Market Rules

- Rule 4613 — Market Maker Obligations
- Rule 4702 — Order Types
- Rule 4703 — Order Attributes
- Rule 4752 — Opening Process
- Rule 4753 — Nasdaq Halt Cross
- Rule 4754 — Nasdaq Closing Cross
- Rule 4756 — Entry and Display of Quotes and Orders
- Rule 4757 — Book Processing
- Rule 4758 — Order Routing
- Rule 4760 — Anonymity

## Nasdaq OMX BX Rules

- Rule 4702 — Order Types
- Rule 4703 — Order Attributes
- Rule 4752 — Opening Process; Opening and Closing Price

Rule 4756 — Entry and Display of Quotes and Orders

Rule 4760 — Anonymity

#### Nasdaq Options Market Rules

Chapter VI — Section 7 — Entry and Display of Orders

Chapter VI — Section 8 — Nasdaq Opening and Halt Cross

Chapter VI — Section 11 — Order Routing

Chapter VI — Section 12 — Anonymity

Chapter VII — Section 5 — Obligations of Market Makers

Chapter XII — Options Order Protection and Locked and Crossed Markets Rules

#### Nasdaq OMX BX Options Rules

Chapter VI — Section 7 — Entry and Display of Orders

Chapter VI — Section 8 — BX Opening and Halt Cross

Chapter VI — Section 11 — Order Routing

Chapter VII — Section 5 — Obligations of Market Makers

Chapter XII — Options Order Protection and Locked and Crossed Market Rules

#### NSX Rules

Rule 12.10 — Best Execution

Rule 12.11 — Trading Suspensions

#### NYSE Arca Rules

Rule 6.62 — Certain Types of Orders Defined

Rule 6.64 — OX Opening Process

Rule 6.67 — Order Format and System Entry Requirements

Rule 6.76 — Order Ranking and Display

Rule 6.76A — Order Execution — OX

Rule 6.94 — Order Protection

Rule 6.95 — Locked and Crossed Markets

Rule 7.35 — Auctions (Equities)

Rule 7.36 — Order Ranking and Display

#### NYSE American Rules

Rule 900.3NY — Orders Defined

Rule 935NY — Order Exposure Requirements

Rule 952NY — Opening Process

Rule 955NY — Order Format and System Entry Requirements

Rule 964NY — Display, Priority and Order Allocation - Trading Systems

Rule 991NY — Order Protection

Rule 992NY — Locked and Crossed Markets

#### SEC Market Regulations

##### Regulation ATS

Rule 300 — Definitions

Rule 301 — Requirements for Alternative Trading Systems

Rule 302 — Recordkeeping Requirements for Alternative Trading Systems

Rule 303 — Record Preservation Requirements for Alternative Trading Systems

### **3.1.6 Identifying and Avoiding Prohibited Activities**

#### FINRA Rules

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



Rule 5280 — Trading Ahead of Research Reports  
Rule 5240 — Anti-Intimidation/Coordination  
Rule 5290 — Order Entry and Execution Practices  
Rule 2020 — Use of Manipulative, Deceptive or Other Fraudulent Devices

#### Securities Exchange Act of 1934

Section 9 – Prohibition Against Manipulation of Security Prices  
Section 15(g) — Registration and Regulation of Brokers and Dealers (policies and procedures to be developed by broker-dealers to prevent misuse of material, non-public information)

#### Securities Exchange Act of 1934 Rules

Rule 10b-5 — Employment of Manipulative and Deceptive Devices  
Rule 10b5-2 — Duties of Trust or Confidence in Misappropriation Insider Trading Cases

### **3.1.7 Clearance and Settlement**

#### BZX Rules

Rule 11.15 — Clearance and Settlement; Anonymity  
Rule 13.1 — Comparison and Settlement Requirements  
Rule 13.2 — Failure to Deliver and Failure to Receive  
Rule 23.3 — Delivery and Payment

#### BYX Rules

Rule 11.15 — Clearance and Settlement; Anonymity  
Rule 13.1 — Comparison and Settlement Requirements  
Rule 13.2 — Failure to Deliver and Failure to Receive

#### BOX Rules

Rule 7200 — Submission for Clearance

#### CBOE Rules

Rule 6.50 — Submission for Clearance

#### CHX Rules

Article 21 — Clearance and Settlement

#### EDGA and EDGX Rules

Rule 11.13 — Clearance and Settlement; Anonymity  
Rule 13.1 — Comparison and Settlement Requirements

#### FINRA Rules

Rules 6274/6350A/6350B — Clearance and Settlement  
Uniform Practice Codes  
Rule 11130 — When, As and If Issued/Distributed Contracts  
Rule 11140 — Transactions in Securities “Ex-Dividend,” “Ex-Rights” or “Ex-Warrants”  
Rule 11320 — Dates of Delivery

#### ISE Rules

Rule 1102 — Delivery and Payment

#### MIAX Rules

Rule 513 — Submission of Orders and Clearance of Transactions  
Rule 606 — Trade Reporting and Comparison  
Rule 702 — Delivery and Payment  
Rule 804 — Automated Submission of Trade Data

#### Nasdaq OMX PHLX Rules

Rule 1044 — Delivery and Payment

- Rule 3218 (PSX) — Clearance and Settlement
- Nasdaq Stock Market Rules
  - Rule 4618 — Clearance and Settlement
  - Rule 11300 Series — Delivery of Securities
- Nasdaq OMX BX Rules
  - Rule 4618 — Clearance and Settlement
- Nasdaq Options Market Rules
  - Chapter VIII — Section 3 — Delivery and Payment
- Nasdaq OMX BX Options Rules
  - Chapter VIII — Section 3 — Delivery and Payment
- NSX Rules
  - Rule 11.17 — Clearance and Settlement
  - Rule 13.1 — Comparison and Settlement Requirements
  - Rule 13.2 — Failure to Deliver and Failure to Receive
- NYSE American Rule
  - Rule 765 — Assignment by Member Organizations
  - Rule 774 — Signature Guarantee
  - Rule 775 — Legal Assignments
  - Rule 776 — Book-Entry Settlement of Transactions
  - Rule 831 — Buyer Entitled to Dividend
  - Rule 882 — Due-Bills on Failures to Deliver
  - Rule 982 — Delivery and Payment
- NYSE Arca Rules
  - Rule 6.26 — Delivery and Payment
- Securities Exchange Act of 1934 Rules
  - Rule 15c6-1 — Settlement Cycle

### **3.1.8 Disseminating Quotes and Trade Advertisements**

- BZX Rules
  - Rule 11.18 — Trading Halts Due to Extraordinary Market Volatility
  - Rule 20.3 — Trading Halts
  - Rule 20.4 — Resumption of Trading After a Halt
  - Rule 20.5 — Unusual Market Conditions
- BYX Rules
  - Rule 11.18 — Trading Halts Due to Extraordinary Market Volatility
- BOX Rules
  - Rule 6080(c) — Instituting Halts and Suspensions
  - Rule 7060 — Acceptances of Quotes and Orders
  - Rule 7080 — Trading Halts
  - Rule 7090 — Trading Halts Due to Extraordinary Market Volatility
- CBOE Rules
  - Rule 6.3 — Trading Halts
  - Rule 6.3B — Market-Wide Trading Halts Due to Extraordinary Market Volatility
  - Rule 6.3C — Individual Stock Trading Pause Due to Extraordinary Market Volatility
  - Rule 6.6 — Unusual Market Conditions
  - Rule 24.7 — Trading Halts, Suspensions, or Primary Market Closure

## C2 Rules

Rule 6.32 — Trading Halts

Rule 6.33 — Authority to Take Action Under Emergency Conditions

## CHX Rules

Article 1, Rule 2 — Order Types, Modifiers, and Related Terms

Article 16, Rule 8 — Responsibilities

Article 20, Rule 2 — Trading Halts Due to Extraordinary Market Volatility

Article 20, Rule 2A — Limit Up-Limit Down Plan and Trading Pauses in Individual Securities Due to Extraordinary Market Volatility

Article 20, Rule 4 — Eligible Orders

Article 20, Rule 8 — Operation of the Matching Engine

Article 20, Rule 10 — Handling of Clearly Erroneous Transactions

## EDGA and EDGX Rules

Rule 11.16 — Trading Halts Due to Extraordinary Market Volatility

## FINRA Rules

Rule 5210 — Publication of Transactions and Quotations

Rule 5220 — Offers at Stated Prices

Rule 5260 — Prohibition on Transactions, Publication of Quotations, or Publication of Indications of Interest During Trading Halts

Rule 6120 — Trading Halts

Rule 6121 — Trading Halts Due to Extraordinary Market Volatility

Rule 6190 — Compliance with Regulation NMS Plan to Address Extraordinary Market Volatility

Rule 6272 (ADF) — Character of Quotations

Rules 6277/6360A/6360B — Suspension and Termination of Quotations by FINRA Action

Rule 6440 — Trading and Quotation Halt in OTC Equity Securities

## ISE Rules

Rule 702 — Trading Halts

Rule 703 — Trading Halts Due to Extraordinary Market Volatility

Rule 703A — Trading During Limit Up-Limit Down States in Underlying Securities

## MIAX Rules

Rule 504 — Trading Halts

Rule 523 — Authority to Act Under Emergency Conditions

Rule 530 — Limit Up-Limit Down

## Nasdaq OMX PHLX Rules

Rule 133 — Trading Halts Due to Extraordinary Market Volatility

Rule 136 — Trading Halts in Certain Exchange Traded Funds

Rule 1047 — Trading Rotations, Halts and Suspensions

Rule 1047A (Index Options) — Trading Rotations, Halts or Re-Openings

Rule 1080 — PHLX XL and PHLX II

Rule 3100 (PSX) — Limit Up-Limit Down Plan and Trading Halts on PSX

## Nasdaq Stock Market Rules

Rule 4120 — Limit Up-Limit Down Plan and Trading Halts

Rule 4121 — Trading Halts Due to Extraordinary Market Volatility

Rule 4753 — Nasdaq Halt Cross

## Nasdaq OMX BX Rules

Rule 4120 — Limit Up-Limit Down Plan and Trading Halts

Rule 4121 — Trading Halts Due to Extraordinary Market Volatility

## Nasdaq Options Market Rules

Chapter V — Section 3 — Trading Halts

Chapter V — Section 4 — Resumption of Trading After a Halt

Chapter V — Section 5 — Unusual Market Conditions

## Nasdaq OMXBX Options Rules

Chapter V — Section 3 — Trading Halts

Chapter V — Section 4 — Resumption of Trading After a Halt

Chapter V — Section 5 — Unusual Market Conditions

## NSX Rules

Rule 11.20 — Trading Halts and Pauses

## NYSE American Rules

Rule 953NY — Trading Halts and Suspensions

Rule 953.1NY — Limit-Up and Limit-Down During Extraordinary Market Volatility

## NYSE Arca Rules

Rule 6.65 — Trading Halts and Suspensions

Rule 7.11 — Limit Up and Limit Down Plan and Trading Pauses in Individual Securities Due to Extraordinary Market Volatility

## SEC Market Regulations

### Regulation NMS

Rule 602 — Dissemination of Quotations in NMS Securities

Rule 610 — Access to Quotations

### **3.2.1 IPOs, Secondary Offerings and Safe Harbors**

## FINRA Rules

Rule 5131 — New Issue Allocations and Distributions

Rule 5190(e) — Notice of Penalty Bids and Syndicate Covering Transactions in OTC Equity Securities

Rule 6130 — Transactions Related to Initial Public Offerings

Rule 6435 — Withdrawal of Quotations in an OTC Equity Security in Compliance with SEC Regulation M

## Nasdaq Stock Market Rules

Rule 4614 — Stabilizing Bids

Rule 4624 — Penalty Bids and Syndicate Covering Transactions

## Nasdaq OMXBX Rules

Rule 4614 — Stabilizing Bids

Rule 4619 — Withdrawal of Quotations

Rule 4624 — Penalty Bids and Syndicate Covering Transactions

## Securities Exchange Act of 1934

Section 5 — Transactions on Unregistered Exchanges

## Securities Exchange Act of 1934 Rules

Rule 10b5-1 — Trading “On The Basis Of” Material Non-Public Information in Insider Trading Cases

Rule 10b-18 — Purchases of Certain Equity Securities By the Issuer and Others

## SEC Market Regulations

### Regulation M

Rule 101 — Activities By Distribution Participants

Rule 102 — Activities By Issuers and Selling Security Holders During a Distribution

Rule 103 — Nasdaq Passive Market Making

Rule 104 — Stabilizing and Other Activities in Connection With an Offering

Rule 105 — Short Sales in Connection With a Public Offering

#### Securities Act of 1933 Rules and Regulations

Regulation D — Rules Governing the Limited Offer and Sale of Securities Without Registration Under the Securities Act of 1933

Rule 144 — Persons Deemed Not to Be Engaged in a Distribution and Therefore Not Underwriters

Rule 144A — Private Resales of Securities to Institutions

Rule 145 — Reclassification of Securities, Mergers, Consolidations and Acquisitions of Assets

### **3.2.2. Non-Listed and Penny Stocks**

#### FINRA Rules

Rule 6140 — Other Trading Practices

Rule 6400 Series — Quoting and Trading in OTC Equity Securities

Rule 6410 — General

Rule 6420 — Definitions

Rule 6432 — Compliance with the Information Requirements of SEA Rule 15c2-11

Rule 6433 — Minimum Quotation Size Requirements for OTC Equity Securities

Rule 6434 — Minimum Pricing Increment for OTC Equity Securities

Rule 6437 — Prohibition from Locking or Crossing Quotations in OTC Equity Securities

Rule 6438 — Displaying Priced Quotations in Multiple Quotation Mediums

Rule 6460 — Display of Customer Limit Orders

Rule 6500 Series — OTC Bulletin Board Service

Rule 6510 — Applicability

Rule 6520 — Operation of the Service

Rule 6530 — OTCBB-Eligible Securities

Rule 6540 — Requirements Applicable to Market Makers

#### Securities Exchange Act of 1934

Section 3(a)(51) — Definition of Penny Stock

#### Securities Exchange Act of 1934 Rules

Rule 15c2-11 — Initiation or Resumption of Quotations Without Specified Information

Rule 15g-1 — Exemptions for Certain Transactions

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 to Associated Persons in Connection With Penny Stock Transactions

Rule 15g-8 — Sales of Escrowed Securities of Blank Check Companies

### **3.2.3 Options Trading**

#### BZX Rules

Chapter XVI — General Provisions — BATS Options

Chapter XIX — Securities Traded on BATS Options

Chapter XXIX — Index Rules

Rule 23.1 — Exercise of Options Contracts

Rule 23.2 — Allocation of Exercise Notices

Rule 23.3 — Delivery and Payment

#### BOX Rules

Rule 6010 — Definitions

Rule 6060 — Exemption from Position Limits

Rule 6070 — Exercise Limits

Rule 9010 — Allocation of Exercise Notices

Rule 9020 — Delivery and Payment

#### CBOE Rules

Rule 4.11 — Position Limits

Rule 4.12 — Exercise Limits

Rule 4.13 — Reports Related to Position Limits

Rule 6.53 — Certain Types of Orders Defined

Rule 11.1 — Exercise of Option Contracts

Rule 11.2 — Allocation of Exercise Notices

Rule 11.3 — Delivery and Payment

Rule 24.4 — Position Limits for Broad-Based Index Options

Rule 24.4A — Position Limits for Industry Index Options

Rule 24.4B — Position Limits for Options on Micro Narrow-Based Indexes as Defined Under Rule 24.2(d)

Rule 24.4C — Position Limits for Individual Stock or ETF Volatility Index Options

Rule 24.5 — Exercise Limits

Rule 24A.7 — Position Limits and Reporting Requirements

Rule 24A.8 — Exercise Limits

Rule 24B.7 — Position Limits and Reporting Requirements

Rule 24B.8 — Exercise Limits

#### ISE Rules

Chapter 1 — Definitions

Chapter 20 — Index Rules

Chapter 22 — Rate-Modified Foreign Currency Options Rules

Rule 503 — Withdrawal of Approval of Underlying Securities

Rule 504 — Series of Options Contracts Open for Trading

Rule 1100 — Exercise of Option Contracts

Rule 1101 — Allocation of Exercise Notices

Rule 1102 — Delivery and Payment

#### MIAX Rules

Rule 100 — Definitions

Rule 402 — Criteria for Underlying Securities

Rule 403 — Withdrawal of Approval of Underlying Securities

Rule 404 — Series of Option Contracts Open for Trading

Rule 700 — Exercise of Option Contracts

Rule 701 — Allocation of Exercise Notices

Rule 702 — Delivery and Payment

#### Nasdaq OMX BX Rules

Rule 2840 — Trading in Index Warrants, Currency Index Warrants and Currency Warrants

Rule 2850 — Position Limits

Rule 2851 — Exercise Limits

Rule 2852 — Reporting Requirements

## Nasdaq OMX BX Options Rules

- Chapter I — Section 1 — Definitions
- Chapter IV — Securities Traded on BX Options
- Chapter VIII — Section 1 — Exercise of Option Contracts
- Chapter VIII — Section 2 — Allocation of Exercise Notices
- Chapter VIII — Section 3 — Delivery and Payment
- Chapter XIV — Index Rules

## Nasdaq OMX PHLX Rules

- Rule 1000 — Applicability, Definitions and References
- Rule 1000A — Applicability and Definitions
- Rule 1010 — Withdrawal of Approval of Underlying Securities of Options
- Rule 1012.05(a) — Series of Options Open for Trading
- Rule 1042 — Exercise of Equity Option Contracts
- Rule 1042A — Exercise of Option Contracts
- Rule 1043 — Allocation of Exercise Notices
- Rule 1044 — Delivery and Payment

## Nasdaq Options Market Rules

- Chapter I — Section 1 — Definitions
- Chapter IV — Securities Traded on Nasdaq Options Market
- Chapter VIII — Section 1 — Exercise of Option Contracts
- Chapter VIII — Section 2 — Allocation of Exercise Notices
- Chapter VIII — Section 3 — Delivery and Payment
- Chapter XIV — Index Rules

## Nasdaq Stock Market Rules

- Rule 2840 Series — Trading in Index Warrants, Currency Index Warrants and Currency Warrants
- Rule 2850 — Position Limits
- Rule 2851 — Exercise Limits
- Rule 2852 — Reporting Requirements

## NSX Rules

- Rule 12.9 — Options

## NYSE Arca Options Rules

- Rule 5, Section 3 — Stock Index Options
- Rule 5.75 — Series of Foreign Currency Options Open for Trading
- Rule 6.1 — Rules Principally Applicable to Trading of Option Contracts
- Rule 6.4 — Series of Options Open for Trading

## NYSE American Rules

- Rule 900NY — Rules Principally Applicable to Trading of Options Contracts
- Section 11 — Stock Index Options
- Rule 903 — Series of Options Open for Trading
- Rule 980 — Exercise of Options Contracts
- Rule 981 — Allocation of Exercise Notices
- Rule 982 — Delivery and Payment

## NYSE Arca Rules

- Rule 5.24 — Exercise of Options Contracts
- Rule 6.25 — Allocation of Exercise Assignment Notices
- Rule 6.26 — Delivery and Payment

### **3.2.4 Handling and Executing Short Sales**

FINRA Rules 6182 and 6624 — Trade Reporting of Short Sales

SEC Market Regulations

Regulation SHO

Rule 200 — Definition of “Short Sale” and Marking Requirements

Rule 201 — Circuit Breaker

Rule 203 — Borrowing and Delivery Requirements

Rule 204 — Close-Out Requirement

### **3.3.1 Meeting Obligations to Customers Regarding Orders**

BZX Rules

Rule 11.1 — Hours of Trading and Trading Days

Rule 19.7 — Adjustments

Rule 20.6 — Nullification and Adjustment of Options Transactions Including Obvious Errors

Rule 21.2 — Days and Hours of Business

Rule 29.10 — Trading Sessions

BYX Rules

Rule 11.1 — Hours of Trading and Trading Days

BOX Rules

Rule 5060 — Adjustments

Rule 6080 — Trading Sessions – Days and Hours of Business

Rule 7130 — Execution and Price/Time Priority

CBOE Rules

Rule 5.7 — Adjustments

Rule 6.1 — Days and Hours of Business

Rule 6.25 — Nullification and Adjustment of Options Transactions Including Obvious Errors

Rule 6.52 — Price Binding Despite Erroneous Report

C2 Rules

Rule 6.1 — Days and Hours of Business

Rule 6.15 — Nullification and Adjustment of Options Transactions Including Obvious Errors

Rule 6.16 — Price Binding Despite Erroneous Report

CHX Rules

Article 20, Rule 1 — Trading Sessions

ISE Rules

Rule 505 — Adjustments

Rule 700 — Days and Hours of Business

EDGA and EDGX Rules

Rule 11.1 — Hours of Trading and Trading Days

FINRA Rules

Rule 2010 — Standards of Commercial Honor and Principles of Trade

Rule 2121 — Fair Prices and Commissions

Rule 2124 — Net Transactions with Customers

Rule 2265 — Extended Hours Trading Risk Disclosure

Rule 5310 — Best Execution and Interpositioning

Rule 5330 — Adjustment of Orders



Rule 5350 — Stop Orders  
Rule 6140 — Other Trading Practices

#### MIAX Rules

Rule 405 — Adjustments  
Rule 501 — Day and Hours of Business  
Rule 521 — Nullification and Adjustment of Options Transactions Including Obvious Errors

#### Nasdaq Options Market Rules

Chapter IV — Section 7 — Adjustments  
Chapter V — Section 6 — Nullification and Adjustment of Options Transactions Including Obvious Errors  
Chapter XIV — Section 10 — Trading Sessions

#### Nasdaq OMX BX Rules

Rule 3220 — Adjustment of Open Orders  
Rule 4617 — Normal Business Hours

#### Nasdaq OMX BX Options Rules

Chapter IV — Section 7 — Adjustments  
Chapter V — Section 6 — Nullification and Adjustment of Options Transactions Including Obvious Errors  
Chapter XIV — Section 10 — Trading Sessions

#### Nasdaq OMX PHLX Rules

Rule 101 — Hours of Business  
Rule 1092 — Nullification and Adjustment of Options Transactions Including Obvious Errors  
Rule 3217 (PSX) — Normal Business Hours

#### Nasdaq Stock Market Rules

Rule 4617 — Normal Business Hours  
Rule 4761 — Corporate Actions Related to a Dividend, Payment or Distribution

#### NSX Rules

Rule 11.1 — Hours of Trading

#### NYSE Arca Rules

Rule 6.4(b) and (c) — Adjustments

#### NYSE American Rules

Rule 901NY — Trading Sessions  
Rule 903(d) and (f) — Adjustments

#### NYSE Arca Rules

Rule 5.20 — Trading Sessions  
Rule 5.79 — Trading Sessions  
Rule 6.12 — Open Orders on “Ex-Date”  
Rule 7.1 — Trading Sessions  
Rule 7.34 — Trading Sessions

### **3.3.2 Identifying and Avoiding Prohibited Activities**

#### CHX Rules

Article 9 — General Trading Rules

#### FINRA Rules

Rule 2020 — Use of Manipulative, Deceptive or Other Fraudulent Devices  
Rule 5270 — Front Running of Block Transactions

Rule 5320 — Prohibition Against Trading Ahead of Customer Orders  
Investment Advisers Act of 1940  
Section 206 — Prohibited Transactions by Investment Advisers

### **3.3.3 Regulation NMS**

SEC Market Regulations  
Regulation NMS — Regulation of the National Market System  
Rule 600 — NMS Security Designation and Definitions  
Rule 604 — Display of Customer Limit Orders  
Rule 611 — Order Protection Rule  
Rule 612 — Minimum Price Increments

### **3.3.5 Account Statements and Confirmations**

FINRA Rule 2232 — Customer Confirmations  
NASD Rule 2340 — Customer Account Statements

### **3.3.6 Customer Accounts and Compliance Considerations**

FINRA Rules  
2090 — Know Your Customer  
3310 — Anti-Money Laundering Compliance Program

## **FUNCTION 4 – Maintaining Books and Records and Trade Reporting**

### **4.1 Reporting Trades to the Designated Reporting Facility**

BZX Rules  
Rule 11.14 — Trade Execution and Reporting  
Rule 21.3 — Units of Trading  
BYX Rules  
Rule 11.14 — Trade Execution and Reporting  
BOX Rules  
Rule 7120 — Audit Trail  
C2 Rules  
Rule 6.38 — Reporting of Trade Information  
CHX Rules  
Article 21 — Rule 1 — Trade Reporting With a Qualified Clearing Agency  
Article 21 — Rule 6 — Submission of Clearing Information for Transaction Executed Off-Exchange  
EDGA and EDGX Rules  
Rule 11.12 — Trade Execution and Reporting  
FINRA Rules  
Rule 6110 — Trading Otherwise than on an Exchange  
Rule 6160 — Multiple MPIDs for Trade Reporting Facility Participants  
Rule 6170 — Primary and Additional MPIDs for Alternative Display Facility Participants  
Rule 6181 — Timely Transaction Reporting

Rule 6183 — Exemption from Trade Reporting Obligation for Certain Alternative Trading Systems

Rule 6280 and 7100 Series — Transaction Reporting/Alternative Display Facility

Rule 6281 — Reporting Transactions in ADF-Eligible Securities

Rule 6282 — Transactions Reported by Members to the Alternative Display Facility (ADF)

Rule 7110 — Definitions

Rule 7120 — Trade Reporting Participation Requirements

Rule 7130 — Trade Report Input

Rule 7140 — Trade Report Processing

Rule 7150 — Obligation to Honor Trades

Rule 7160 — Audit Trail Requirements

Rule 6300A/7200A Series and 6300B/7200B Series — FINRA/Nasdaq Trade Reporting Facility and FINRA/NYSE Trade Reporting Facility

Rule 6310A/6300B — General

Rule 6320A/6320B — Definitions

Rule 6380A/6380B — Transaction Reporting

Rule 7210A/7210B — Definitions

Rule 7220A/7220B — Trade Reporting Participation Requirements

Rule 7230A/7230B — Trade Report Input

Rule 7240A/7240B — Trade Report Processing

Rule 7250A/7250B — Obligation to Honor Trades

Rule 7260A/7260B — Audit Trail Requirements

Rule 7270A/7270B — Violation of Reporting Rules

Rule 6550 — Transaction Reporting (OTCBB)

Rule 6600 Series — OTC Reporting Facility

Rule 6610 — General

Rule 6621 — Definitions

Rule 6622 — Transaction Reporting

Rule 6623 — Timely Transaction Reporting

Rule 6625 — Exemption from Trade Reporting Obligation for Certain Alternative Trading Systems

Rule 7300 Series — OTC Reporting Facility

Rule 7310 — Definitions

Rule 7320 — Trade Reporting Participation Requirements

Rule 7330 — Trade Report Input

Rule 7340 — Trade Report Processing

Rule 7350 — Obligation to Honor Trades

Rule 7360 — Audit Trail Requirements

Rule 7370 — Violation of Reporting Rules

MIAX Rules

Rule 513 — Submission of Orders and Clearance of Transactions

Rule 524 — Reporting of Matched Trades to Clearing Corporation

## **4.2 Creating, Retaining, and Reporting Required Records of Orders and Transactions**

BZX Rules

Rule 11.14 — Trade Execution and Reporting

BYX Rules

Rule 11.14 — Trade Execution and Reporting

## BOX Rules

Rule 7020 — Days and Hours of Business

Rule 10000 — Maintenance, Retention and Furnishing of Books, Records and Other Information

## CBOE Rules

Rule 4.13 — Reports Related to Position Limits

Rule 6.1 — Days and Hours of Business

Rule 6.51 — Reporting Duties

Rule 6.58 — Submission of Trade Information to the Exchange

Rule 15.1 — Maintenance, Retention and Furnishing of Books, Records and Other Information

## C2 Rules

Rule 6.1 — Days and Hours of Business

Rule 6.38 — Reporting of Trade Information CHX Rules

Article 11, Rule 3 — Records of Orders and Executions

Article 11, Rule 4 — Participant Communications

## EDGA and EDGX Rules

Rule 11.12 — Trade Execution and Reporting

## FINRA Rules

Rule 4511 — Books and Records Requirements; General Requirements

Rule 4552 — Alternative Trading Systems — Trading Information for Securities Executed Within the  
Alternative Trading System

Rule 5340 — Pre-Time Stamping

Rule 7400 Series — Order Audit Trail System (OATS)

Rule 7410 — Definitions

Rule 7420 — Applicability

Rule 7430 — Synchronization of Member Business Clocks

Rule 7440 — Recording of Order Information

Rule 7450 — Order Data Transmission Requirements

Rule 7460 — Violation of Order Audit Trail System Rule

## NSX Rules

Rule 11.16 — Trade Execution and Reporting

## NYSE American Rules

Rule 957NY — Reporting Duties

## NYSE Arca Rules

Rule 6.69 — Reporting Duties

## Securities Exchange Act of 1934 Rules

13h-1 — Large Trader Reporting

17a-3 — Records to Be Made By Certain Exchange Members, Brokers and Dealers

## SEC Market Regulations

### Regulation NMS

Rule 605 — Disclosure of Order Execution Information

Rule 606 — Disclosure of Order Routing Information

## 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 exam 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. An asterisk indicates the correct answer to each sample item.

**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 transactions is considered manipulative or deceptive?

- (A) Circulating a quotation that is not bona fide\*
- (B) Refusing to accept limit orders from all customers
- (C) Appending "bid wanted" to a quote in a thinly traded security
- (D) Updating a market maker quote to reflect new customer orders

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

**Example:** A put is considered out-of-the-money when the market price of the underlying security is:

- (A) equal to or higher than the strike price.\*
- (B) lower than the strike price.
- (C) lower than the strike price less the premium.
- (D) higher than the strike price less the premium.

**Except or Not:** "Except" or "not" is used when the task is to select the response option that is an exception to the principle or rule stated in the stem. In such cases, the stem may be open or closed.

**Example:** Which of the following does **not** settle T+2?

- (A) NYSE securities
- (B) Exchange-traded funds (ETFs)
- (C) Options\*
- (D) OTC Bulletin Board (OTCBB) securities

## REFERENCES

Listed below are government and SRO websites that provide information about rules and regulations and other information candidates may find 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 relate to the exam. Candidates can purchase copies of federal securities laws and SEC rules and regulations 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, nor does it endorse, any particular course of study.

**BATS Exchange**  
[www.batstrading.com](http://www.batstrading.com)

**BOX Options Exchange**  
[www.boxexchange.com](http://www.boxexchange.com)

**Chicago Board Options Exchange**  
[www.cboe.com](http://www.cboe.com)

**CHX Chicago Exchange**  
[www.chx.com](http://www.chx.com)

**Financial Industry Regulatory Authority  
(FINRA)**  
[www.finra.org](http://www.finra.org)

**International Securities Exchange**  
[www.ise.com](http://www.ise.com)

**Miami / MIAX Options**  
[www.miaxoptions.com](http://www.miaxoptions.com)

**National Stock Exchange**  
[www.nsx.com](http://www.nsx.com)

**NYSE**  
[www.nyse.com](http://www.nyse.com)

**Nasdaq Stock Market**  
[www.nasdaq.com](http://www.nasdaq.com)

**Options Clearing Corporation**  
[www.theocc.com](http://www.theocc.com)  
**The Options Industry Council**  
[www.888options.com](http://www.888options.com)

**Securities and Exchange Commission  
Office of Investor Education and Advocacy**  
[www.sec.gov](http://www.sec.gov)

**Securities Industry/Regulatory Council  
on Continuing Education**  
[www.cecouncil.com](http://www.cecouncil.com)