

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 39	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2018 - * 002	Amendment No. (req. for Amendments *)
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Filing by Financial Industry Regulatory Authority
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input checked="" type="checkbox"/>
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Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposed Rule Change Relating to the New Securities Industry Essentials (SIE) Examination

Contact Information

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

First Name * Afshin Last Name * Atabaki

Title * Associate General Counsel

E-mail * afshin.atabaki@finra.org

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

Signature

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

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

(Title *)

Date 01/12/2018 Senior Vice President and Deputy General Counsel

By Patrice M. Gliniecki

(Name *)



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

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

Add Remove View

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

Add Remove View

Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

Add Remove View

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “SEA”),¹ Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) the content outline and selection specifications for the new Securities Industry Essentials™ (SIE™) examination.² FINRA is not proposing any textual changes to the By-Laws, Schedules to the By-Laws or Rules of FINRA.

The SIE content outline is attached. The SIE selection specifications have been submitted to the Commission under separate cover with a request for confidential treatment pursuant to SEA Rule 24b-2.³

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

At its meeting on December 15, 2015, the FINRA Board of Governors authorized the filing of the proposed rule change with the SEC. No other action by FINRA is necessary for the filing of the proposed rule change.

¹ 15 U.S.C. 78s(b)(1).

² FINRA also is establishing the SIE question bank. Based on instruction from SEC staff, FINRA is submitting this filing for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder, and is not filing the question bank. See Letter to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000. The question bank is available for SEC review.

³ 17 CFR 240.24b-2.

As discussed further below, FINRA is filing the proposed rule change for immediate effectiveness. The implementation date will be October 1, 2018, to coincide with the implementation of the restructured representative-level examination program. FINRA will also announce the implementation date of the proposed rule change in a Regulatory Notice.

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

(a) Purpose

Section 15A(g)(3) of the Act⁴ authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. In accordance with that provision, FINRA has developed examinations that are designed to establish that persons associated with FINRA members have attained specified levels of competence and knowledge, consistent with applicable registration requirements under FINRA rules. FINRA periodically reviews the content of the examinations to determine whether revisions are necessary or appropriate in view of changes pertaining to the subject matter covered by the examinations.

The SEC recently approved a proposed rule change to restructure the FINRA representative-level qualification examination program.⁵ The rule change, which will become effective on October 1, 2018,⁶ restructures the examination program into a more

⁴ 15 U.S.C. 78o-3(g)(3).

⁵ See Securities Exchange Act Release No. 81098 (July 7, 2017), 82 FR 32419 (July 13, 2017) (Order Approving File No. SR-FINRA-2017-007).

⁶ See Regulatory Notice 17-30 (SEC Approves Consolidated FINRA Registration Rules, Restructured Representative-Level Qualification Examinations and Changes to Continuing Education Requirements) (October 2017).

efficient format whereby all new representative-level applicants will be required to take a general knowledge examination (the SIE) and a tailored, specialized knowledge examination (a revised representative-level qualification examination) for their particular registered role. Individuals are not required to be associated with a FINRA member to be eligible to take the SIE examination. However, passing the SIE examination alone will not qualify an individual for registration with FINRA. To be eligible for registration, an individual must also be associated with a firm, pass an appropriate qualification examination for representative or principal and satisfy the other requirements relating to the registration process.

The restructured program eliminates duplicative testing of general securities knowledge on the current representative-level qualification examinations by moving such content into the SIE examination.⁷ The SIE examination will test fundamental securities-related knowledge, including knowledge of basic products, the structure and function of the securities industry, the regulatory agencies and their functions and regulated and prohibited practices, whereas the revised representative-level qualification examinations will test knowledge relevant to day-to-day activities, responsibilities and job functions of representatives.⁸

FINRA developed the SIE examination in consultation with a committee of industry representatives and representatives of several other self-regulatory organizations

⁷ Each of the current representative-level examinations covers general securities knowledge, with the exception of the Research Analyst (Series 86 and 87) examinations.

⁸ In conjunction with this proposed rule change, FINRA also is filing with the Commission the content outlines for the revised representative-level qualification examinations.

(“SROs”). Beginning on October 1, 2018, new applicants seeking to register as representatives must pass the SIE examination and a revised representative-level qualification examination, such as the revised General Securities Representative (Series 7) examination, appropriate to their job functions at the firm with which they are associating before their registrations can become effective.⁹

SIE Content Outline

As noted above, FINRA is proposing to move the general securities knowledge currently covered on the representative-level qualification examinations to the SIE examination. For example, FINRA Rule 3220 (Influencing or Rewarding Employees of Others) (the Gifts Rule) will now be tested on the SIE examination, rather than on the representative-level examinations.

The SIE content outline is divided into four sections. The following are the four sections, denoted Section 1 through Section 4, with the associated number of questions:

Section 1: Knowledge of Capital Markets, 12 questions;

Section 2: Understanding Products and Their Risks, 33 questions;

Section 3: Understanding Trading, Customer Accounts and Prohibited Activities, 23 questions; and

Section 4: Overview of the Regulatory Framework, 7 questions.

Each section includes the essential areas of general knowledge. There are four areas (1.1 – 1.4) associated with Section 1;¹⁰ two areas (2.1 – 2.2) associated with Section

⁹ FINRA Rule 1220(b) sets forth each representative-level registration category and applicable qualification examination.

¹⁰ See Exhibit 3a, Outline Pages 3-5.

2;¹¹ three areas (3.1 – 3.3) associated with Section 3;¹² and two areas (4.1 – 4.2) associated with Section 4.¹³ For example, one such area of knowledge (subsection 1.3) covers economic factors, such as the Federal Reserve Board’s impact on business activity and market stability.¹⁴ Further, subsection 2.1 covers knowledge of the characteristics of the specified securities products, such as voting rights associated with equity securities.¹⁵ In addition, each of the four sections lists the applicable laws, rules and regulations related to the areas of knowledge. These include applicable federal securities laws as well as FINRA rules and rules of other SROs. The SIE selection specifications and question bank cover the topics in the content outline.

The content outline also includes a preface, which provides: (1) an overview of the purpose of the examination; (2) a table of contents and general information regarding the structure of the examination; and (3) general information regarding the administration of the examination, including an explanation that a statistical adjustment process known as equating is used in scoring the examination.¹⁶

¹¹ See Exhibit 3a, Outline Pages 6-9.

¹² See Exhibit 3a, Outline Pages 10-13.

¹³ See Exhibit 3a, Outline Pages 14-15.

¹⁴ See Exhibit 3a, Outline Pages 3-4.

¹⁵ See Exhibit 3a, Outline Pages 6-8.

¹⁶ See Exhibit 3a, Outline Page 2.

The number of questions on the SIE examination will be 75 scored multiple-choice questions,¹⁷ and candidates will have one hour and 45 minutes to complete the examination. FINRA will publish the passing score for the SIE examination on its website, at www.finra.org, prior to its first administration.

Availability of Content Outline

The SIE content outline will be made available on FINRA's website no later than April 1, 2018.

FINRA is filing the proposed rule change for immediate effectiveness. The implementation date will be October 1, 2018, to coincide with the implementation of the restructured representative-level examination program. FINRA will also announce the implementation date of the proposed rule change in a Regulatory Notice.

(b) Statutory Basis

FINRA believes that the SIE examination is consistent with the provisions of Section 15A(b)(6) of the Act,¹⁸ which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and Section 15A(g)(3) of the Act,¹⁹ which authorizes FINRA to prescribe

¹⁷ Consistent with FINRA's practice of including "pretest" questions on examinations, the SIE examination includes 10 additional, unidentified pretest questions that do not contribute towards the candidate's score. The pretest questions are designed to ensure that new examination questions meet acceptable testing standards prior to use for scoring purposes. Therefore, the SIE examination actually consists of 85 questions, 75 of which are scored. The 10 pretest questions are randomly distributed throughout the examination.

¹⁸ 15 U.S.C. 78o-3(b)(6).

¹⁹ 15 U.S.C. 78o-3(g)(3).

standards of training, experience, and competence for persons associated with FINRA members. The proposed rule change will improve the efficiency of FINRA's representative-level examination program, without compromising the qualification standards, by moving the general securities knowledge content from the representative-level examinations to the SIE examination. The proposed rule change also establishes a prerequisite qualification examination that associated persons of FINRA members must pass, in addition to passing an appropriate representative-level examination, to register and function as representatives. Finally, the SIE examination is intended to safeguard the investing public by helping to ensure that individuals registering as representatives have the requisite general securities knowledge.

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

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The SIE examination generally covers the same general securities knowledge that is currently covered on the representative-level examinations. FINRA also provided a detailed economic impact assessment regarding the introduction of the SIE examination and the restructuring of the representative-level examinations as part of the proposed rule change to restructure the FINRA representative-level qualification examination program.²⁰

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

Written comments were neither solicited nor received.

²⁰ See Securities Exchange Act Release No. 80371 (April 4, 2017), 82 FR 17336 (April 10, 2017) (Notice of Filing of File No. SR-FINRA-2017-007).

6. Extension of Time Period for Commission Action

Not applicable.

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

The proposed rule change is effective upon filing pursuant to Section 19(b)(3) of the Act²¹ and paragraph (f)(6) of Rule 19b-4 thereunder,²² in that the proposed rule change does not significantly affect the protection of investors or the public interest; does not impose any significant burden on competition; and does not become operative for 30 days after filing or such shorter time as the Commission may designate.

In accordance with SEA Rule 19b-4(f)(6),²³ FINRA submitted written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing, or such shorter time as the Commission may designate, as specified in SEA Rule 19b-4(f)(6)(iii).²⁴

The implementation date will be October 1, 2018, to coincide with the implementation of the restructured representative-level examination program. FINRA will also announce the implementation date of the proposed rule change in a Regulatory Notice.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

²¹ 15 U.S.C. 78s(b)(3).

²² 17 CFR 240.19b-4(f)(6).

²³ 17 CFR 240.19b-4(f)(6).

²⁴ 17 CFR 240.19b-4(f)(6)(iii).

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

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

Exhibit 3a. Content Outline for the SIE Examination.

Exhibit 3b. Selection Specifications for the SIE Examination.

FINRA has requested confidential treatment for the SIE selection specifications, and thus the specifications are omitted from this filing. The SIE selection specifications have been filed separately with the Commission pursuant to SEA Rule 24b-2.²⁵

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

²⁵ 17 CFR 240.24b-2.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2018-002)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the New Securities Industry Essentials (SIE) Examination

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on , Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as constituting a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4 under the Act,³ which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

FINRA is filing the content outline and selection specifications for the new Securities Industry Essentials™ (SIE™) examination.⁴ FINRA is not proposing any

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6).

⁴ FINRA also is establishing the SIE question bank. Based on instruction from SEC staff, FINRA is submitting this filing for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder, and is not filing the question bank. See Letter to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, from Belinda Blaine, Associate Director,

textual changes to the By-Laws, Schedules to the By-Laws or Rules of FINRA.

The SIE content outline is attached. The SIE selection specifications have been submitted to the Commission under separate cover with a request for confidential treatment pursuant to SEA Rule 24b-2.⁵

The text of the proposed rule change is available on FINRA's website at <http://www.finra.org>, at the principal office of FINRA and at the Commission's Public Reference Room.

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

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

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

1. Purpose

Section 15A(g)(3) of the Act⁶ authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. In accordance with that provision, FINRA has developed examinations that are designed to establish that persons associated with FINRA members have attained specified levels of

Division of Market Regulation, SEC, dated July 24, 2000. The question bank is available for SEC review.

⁵ 17 CFR 240.24b-2.

⁶ 15 U.S.C. 78q-3(g)(3).

competence and knowledge, consistent with applicable registration requirements under FINRA rules. FINRA periodically reviews the content of the examinations to determine whether revisions are necessary or appropriate in view of changes pertaining to the subject matter covered by the examinations.

The SEC recently approved a proposed rule change to restructure the FINRA representative-level qualification examination program.⁷ The rule change, which will become effective on October 1, 2018,⁸ restructures the examination program into a more efficient format whereby all new representative-level applicants will be required to take a general knowledge examination (the SIE) and a tailored, specialized knowledge examination (a revised representative-level qualification examination) for their particular registered role. Individuals are not required to be associated with a FINRA member to be eligible to take the SIE examination. However, passing the SIE examination alone will not qualify an individual for registration with FINRA. To be eligible for registration, an individual must also be associated with a firm, pass an appropriate qualification examination for representative or principal and satisfy the other requirements relating to the registration process.

The restructured program eliminates duplicative testing of general securities knowledge on the current representative-level qualification examinations by moving such

⁷ See Securities Exchange Act Release No. 81098 (July 7, 2017), 82 FR 32419 (July 13, 2017) (Order Approving File No. SR-FINRA-2017-007).

⁸ See Regulatory Notice 17-30 (SEC Approves Consolidated FINRA Registration Rules, Restructured Representative-Level Qualification Examinations and Changes to Continuing Education Requirements) (October 2017).

content into the SIE examination.⁹ The SIE examination will test fundamental securities-related knowledge, including knowledge of basic products, the structure and function of the securities industry, the regulatory agencies and their functions and regulated and prohibited practices, whereas the revised representative-level qualification examinations will test knowledge relevant to day-to-day activities, responsibilities and job functions of representatives.¹⁰

FINRA developed the SIE examination in consultation with a committee of industry representatives and representatives of several other self-regulatory organizations (“SROs”). Beginning on October 1, 2018, new applicants seeking to register as representatives must pass the SIE examination and a revised representative-level qualification examination, such as the revised General Securities Representative (Series 7) examination, appropriate to their job functions at the firm with which they are associating before their registrations can become effective.¹¹

SIE Content Outline

As noted above, FINRA is proposing to move the general securities knowledge currently covered on the representative-level qualification examinations to the SIE examination. For example, FINRA Rule 3220 (Influencing or Rewarding Employees of Others) (the Gifts Rule) will now be tested on the SIE examination, rather than on the

⁹ Each of the current representative-level examinations covers general securities knowledge, with the exception of the Research Analyst (Series 86 and 87) examinations.

¹⁰ In conjunction with this proposed rule change, FINRA also is filing with the Commission the content outlines for the revised representative-level qualification examinations.

¹¹ FINRA Rule 1220(b) sets forth each representative-level registration category and applicable qualification examination.

representative-level examinations.

The SIE content outline is divided into four sections. The following are the four sections, denoted Section 1 through Section 4, with the associated number of questions:

Section 1: Knowledge of Capital Markets, 12 questions;

Section 2: Understanding Products and Their Risks, 33 questions;

Section 3: Understanding Trading, Customer Accounts and Prohibited Activities, 23 questions; and

Section 4: Overview of the Regulatory Framework, 7 questions.

Each section includes the essential areas of general knowledge. There are four areas (1.1 – 1.4) associated with Section 1;¹² two areas (2.1 – 2.2) associated with Section 2;¹³ three areas (3.1 – 3.3) associated with Section 3;¹⁴ and two areas (4.1 – 4.2) associated with Section 4.¹⁵ For example, one such area of knowledge (subsection 1.3) covers economic factors, such as the Federal Reserve Board's impact on business activity and market stability.¹⁶ Further, subsection 2.1 covers knowledge of the characteristics of the specified securities products, such as voting rights associated with equity securities.¹⁷ In addition, each of the four sections lists the applicable laws, rules and regulations related to the areas of knowledge. These include applicable federal securities laws as

¹² See Exhibit 3a, Outline Pages 3-5. The outline is attached as Exhibit 3a to the 19b-4 form.

¹³ See Exhibit 3a, Outline Pages 6-9.

¹⁴ See Exhibit 3a, Outline Pages 10-13.

¹⁵ See Exhibit 3a, Outline Pages 14-15.

¹⁶ See Exhibit 3a, Outline Pages 3-4.

¹⁷ See Exhibit 3a, Outline Pages 6-8.

well as FINRA rules and rules of other SROs. The SIE selection specifications and question bank cover the topics in the content outline.

The content outline also includes a preface, which provides: (1) an overview of the purpose of the examination; (2) a table of contents and general information regarding the structure of the examination; and (3) general information regarding the administration of the examination, including an explanation that a statistical adjustment process known as equating is used in scoring the examination.¹⁸

The number of questions on the SIE examination will be 75 scored multiple-choice questions,¹⁹ and candidates will have one hour and 45 minutes to complete the examination. FINRA will publish the passing score for the SIE examination on its website, at www.finra.org, prior to its first administration.

Availability of Content Outline

The SIE content outline will be made available on FINRA's website no later than April 1, 2018.

FINRA is filing the proposed rule change for immediate effectiveness. The implementation date will be October 1, 2018, to coincide with the implementation of the restructured representative-level examination program. FINRA will also announce the implementation date of the proposed rule change in a Regulatory Notice.

¹⁸ See Exhibit 3a, Outline Page 2.

¹⁹ Consistent with FINRA's practice of including "pretest" questions on examinations, the SIE examination includes 10 additional, unidentified pretest questions that do not contribute towards the candidate's score. The pretest questions are designed to ensure that new examination questions meet acceptable testing standards prior to use for scoring purposes. Therefore, the SIE examination actually consists of 85 questions, 75 of which are scored. The 10 pretest questions are randomly distributed throughout the examination.

2. Statutory Basis

FINRA believes that the SIE examination is consistent with the provisions of Section 15A(b)(6) of the Act,²⁰ which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and Section 15A(g)(3) of the Act,²¹ which authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. The proposed rule change will improve the efficiency of FINRA's representative-level examination program, without compromising the qualification standards, by moving the general securities knowledge content from the representative-level examinations to the SIE examination. The proposed rule change also establishes a prerequisite qualification examination that associated persons of FINRA members must pass, in addition to passing an appropriate representative-level examination, to register and function as representatives. Finally, the SIE examination is intended to safeguard the investing public by helping to ensure that individuals registering as representatives have the requisite general securities knowledge.

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

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The SIE examination generally covers the same general securities knowledge that is currently covered on the representative-level examinations. FINRA also provided a

²⁰ 15 U.S.C. 78o-3(b)(6).

²¹ 15 U.S.C. 78o-3(g)(3).

detailed economic impact assessment regarding the introduction of the SIE examination and the restructuring of the representative-level examinations as part of the proposed rule change to restructure the FINRA representative-level qualification examination program.²²

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

Written comments were neither solicited nor received.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act²³ and Rule 19b-4(f)(6) thereunder.²⁴

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

²² See Securities Exchange Act Release No. 80371 (April 4, 2017), 82 FR 17336 (April 10, 2017) (Notice of Filing of File No. SR-FINRA-2017-007).

²³ 15 U.S.C. 78s(b)(3)(A).

²⁴ 17 CFR 240.19b-4(f)(6).

IV. Solicitation of Comments

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

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FINRA-2018-002 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Robert W. Errett, Deputy Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2018-002. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street,

NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2018-002 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁵

Robert W. Errett
Deputy Secretary

²⁵ 17 CFR 200.30-3(a)(12).



Exhibit 3a
SR-FINRA-2018-002

Securities Industry Essentials (SIE) Examination

CONTENT OUTLINE

PURPOSE OF THE EXAM

The Securities Industry Essentials (SIE) exam assesses a candidate's basic knowledge of the securities industry. The exam focuses on industry terminology, securities products, the structure and function of the markets, regulatory agencies and their functions, and regulated and prohibited practices. For more information about the SIE, see FINRA Rule 1210.03.

STRUCTURE OF THE EXAM

The exam consists of 75 multiple-choice items, and each item consists of four answer choices. The allocation of test items is as follows:

Section	Description	Percentage of Exam Items	Number of Items
1	Knowledge of Capital Markets	16%	12
2	Understanding Products and Their Risks	44%	33
3	Understanding Trading, Customer Accounts and Prohibited Activities	31%	23
4	Overview of the Regulatory Framework	9%	7
TOTAL		100%	75

Much of the content on the SIE outline is based on common securities industry knowledge and general concepts. This knowledge is often not based on any one rule or regulation. Examples include basic characteristics of investment products such as the relationship between the price and yield of a bond and the rights of a common stockholder. Alternately, some knowledge is based on specific rules and regulations. Examples include the reporting requirements for a Suspicious Activity Report (SAR) and the Uniform Application for Securities Industry Registration or Transfer (Form U4) filing requirements. The exam will assess candidates on both rule- and non-rule-based industry knowledge.

Several federal laws and regulations serve as the foundation for some of the knowledge contained in this outline. The content upon which the outline is based includes but is not limited to rules and regulations under the following Acts:

- The Securities Act of 1933
- The Securities Exchange Act of 1934
- The Investment Company Act of 1940
- The Investment Adviser Act of 1940

ADMINISTRATION OF THE EXAM

The exam is administered via computer. A tutorial on how to take the exam is provided prior to taking the exam. Each candidate's exam includes 10 additional, unidentified pretest items that do not contribute toward the candidate's score. The pretest items are randomly distributed throughout the exam. Therefore, each candidate's exam consists of a total of 85 items (75 scored and 10 unscored). There is no penalty for guessing. Therefore, candidates should attempt to answer all items. Candidates will be allowed 1 hour and 45 minutes to complete the SIE exam.

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

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

Please visit www.finra.org for additional details.

Section 1: Knowledge of Capital Markets

1.1 Regulatory Entities, Agencies and Market Participants

1.1.1 The Securities and Exchange Commission (SEC)

- The high-level purpose and mission of securities regulation
- Definition, jurisdiction and authority of the SEC

1.1.2 Self-regulatory Organizations (SROs)

- Purpose and mission of an SRO
- Jurisdiction and authority of SROs (e.g., CBOE, FINRA, MSRB)

1.1.3 Other Regulators and Agencies

- Department of the Treasury/IRS
- State regulators (e.g., NASAA)
- The Federal Reserve
- Securities Investor Protection Corporation (SIPC)
- Federal Deposit Insurance Corporation (FDIC)

1.1.4 Market Participants and their Roles

- Investors (e.g., accredited, institutional, retail)
- Broker-Dealers (e.g., introducing, clearing, prime brokers)
- Investment advisers
- Municipal advisors
- Issuers and underwriters
- Traders and market makers
- Custodians and trustees
- Transfer agents
- Depositories and clearing corporations (e.g., Depository Trust & Clearing Corporation (DTCC), Options Clearing Corporation (OCC))

1.2 Market Structure

1.2.1 Types of Markets

- The primary market
- The secondary market (e.g., electronic, over-the-counter (OTC), physical)
- The third market
- The fourth market

1.3 Economic Factors

1.3.1 The Federal Reserve Board's Impact on Business Activity and Market Stability

- Monetary vs. fiscal policy
- Open market activities and impact on economy
- Different rates (e.g., interest rate, discount rate, federal funds rate)

1.3.2 Business Economic Factors

- Purpose of financial statements (e.g., balance sheet, income statement)
- Business cycle (e.g., contraction, trough, expansion, peak)
- Indicators (e.g., leading, lagging, coincident, inflation)
- Basic effects on bond and equity markets (e.g., cyclical, defensive, growth)

- Principal economic theories (e.g., Keynesian, Monetarist)

1.3.3 International Economic Factors

- U.S. balance of payments
- Gross domestic product (GDP), gross national product (GNP)
- Exchange rates

1.4 Offerings

- Roles of participants (e.g., investment bankers, underwriting syndicate, municipal advisors)
- Types of offerings
 - Public vs. private securities offering
 - Initial public offering (IPO), secondary offering and follow-on offering
 - Methods of distribution (e.g., best efforts, firm commitment)
- Shelf registrations and distributions (e.g., definition, purpose)
- Types and purpose of offering documents and delivery requirements (e.g., official statement, program disclosure document, prospectus)
- Regulatory filing requirements and exemptions (e.g., SEC, blue-sky laws)

Rules

FINRA Rules

- 2266 – SIPC Information
- 2269 – Disclosure of Participation or Interest in Primary or Secondary Distribution
- 5250 – Payments for Market Making

MSRB Rules

- G-11 – Primary Offering Practices
- G-32 – Disclosures in Connection with Primary Offerings
- G-34 – CUSIP Numbers, New Issue and Market Information Requirements

SEC Rules and Regulations

Securities Act of 1933

- Section 7 – Information Required in a Registration Statement
- Section 8 – Taking Effect of Registration Statements and Amendments Thereto
- Section 10 – Information Required in Prospectus
- Section 23 – Unlawful Representations
- 251 – Accredited Investor
- 431 – Summary Prospectuses
- Schedule A – Schedule of Information Required in Registration Statement
- Schedule B – Schedule of Information Required in Registration Statement

Securities Exchange Act of 1934

- Section 3(a) – Definitions and Application of Title
- Section 12 – Registration Requirements for Securities
- Section 15 – Registration and Regulation of Brokers and Dealers
- Section 15A – Registered Securities Associations
- Regulation D – Rules Governing the Limited Offer and Sale of Securities Without Registration Under the Securities Act of 1933
 - 144 – Persons Deemed Not to Be Engaged in a Distribution and Therefore Not Underwriters
 - 144A – Private Resales of Securities to Institutions
 - 145 – Reclassification of Securities, Mergers, Consolidations and Acquisitions of Assets
 - 147 – "Part of an Issue," "Person Resident," and "Doing Business Within" for Purposes of Section 3(a)(11)
 - 164 – Post-filing Free Writing Prospectuses in Connection with Certain Registered Offerings

Securities Investor Protection Act of 1970 (SIPA)

Section 2: Understanding Products and Their Risks

2.1 Products

2.1.1 Equity Securities

- Types of equities
 - Common stock
 - Preferred stock
 - Rights
 - Warrants
 - American Depositary Receipts (ADRs)

Knowledge of:

- Ownership (e.g., order of liquidation, limited liability)
- Voting rights
- Convertible
- Control and restrictions (e.g., SEC Rule 144)

2.1.2 Debt Instruments

- Treasury securities (e.g., bills, notes, receipts, bonds)
- Agency (e.g., asset-backed and mortgage-backed securities)
- Corporate bonds
- Municipal securities
 - General obligation (GO) bonds
 - Revenue bonds
 - Others (e.g., special type bonds, taxable municipal securities, short-term obligations)
- Others (e.g., money market instruments, certificate of deposit (CD), bankers' acceptance, commercial paper)

Knowledge of:

- Varying maturities
- Generate income (e.g., interest)
- Coupon value
- Par value
- Yield
- Ratings and rating agencies
- Callable and convertible features
- Short-term vs. long-term characteristics
- Relationship between price and interest rate
- Negotiated vs. competitive offerings via underwriters and syndicates
- Auction

2.1.3 Options

- Types of options
 - Puts and calls
 - Equity vs. index

Knowledge of:

- Hedging or speculation
- Expiration date
- Strike price
- Premium

- Underlying or cash settlement
- In-the-money, out-of-the money
- Covered vs. uncovered
- American vs. European
- Exercise and assignment
- Varying strategies (e.g., long, short)
- Special disclosures (e.g., Options Disclosure Document (ODD))
- Options Clearing Corporation (OCC) for listed options

2.1.4 Packaged Products

- Investment companies
 - Types of investment companies
 - Closed-end funds
 - Open-end funds
 - Unit investment trusts (UITs)
 - Variable contracts/annuities

Knowledge of:

- Loads
- Share classes
- Net asset value (NAV)
- Disclosures
- Costs and fees
- Breakpoints
- Right of accumulation (ROA)
- Letter of intent (LOI)
- Net transactions
- Surrender charges
- Sales charges

2.1.5 Municipal Fund Securities

- 529 Plans
 - Prepaid tuition
 - Savings plans
- Local government investment pools (LGIPs)
- ABLE accounts

Knowledge of:

- Municipal fund securities
- Owner vs. beneficiary
- Restricted use of plan assets
- Tax advantages
- Direct or adviser sold

2.1.6 Direct Participation Programs (DPPs)

- Types of DPPs
 - Limited partnerships
 - Tenants in common (TIC)

Knowledge of:

- Pass-through tax treatment
- Unlisted
- Generally illiquid

2.1.7 Real Estate Investment Trusts (REITs)

- Types of REITs
 - Private
 - Registered, non-listed
 - Listed

Knowledge of:

- Real estate equity or debt
- Tax-advantaged income without double taxation

2.1.8 Hedge Funds

Knowledge of:

- Minimum investment
- Partnership structure
- Private equity
- Generally illiquid

2.1.9 Exchange-traded Products (ETPs)

- Types of ETPs
 - Exchange-traded funds (ETFs)
 - Exchange-traded notes (ETNs)

Knowledge of:

- Alternative investments to mutual funds
- Fee considerations
- Active vs. passive

2.2 Investment Risks

- Definition and Identification of Risk Types
 - Capital
 - Credit
 - Currency
 - Inflationary/purchasing power
 - Interest rate/reinvestment
 - Liquidity
 - Market/systematic
 - Non-systematic
 - Political
 - Prepayment
- Strategies for Mitigation of Risk
 - Diversification
 - Portfolio rebalancing
 - Hedging

Rules

FINRA Rules

- 2261 – Disclosure of Financial Condition
- 2262 – Disclosure of Financial Relationship with Issuer
- 2310 – Direct Participation Programs
- 2330 – Members' Responsibilities Regarding Deferred Variable Annuities
- 2342 – "Breakpoint" Sales
- 2360 – Options

MSRB Rules

- D-12 – Definition of Municipal Fund Securities
- G-17 – Conduct of Municipal Securities and Municipal Advisory Activities
- G-30 – Pricing and Commissions
- G-45 – Reporting of Information on Municipal Fund Securities

CBOE Rule

- Chapter I – Definitions

SEC Rules and Regulations

Securities Exchange Act of 1934

- 3a11-1 – Definition of the Term "Equity Security"
- 10b-18 – Purchases of Certain Equity Securities by the Issuer and Others

Investment Company Act of 1940

- Section 3(a) – Definitions - "Investment Company"
- Section 4 – Classification of Investment Companies
- Section 5 – Subclassification of Management Companies
- 12b-1 – Distribution of Shares by Registered Open-end Management Investment Company

Section 3: Understanding Trading, Customer Accounts and Prohibited Activities

3.1 Trading, Settlement and Corporate Actions

3.1.1 Orders and Strategies

- Types of orders (e.g., market, stop, limit, good-til-canceled (GTC), discretionary vs. non-discretionary, solicited vs. unsolicited)
- Buy and sell, bid-ask
- Trade capacity (e.g., principal, agency)
- Long and short, naked and covered
- Bearish and bullish

3.1.2 Investment Returns

- Components of return (e.g., interest, dividends, realized/unrealized gains, return on capital)
- Different types of dividends (e.g., cash, stock)
- Dividend payment dates (e.g., record date, ex-date, payable date)
- Concepts of measurement (e.g., yield, yield to maturity (YTM), yield to call (YTC), total return, basis points)
- Cost basis requirements
- Benchmarks and indices

3.1.3 Trade Settlement

- Settlement time frames for various products (e.g., T, T+1, T+2)
- Physical vs. book entry (e.g., delivery and settlement)

3.1.4 Corporate Actions

- Types of corporate actions (e.g., splits, reverse splits, buybacks, tender offers, exchange offers, rights offers, mergers and acquisitions (M&A))
- Impact of stock splits and reverse stock splits on market price and cost basis
- Adjustments to securities subject to corporate actions
- Delivery of notices and corporate action deadlines
- Proxies and proxy voting

3.2 Customer Accounts and Compliance Considerations

3.2.1 Account Types and Characteristics

- Cash
- Margin
- Options
- Discretionary vs. non-discretionary
- Fee-based vs. commission
- Educational accounts

3.2.2 Customer Account Registrations

- Individual
- Joint
- Corporate/institutional
- Trust (e.g., revocable, irrevocable)
- Custodial (e.g., UTMA)
- Partnerships
- Retirement (e.g., individual retirement account (IRA), qualified plans)
 - Types and characteristics

- Required minimum distributions
- Contributions

3.2.3 Anti-money Laundering (AML)

- Definition of money laundering
- Stages of money laundering (e.g., structuring, layering, placement)
- AML compliance program
- Suspicious Activity Report (SAR)
- Currency Transaction Report (CTR)
- FinCEN
- Office of Foreign Asset Control (OFAC) and the Specially Designated Nationals and Blocked Persons (SDNs) List

3.2.4 Books and Records and Privacy Requirements

- Books and records retention requirements
- Confirmations and account statements
- Holding of customer mail
- Business continuity plans (BCP)
- Customer protection and custody of assets
- Privacy requirements (e.g., Regulation S-P)
 - Nonpublic personal information
 - Confidentiality of information
 - Privacy notifications
 - Safeguard requirements

3.2.5 Communications with the Public and General Suitability Requirements

- Communications with the public and telemarketing
 - Classifications and general requirements
 - Do-not-call list
- Suitability requirements
 - Know-your-customer (KYC)
 - General requirements (e.g., what constitutes a recommendation)

3.3 Prohibited Activities

3.3.1 Market Manipulation

- Definition of market manipulation
- Types of market manipulation (e.g., market rumors, pump and dump, front running, excessive trading, marking the close, marking the open, backing away, freeriding)

3.3.2 Insider Trading

- Definition of insider trading
- Definition of material nonpublic information
- Identifying involved parties
- Penalties (e.g., fines, expulsion, incarceration)

3.3.3 Other Prohibited Activities

- Restrictions preventing associated persons from purchasing initial public offerings (IPOs)
- Use of manipulative, deceptive or other fraudulent devices
- Improper use of customers' securities or funds
 - Borrowing from customers
 - Sharing in customer accounts

- Financial exploitation of seniors
- Activities of unregistered persons
 - Prohibition against paying commissions to unregistered persons
 - Prohibition against solicitation of customers and taking orders
- Falsifying or withholding documents
 - Signatures of convenience
 - Responding to regulatory requests
- Prohibited activities related to maintenance of books and records (e.g., falsifying records and improper maintenance/retention of records)

Rules

FINRA Rules

- 2010 – Standards of Commercial Honor and Principles of Trade
- 2020 – Use of Manipulative, Deceptive or Other Fraudulent Devices
- 2040 – Payments to Unregistered Persons
- 2090 – Know Your Customer
- 2111 – Suitability
- 2120 – Commissions, Mark Ups and Charges
- 2150 – Improper Use of Customers' Securities or Funds; Prohibition Against Guarantees and Sharing in Accounts
- 2165 – Financial Exploitation of Specified Adults
- 2210 – Communications with the Public
- 2251 – Forwarding of Proxy and Other Issuer-related Materials
- 2264 – Margin Disclosure Statement
- 2232 – Customer Confirmations
- 3150 – Holding of Customer Mail
- 3210 – Accounts at Other Broker-Dealers and Financial Institutions
- 3230 – Telemarketing
- 3240 – Borrowing from or Lending to Customers
- 3250 – Designation of Accounts
- 3310 – Anti-money Laundering Compliance Program
- 4210 – Margin Requirements
- 4370 – Business Continuity Plans and Emergency Contact Information
- 4511 – General Requirements
- 4512 – Customer Account Information
- 4514 – Authorization Records for Negotiable Instruments Drawn From a Customer's Account
- 5130 – Restrictions on the Purchase and Sale of Initial Equity Public Offerings
- 5210 – Publication of Transactions and Quotations
- 5220 – Offers at Stated Prices
- 5230 – Payments Involving Publications that Influence the Market Price of a Security
- 5240 – Anti-intimidation/Coordination
- 5270 – Front Running of Block Transactions
- 5280 – Trading Ahead of Research Reports
- 5290 – Order Entry and Execution Practices
- 5310 – Best Execution and Interpositioning
- 5320 – Prohibition Against Trading Ahead of Customer Orders
- 6438 – Displaying Priced Quotations in Multiple Quotation Mediums

NASD Rules

- 2340 – Customer Account Statements
- 2510 – Discretionary Accounts

MSRB Rules

- G-8 – Books and Records to be Made by Brokers, Dealers, Municipal Securities Dealers, and Municipal Advisors
- G-9 – Preservation of Records
- G-13 – Quotations
- G-14 – Reports of Sales or Purchases
- G-15 – Confirmation, Clearance, Settlement and Other Uniform Practice Requirements with Respect to Transactions with Customers
- G-18 – Best Execution
- G-21 – Advertising
- G-25 – Improper Use of Assets
- G-39 – Telemarketing
- G-41 – Anti-money Laundering Compliance Program
- G-47 – Time of Trade Disclosure

SEC Rules and Regulations

- Regulation M

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

- Securities Exchange Act of 1934

- Section 10 – Regulation of the Use of Manipulative and Deceptive Devices

- Section 11(d) – Trading by Members of Exchanges, Brokers and Dealers – “Prohibition on Extension of Credit by Broker-Dealer”

- Section 14 – Proxies

- Section 15 – Rules Relating to Over-the-Counter Markets

- Section 20A – Liability to Contemporaneous Traders for Insider Trading

- Section 21A – Civil Penalties for Insider Trading

- 10b-1 – Prohibition of Use of Manipulative or Deceptive Devices or Contrivances with Respect to Certain Securities Exempted from Registration

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

- 10b-5 – Employment of Manipulative and Deceptive Devices

- 10b5-1 – Trading on Material Nonpublic Information in Insider Trading Cases

- 10b5-2 – Duties of Trust or Confidence in Misappropriation Insider Trading Cases

- 10b-10 – Confirmation of Transactions

- 15c1-2 – Fraud and Misrepresentation

- 15c1-3 – Misrepresentation by Brokers, Dealers and Municipal Securities Dealers as to Registration

- 15c2-12 – Municipal Securities Disclosure

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

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

- Investment Company Act of 1940

- 17a-6 – Exemption for Transactions with Portfolio Affiliates

- 17a-7 – Exemption of Certain Purchase or Sale Transactions Between an Investment Company and Certain Affiliated Persons Thereof

Insider Trading & Securities Fraud Enforcement Act of 1988 (ITSFEA)

Federal Reserve Board

- Regulation T

Federal Trade Commission

- Telemarketing Sales Rule

USA PATRIOT Act

- Section 314 – Cooperative Efforts to Deter Money Laundering

- Section 326 – Verification of Identification

- Section 352 – Anti-Money Laundering Programs

Section 4: Overview of the Regulatory Framework

4.1 SRO Regulatory Requirements for Associated Persons

4.1.1 Registration and Continuing Education

- SRO qualification and registration requirements
 - Definition of registered vs. non-registered person
 - Permitted activities of registered and non-registered persons
 - Ineligibility for membership or association
 - Background checks
 - Fingerprinting
 - Statutory disqualification
 - Failing to register an associated person
- State registration requirements (e.g., blue-sky laws)
- Continuing Education (CE) requirement
 - Firm Element
 - Regulatory Element

4.2 Employee Conduct and Reportable Events

4.2.1 Employee Conduct

- Form U4 and Form U5 (e.g., purpose, when to update forms)
- Consequences of filing misleading information or omitting information
- Customer complaints
- Potential red flags

4.2.2 Reportable Events

- Outside business activities
- Private securities transactions
- Reporting of political contributions and consequences for exceeding dollar contribution thresholds
- Dollar and value limits for gifts and gratuities and non-cash compensation
- Business entertainment
- Felony, financial-related misdemeanors, liens, bankruptcy

Rules

FINRA By-Laws

- Article I – Definitions
- Article III – Qualifications of Members and Associated Persons
- Article IV – Membership
- Article V – Registered Representatives and Associated Persons
- Article VI – Dues, Assessments, and Other Charges
- Article XII – Disciplinary Proceedings
- Article XV – Limitations of Power

FINRA Rules

- 0100 Series – General Standards
- 1000 Series – Member Application and Associated Person Registration
- 1122 – Filing of Misleading Information as to Membership or Registration
- 1250 – Continuing Education Requirements
- 2060 – Use of Information Obtained in Fiduciary Capacity
- 2263 – Arbitration Disclosure to Associated Persons Signing or Acknowledging Form U4

- 2267 – Investor Education and Protection
- 2310(c) – Non-cash Compensation
- 2320(g)(4) – Non-cash Compensation
- 2341(l)(5) – Non-cash Compensation
- 3110(e) – Responsibility of Member to Investigate Applicants for Registration
- 3220 – Influencing or Rewarding the Employees of Others
- 3270 – Outside Business Activities of Registered Persons
- 3280 – Private Securities Transactions of an Associated Person
- 4513 – Written Customer Complaints
- 4330 – Customer Protection – Permissible Use of Customers' Securities
- 4530 – Reporting Requirements
- 5110(h) – Non-cash Compensation
- 8312 – FINRA's BrokerCheck Disclosure

CBOE Rule

- 15.10 – Fingerprint-based Background Checks of Exchange Directors, Officers, Employees and Others

MSRB Rules

- G-2 – Standards of Professional Qualifications
- G-3 – Professional Qualification Requirements
- G-7 – Information Concerning Associated Persons
- G-10 – Delivery of Investment Brochure
- G-20 – Gifts, Gratuities and Non-cash Compensations
- G-37 – Political Contributions and Prohibitions on Municipal Securities Business

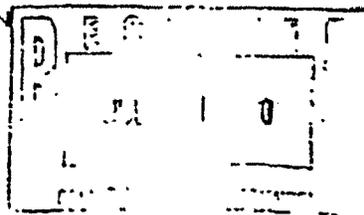
SEC Rules and Regulations

Securities Exchange Act of 1934

- Section 3(a)(39) – Definitions and Application of Title (Statutory Disqualification)
- 17f-2 – Fingerprinting of Securities Industry Personnel



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



July 24, 2000

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

Re: Procedure for Filings Relating to Qualification Examinations

Dear Mr. Adkins: ^{Alden}

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

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

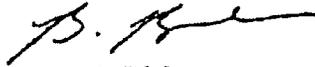
Alden S. Adkins

Page 2

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

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

Sincerely,



Belinda Blaine
Associate Director