# Investment Banking Representative Qualification Examination (Test Series 79)

## Content Outline

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## INTRODUCTION

This *Content Outline* provides a comprehensive guide to the topics covered on the Financial Industry Regulatory Authority (FINRA) *Investment Banking Representative Qualification Examination (Series 79).* The outline is intended to familiarize examination candidates with the range of subjects covered on the examination, as well as the depth of knowledge required. Sample questions are also included to acquaint candidates with the principal formats of multiple-choice questions used on the examination. It is recommended that candidates refer to the content outline as part of their preparatory studies. Candidates are responsible for planning their course of study in preparation for the examination.

## THE PURPOSE OF THE SERIES 79 EXAMINATION

The Series 79 Examination is designed to assess the competency of entry-level investment bankers. As a qualification examination, it is intended to safeguard the investing public by seeking to measure the degree to which each candidate possesses the knowledge, skills and abilities needed to perform the major functions of an entry-level investment banker. Candidates should note that the duties and functions of the investment banker must be performed in accordance with just and equitable principles of trade, federal and state laws, and industry regulations. Furthermore, it is the responsibility of the candidate to be aware of changes in current legislation, regulation and policy. A registrant who violates industry regulations is subject to disciplinary action, including censures, fines, suspension, and permanent loss of registration.

## ELIGIBILITY REQUIREMENTS

The candidate must be sponsored by a FINRA member firm to be eligible to take the Series 79 Examination. For more information on eligibility requirements, please see NASD Rule 1032(i), which can be viewed through the following web link:

http://finra.complinet.com/en/display/display_main.html?rbid=2403&element_id=3585

## APPLICATION PROCEDURES

The member organization that employs the applicant must file a Form U-4, Uniform Application for Securities Industry Registration or Transfer ("Form U-4") in the Central Registration Depository (Web CRD®), and request the Series 79 Examination on the Form U-4.

## DEVELOPMENT OF THE SERIES 79 CONTENT OUTLINE AND EXAMINATION

***Development of the Series 79 Content Outline:*** The Series 79 Content Outline was developed based on a job analysis of investment bankers. The job analysis process included collecting data about the job functions, tasks and required knowledge of investment bankers from a wide variety of firms through one-on-one interviews and surveys of entry-level bankers and their supervisors. Under the guidance of FINRA staff, and using data collected from the job analysis interviews and surveys, a committee of investment bankers (the "Committee") identified and described the four major functions that are performed by entry-level investment bankers. For each major function, the Committee identified tasks that investment bankers perform. In addition to the tasks, the Committee identified topics which are listed under each function on the content outline that investment bankers must know to perform the tasks associated with the major

functions. The Committee also determined the number of test questions allocated to each major function based on an evaluation of the functions' and their associated tasks' relative importance and the amount of time spent performing the tasks associated with the functions.

***Organization of the Series 79 Content Outline:*** The content outline is organized by the four major job functions. Under each major job function is a list of task statements and topics, denoted by two-digit numbers, such as 1.1 "Collection of Data" and 1.2 "Analysis and Evaluation of Data." In many instances, the task statements and topics are expanded to subheadings (*e.g.,* 1.1.3 "Engages in permissible communications with clients and other departments within the firm and coordinates when necessary with legal and compliance"). The tasks and main topics and their subheadings cover the subject matter associated with the major functions of investment bankers.

Following the content outline, for ease of reference, is an index of the rules and regulations that appear in the content outline. In the index, the rules and regulations are listed in alphabetical and numerical order. As some of the questions may require knowledge of rules or regulations, in the index, the rules and regulations are referenced to the related task/topic number(s) (*e.g.,* FINRA Rule 2010 is linked to "4.2.1 Anti-manipulation and fraud rules" of the content outline).

***Examination Development and Maintenance:*** To ensure and sustain the job relevance of the examination, under the guidance of FINRA staff, the Committee writes, reviews and validates all test questions. Test questions are subject to multiple reviews prior to inclusion on the examination and each question is linked directly to a component of the content outline. The Series 79 Examination intends to measure competence at entry-level and requires candidates to apply knowledge in the context of work-related situations. Test questions vary in difficulty and complexity. For example, some questions may require calculation of commonly used financial metrics. Other questions assess knowledge of rules and regulations that are pertinent to investment banking. Each question will have one correct or best answer. The purpose of the Series 79 Examination is to determine if the candidate has attained the level of competency required to function as an investment banker.

The test questions are maintained in an electronic test question bank. The bank of test questions changes constantly as a result of amendments to, or the introduction of, government and industry rules and regulations, changes in practice and the introduction of new products. It is the candidate's responsibility to keep abreast of such changes when preparing to take the examination.

Examination questions and their statistical performance are analyzed routinely by FINRA staff and the Committee to ensure that test questions continue to be relevant to the functions of an investment banker. Examination questions are updated when necessary to reflect current industry practices and regulations. Questions on new rules are added to the bank of questions within a reasonable time period after their effective dates, and questions on rescinded rules will be removed from the bank of questions.

***<u>Please Note:</u> Candidates are responsible for keeping abreast of changes made to the applicable rules and regulations, as the examination is updated when new rules are introduced and when the rules are amended.***

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## ORGANIZATION AND ADMINISTRATION OF THE SERIES 79 EXAMINATION

The examination consists of 175 multiple-choice questions, which are distributed among the four major job functions of an investment banker. Detail on the content of each of these four major job functions, the tasks associated with the job functions and the knowledge necessary to perform the tasks is included in the text of the content outline that follows. The allocation of test questions for each major function is listed below in Table 1:

**Table 1 – Number of Test Questions on the Series 79 Exam by Major Job Function**

| Major Job Function | Description | Number of Questions |
|---|---|---|
| 1 | Collection, Analysis and Evaluation of Data | 75 |
| 2 | Underwriting/New Financing Transactions, Types of Offerings and Registration of Securities | 43 |
| 3 | Mergers and Acquisitions, Tender Offers and Financial Restructuring Transactions | 34 |
| 4 | General Securities Industry Regulations | 23 |
| | **Total** | **175** |

***Administration of the Series 79 Examination and Scoring:*** The examination is administered via computer. A tutorial on how to take the examination, via computer, is presented prior to taking the examination. Candidates are given five (5) hours of testing time to take the examination. To ensure that new questions meet acceptable testing standards prior to use, each examination includes 10 additional, unidentified "pre-test" questions that do not contribute towards the candidate's score. The 10 questions are randomly distributed throughout the examination. Therefore, each candidate takes a total of 185 questions, of which 175 questions are scored. There is no penalty for guessing. Therefore, candidates should try to respond to each question.

Scratch paper, basic electronic calculators, and an Exhibits Book will be provided to the candidates by the test administrator, but must be returned to the test administrator at the end of the testing session. Some test questions involve calculations. Only calculators provided by the test administrators are allowed. The exam may contain questions that require the use of charts, graphs, tables and scenarios, which are contained in the Exhibits Book. The questions will indicate when to refer to the Exhibits Book. Candidates will not be permitted to bring any reference material to their testing session. Severe penalties are imposed on candidates who cheat on FINRA-administered examinations.

***Candidates' Test Results:*** On the day of the test, candidates will receive a report of their test results. The score report will indicate pass/fail status and the total score on the examination. The passing score for the examination is the minimum number of test questions that a candidate has to answer correctly in order to pass the examination. The Committee, using a standard setting procedure, establishes the passing score for the examination. The passing score is an absolute standard and it is independent of the

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performance of candidates taking the examination. Since multiple forms of the examination will be administered, the passing score will fluctuate moderately from examination to examination. The pass point for the examination will be indicated on the candidate's score report.

The test results are final and there are no adjustments or special considerations made to the passing score and/or the candidates' test scores. For security reasons, the examination and/or individual test questions are not available for review before or after taking the examination.

***Index of Rules and Regulations, Sample Test Questions, References***: The index of rules and regulations provides a quick reference of the rules and regulations covered on the examination. Again, it is the responsibility of the candidate to keep abreast of changes made to the applicable rules and regulations.

Several sample questions are presented at the end of this booklet. The sample questions are included to illustrate the basic formats of multiple-choice questions used on the examination. The sample questions do not reflect the type of content covered on the exam, or difficulty level of test questions. Candidates who familiarize themselves with these formats should be able to improve their test-taking skills so that their performance on the examination will better reflect their knowledge in the areas tested.

A list of links to self regulatory organizations' (SROs') websites is provided as reference. The information provided on the websites may be used by candidates in preparation to take the examination. However, the list is not all-inclusive and is just a sample of the types of references that a candidate may wish to use as part of his/her preparatory studies.

This content outline and additional information regarding FINRA qualification examinations are available on the FINRA Web Site at *www.finra.org*.

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# The Series 79 Content Outline

## 1. Collection, Analysis and Evaluation of Data

### *1.1 Collection of Data*

1.1.1 Collects financial, performance, issuance and transaction data from various commercial and proprietary market databases, regulatory sources, internet sites of private and public companies, media and other resources for the following purposes:

- 1.1.1.1 analyzing trends in the market and specific industry sectors
- 1.1.1.2 analyzing individual companies
- 1.1.1.3 conducting an analysis of the capital structure and valuation metrics of comparable companies
- 1.1.1.4 performing relative valuation analysis regarding positioning (the company's relative position when comparing its valuation with other companies within the same industry)
- 1.1.1.5 tracking recent securities offerings and mergers and acquisitions (i.e., precedent transactions) executed by the firm, as well as recent deals executed by competitors

1.1.2 Reviews and understands what information would be found in schedules, reports, statements and forms filed pursuant to the Securities Exchange Act of 1934

- 1.1.2.1 Current Reports on Form 8-K (SEA Rule 13a-11, SEA Rule 15d-11)
- 1.1.2.2 Quarterly Reports on Form 10-Q (SEA Rule 13a-13, SEA Rule 15d-13)
- 1.1.2.3 Transition Reports (SEA Rule 13a-10, SEC Rule 15d-10)
- 1.1.2.4 Filing of Schedules 13D and 13G (SEA Rule 13d-1,)
- 1.1.2.5 Reports by Institutional Investment Managers of information with Respect to Accounts Over Which They Exercise Investment Discretion (SEC Rule 13f-1)
- 1.1.2.6 Filing Requirements (Proxy Rule 14a-6)
- 1.1.2.7 Definition of Terms (SEA Rule 16a-1)

1.1.3 Engages in permissible communications with clients and other departments within the firm and coordinates when necessary with legal and compliance

- 1.1.3.1 Communicates with clients to gather and verify information for financial modeling/financial statements
- 1.1.3.2 Communicates with industry specialists within investment banking and capital markets to obtain information regarding business opportunities and communicates with industry specialists to collect industry data to determine marketing strategies best suited for the company
- 1.1.3.3 Communicates with the firm's research department to obtain perspectives on the market and particular industry sectors
  - 1.1.3.3.1 NASD Rule 2711 -- Research Analysts and Research Reports, NASD Rule 2711(b) -- Restrictions on relationship with research department, NASD Rule 2711(j) – Prohibition of retaliation against research analysts, and NYSE Rule 472 – Communications with the Public, NYSE Rule 472(b)(1-3) -- Restrictions on relationship with research department and

NYSE Rule 472(g)(2) -- Prohibition of retaliation against research analysts

1.1.3.4 Communicates with the syndicate desk to obtain information about deals that are in the market place, current market demands, security pricing, structure, and covenants

1.1.3.5 Coordinates with internal departments to review data for inclusion in marketing materials, and/or secure approval of those materials

***1.2 Analysis and Evaluation of Data***

1.2.1 Conducts financial analysis of individual companies, comparable companies and particular industry sectors using models involving basic financial accounting concepts and statistical analyses and prepares spreadsheets, graphs and other materials based on the collected data. Enters data into proprietary financial models

1.2.1.1 Balance sheet (e.g., current assets, including cash and cash equivalents, marketable securities, inventory, and accounts receivable, property, plant and equipment (PP&E), goodwill and intangibles; deferred assets; current liabilities, including accounts payable, short-term debt, and accruals, long-term debt; deferred liabilities; stockholders' equity/net worth including preferred stock, common stock, additional paid-in capital, retained earnings and capital surplus)

1.2.1.2 Income statement (e.g., revenue/sales, cost of goods sold, including fixed/variable costs, SG&A expenses, amortization/depreciation/depletion, operating income/loss, interest income/expense, taxes and net income/loss)

1.2.1.3 Cash flow statement (e.g., operating cash flow, investing cash flow, financing cash flow)

1.2.2 Uses any or all of the following valuation metrics, ratios and other types of data for any or all of the following areas: equity and debt transactions, equity-linked transactions, mergers and acquisitions, restructurings and general corporate or financial advisory services:

1.2.2.1 Liquidity (e.g., cash collection cycle, including receivables turnover, inventory turnover and payables turnover, cash flow; current ratio (working capital ratio), debt-to-capital (total and long term), debt-to-equity (total and long term), free cash flow yield, net debt; quick ratio (acid test ratio), and working capital)

1.2.2.2 Profitability (e.g., adjustments, including extraordinary items/nonrecurring items, earnings before interest, taxes, depreciation, and amortization (EBITDA ), earnings before interest, and taxes (EBIT), earnings before interest, taxes, depreciation, amortization and rent (EBITDAR), earnings per share (EPS), earnings yield, equity turnover; profit margins including gross margin, operating margin, net margin, net profit margin, operating profit margin, pre-tax margin, return on assets (ROA), return on equity (ROE), return on investment (ROI), return on invested capital (ROIC), and total expense ratio (TER))

1.2.2.3 Leverage (e.g., including interest coverage ratio, leverage net debt/EBITDA, debt to EBITDA)

1.2.2.4 Valuation (e.g., including accretion/dilution, enterprise value (EV), adjusted EV/EBITDA, price to book value (stated and tangible), compound annual growth rate (CAGR), cost of capital, discounted cash flow, dividend discount model, dividend payout ratio, dividend yield, earnings, economic profit, EV to EBITDA,

EV to sales, equity value, forward P/E multiple, internal rate of return (IRR), LTM P/E multiple, market cap, net present value, normalized (operating) earnings, price to book value (stated and tangible), price to cash flow (P/CF), price to earnings (P/E), price to free cash flow, Price/NAV, P/E to Growth (PEG), price to sales (P/S), price per share, sum of the parts analysis, stock volatility, beta, and weighted average cost of capital (WACC))

1.2.2.5 Asset turnover (e.g., inventory valuation methods: LIFO, FIFO)

1.2.3 Analyzes market and industry trends

1.2.3.1 Understands basics of financial markets and economics

1.2.3.1.1 How the financial markets work and general knowledge of business cycle indicators

1.2.3.1.2 Market capitalization (micro-cap, small cap, mid cap and large cap; market indices)

1.2.3.1.3 Economic indicators (leading, coincident, lagging)

1.2.3.1.4 Effect of fiscal and monetary policies on markets

1.2.3.1.5 Relative economic indicators and their effect on currencies

1.2.3.1.6 Role of the central banks

1.2.3.1.7 Supply of money and interest rates; determination of interest rate movements and tools available to the central banks

1.2.3.1.8 Relation to level of economic activity

1.2.3.1.9 Relation to prices of, and return on, securities investments

1.2.4 Understands the characteristics of various types of securities and financial instruments

1.2.4.1 Equity securities

1.2.4.1.1 Common stock, equity, ordinary shares (e.g., ownership in a corporation, rights of stockholders, value at issuance)

1.2.4.1.2 Preferred stock (e.g., dividend preference over common, asset preference, classes of preferred and degree of preference, types of preferred stock, protective provisions, hybrids)

1.2.4.1.3 Rights and warrants (e.g., rights (subscription rights, ex-rights), warrants, stock appreciation rights (SAR) and equity equivalents, and employee stock options)

1.2.4.1.4 Depositary Receipts and Global Depositary Shares (e.g., origin and nature of ADRs, ADSs, GDRs and GDSs, sponsored versus non-sponsored)

1.2.4.2 Fixed income securities

1.2.4.2.1 Types of bonds (e.g., corporate bonds, mortgage bonds, debentures, convertible, callable, collateral trust bonds, equipment trust obligations, guaranteed bonds, Eurobonds, variable rate (income bonds), zero coupon bonds)

1.2.4.2.2 General characteristics of bonds (e.g., convexity, make-whole provision, terms of payment, general terms (e.g., par value, premium, discount, principal, conversion ratio, coupon, maturity), trust indenture or deed of trust (Trust Indenture Act of 1939), debt retirement, ranking in capital structure (e.g. senior, subordinated), credit ratings, yield

calculations (e.g., including current yield, yield to call, yield to maturity, yield to worst (YTW), discount yield (bond equivalent yield), duration, interest calculations)

1.2.4.2.3 Government and agency securities (general characteristics)

1.2.4.2.4 Asset-backed securities (general characteristics)

1.2.4.3 Derivatives and structured products (general characteristics)

1.2.5 Reviews and analyzes precedent transactions for trends in capital raising and mergers and acquisitions (e.g., capital restructuring, use of derivatives, share repurchase programs, tender offers, rights offerings and debt issuance)

1.2.5.1 Registration statements

1.2.5.2 Proxy statements

1.2.5.3 Going Private Transactions By Certain Issuers or Their Affiliates (SEA Rule 13e-3

1.2.5.4 Tender offers

Purchase of Securities By the Issuer During a Third-Party tender Offer (SEA Rule 13e-1)

Scope of and Definitions Applicable to Regulations 14D and 14E (SEA Rule 14d-1)

Recommendation or Solicitation By the Subject Company and Others (SEA Rule 14d-9)

1.2.6 Analyzes investor and shareholder data to understand ownership and trading behavior

1.2.7 Analyzes the impact of various financing strategies for potential investors

1.2.7.1 Investment objectives (e.g., growth at a reasonable price (GARP), growth, aggressive growth, value income, capital appreciation)

1.2.7.2 Investment strategies (e.g., distressed, value, deep value, momentum trading, Index, quantitative (formula driven), arbitrage, risk arbitrage, long, short, special situations, income and sector specific)

1.2.7.3 Types of investment risks (e.g., interest rate, credit , inflation, deflation, currency, exchange rate, counterparty, market, re-investment, systemic)

1.2.8 Analyzes the various alternatives available to the company

1.2.8.1 Types of organizational structures (e.g., C Corporations, S Corporations, limited liability companies, limited partnerships, trusts, master limited partnerships, real estate investment trusts (REITs), hedge funds, private equity funds, federal, state and municipal governments)

1.2.8.2 Types of investors (e.g., institutional, retail clients/individuals, governments, mutual funds, pension funds, hedge funds, endowments, money market funds, growth funds, insurance companies, venture capital firms, private equity firms, qualified institutional buyers (QIBS), employee stock option plans (ESOPs), qualified purchasers, accredited investors)

1.2.8.3 Types of financing transactions (e.g., debt, equity or hybrid securities, public offering versus private offering (e.g., IPO, follow-on, PIPEs), primary versus secondary offering, forward sale)

1.2.8.4 Types of merger and acquisition (M&A) transactions (e.g., merger, acquisition, sale, tender offer, form of consideration (cash or securities))

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1.2.9 Evaluates the impact of various alternatives for the company, makes preliminary recommendations with respect to transactions based on the results of the above analyses and understands the benefits and risks associated with such recommendations

***1.3 Due Diligence Activities***

3.1 Conducts due diligence by identifying information that is required to be disclosed in public or private offering documents

1.3.1.1 Reviews the business of the issuer, including, but not limited to, reviewing financial information and business plans, speaking to the company's management, vendors, suppliers and customers, conducting site visits, and performing bring-down due diligence

1.3.1.2 Understands the disclosure standard that offering documents should not contain untrue statements of material fact or omit material facts necessary to make the statements therein not misleading

1.3.2 Assists in the due diligence process -- Sell side transactions

1.3.2.1 Performs financial due diligence on the seller

1.3.2.2 Assists the seller in gathering due diligence materials to be provided to potential buyers

1.3.2.3 Prepares, reviews and finalizes with the client data room procedures and index of materials to be presented in data room

1.3.2.4 Provides supplemental due diligence information, monitors access to data room and otherwise assists buyers with seller due diligence

1.3.2.5 Assists the seller in performing due diligence on the potential buyers

1.3.3 Assists in the due diligence process -- Buy side transactions

1.3.3.1 Coordinates schedule for management presentations, data room access and site visits with the buyer and the target

1.3.3.2 Facilitates the buyer's due diligence process

1.3.3.2.1 Conducts a comprehensive and confidential investigation to uncover information that could impact the merger or acquisition, for the purposes of recommending alternatives for handling benefits, compensation, and other human resource programs after the deal closes

1.3.3.2.2 Identifies strategic positions for negotiating

1.3.3.2.3 Evaluates the leadership of the organization, including performing background checks

1.3.3.2.4 Examines the target's culture, environmental, corporate governance, and labor issues, identifies strengths and weaknesses of the employee groups, uncovers risk, such as un-funded liabilities or obligations, and corporate governance, degree of off-balance sheet disclosures, identifies cost-saving opportunities, such as those available through consolidation or negotiation

1.3.3.3 Performs due diligence from available sources other than the target company

1.3.4 Understands due diligence-related regulatory requirements

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1.3.4.1 Securities Act of 1933, Rule 176 -- Circumstances Affecting the Determination of What Constitutes Reasonable Investigation and Reasonable Grounds for Belief Under Section 11 of the Securities Act

1.3.4.2 Understands basic disclosure requirements with respect to compliance with the Sarbanes-Oxley Act

1.3.4.2.1 Section 402 – Enhanced Conflict of Interest Provisions

1.3.4.2.1 Section 403 -- Disclosures of Transactions involving Management and Principal Stockholders (i.e., external auditors must conduct separate tests and issue opinions on management's assessment and on the effectiveness of the company's internal controls over financial reporting, "material weaknesses" found by the auditors or management must be reported in the annual report)

1.3.4.2.2 Section 404 -- Management Assessment of Internal Controls (e.g., testing of control environment by management, testing and issuance of opinions by external auditors, certification and reporting requirements apply to the entire company, including acquisitions)

## 2. Underwriting/New Financing Transactions, Types of Offerings and Registration of Securities

### *2.1 Public Offerings*

2.1.1 Participates in the drafting of the offering documents, internal commitment memos, internal sales memos and road show presentations

2.1.1.1 Understands regulatory requirements pertaining to filing of registration of securities offerings

2.1.1.1.1 Securities Act of 1933, Section 5 -- Prohibitions relating to Interstate Commerce and the Mails

2.1.1.1.2 Securities Act of 1933, Section 7 -- Information Required in Registration Statement

2.1.1.1.3 Regulation S-K -- Standard Instructions for Filing Forms Under Securities Exchange Act of 1933, Securities Exchange Act of 1934 and Energy Policy and Conservation Act of 1975

2.1.1.1.4 Regulation S-X -- Form and Content of and Requirements for Financial Statements, Securities Exchange Act of 1933, Securities Exchange Act of 1934 and Energy Policy and Conservation Act of 1975

2.1.1.1.5 Forms of registration statements (Forms S-1, S-3, S-4, and S-8)

2.1.1.1.6 SEC Rule 405 -- Categories of issuers and issuer-related requirements (e.g., ineligible issuer, unseasoned reporting issuer (not primary S-3 eligible), seasoned issuer (primary S-3 eligible), well-known seasoned issuer ("WKSI"))

2.1.1.1.7 Effectiveness of registration statements (SEC Rule 405, Section 8)

2.1.1.1.8 Shelf registration (SEC Rule 405 -- Automatic shelf registration statement, SEC Rule 415 -- Shelf registration statement (refreshing requirements, effective date of prospectus))

2.1.1.1.9 Securities Exchange Act of 1934, Section 10A -- Audit Requirements

2.1.1.2 Understands regulatory requirements pertaining to a prospectus (base prospectus, prospectus supplement)

- 2.1.1.2.1 Securities Act of 1933, Section 2(a)(10) -- Definition of Prospectus
- 2.1.1.2.2 Types of prospectuses pursuant to SEC Rule 405 (e.g., free writing prospectus, SEC Rule 164 -- Post-filing Free Writing Prospectuses in Connection with Certain Registered Offerings; graphic communication, written communication, electronic road shows, SEC Rule 433 -- Conditions to Permissible Post-filing Free Writing Prospectuses)
- 2.1.1.2.3 Content and filing requirements of prospectus, Securities Act of 1933, Section 10
  - 2.1.1.2.3.1 Rule 424 -- Filing of Prospectuses, Number of Copies
  - 2.1.1.2.3.2 Rule 427 -- Contents of Prospectus used After Nine Months
  - 2.1.1.2.3.3 Rule 430 -- Prospectus for Use Prior to Effective Date
  - 2.1.1.2.3.4 Rule 430A -- Prospectus in a Registration Statement at the Time of Effectiveness
  - 2.1.1.2.3.5 Rule 430B -- Prospectus in a Registration Statement After Effective Date
- 2.1.1.2.4 Exemptions / Safe harbors
  - 2.1.1.2.4.1 Public notices excluded from the definition of prospectus
  - 2.1.1.2.4.2 SEC Rule 134 -- Communications not Deemed a Prospectus
  - 2.1.1.2.4.3 SEC Rule 135a -- Generic Advertising
  - 2.1.1.2.4.4 SEC Rule 163A -- Exemption from Section 5(c) of the Act for Certain Communications Made by or on Behalf of Issuers More than 30 days Before a Registration Statement is Filed
  - 2.1.1.2.4.5 SEC Rule 163 -- Exemption from Section 5(c) of the Act for Certain Communications by or on Behalf of Well-known Seasoned Issuers
  - 2.1.1.2.4.6 SEC Rule 168 -- Exemptions from Sections 2(a)(10) and 5(c) of the Act for Certain Communications of Regularly Released Factual Business Information and Forward-looking Information
  - 2.1.1.2.4.7 SEC Rule 169 -- Exemptions from Sections 2(a)(10) and 5(c) of the Act for Certain Communications of Regularly Released Factual Business Information
- 2.1.1.2.5 Research reports and free writing prospectuses
  - 2.1.1.2.5.1 SEC Rule 137 -- Publications or Distributions of Research Reports by Brokers or Dealers that are not Participating in an Issuer's Registered Distribution of Securities
  - 2.1.1.2.5.2 SEC Rule 138 and SEC Rule 139 – Publications or Distributions of Research Reports by Brokers or Dealers about Securities other than those they are Distributing

2.1.1.3 Understands communication-related liabilities

- 2.1.1.3.1 Securities Act of 1933, Section 11 -- Civil Liabilities on Account of False Registration Statement

2.1.1.3.2 Securities Act of 1933 Section 12 -- Civil Liabilities Arising in Connection with Prospectuses and Communications
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2.1.1.3.4 Securities Act of 1933, Section 23 -- Unlawful Representations
2.1.1.3.5 SEC Rule 175 -- Liability for Certain Statements by Issuers
2.1.1.3.6 Securities Exchange Act of 1934, Rule 3b-6 -- Liability for Certain Statements by Issuers
2.1.1.4 Understands regulatory requirements pertaining to a company's ongoing reporting obligations
2.1.1.4.1 Registration of issuer's securities under Securities Exchange Act of 1934
2.1.1.4.1.1 Section 12 -- Registration Requirements for Securities
2.1.1.4.1.2 Section 12(a) -- Exchange-listed Securities
2.1.1.4.1.3 Section 12(f) -- Unlisted Trading Privileges for Security Originally Listed on Another National Exchange
2.1.1.4.1.4 Section 12(g) -- Registration of Securities of Issuers Engaged in Interstate Commerce
2.1.1.4.1.5 Section 12(j) -- Suspension or Revocation of Registration of the Issuer's Securities
2.1.1.4.1.6 Regulation 15D -- Reports of Registrants Under the Securities Act of 1933 (Rules 15d-1 to 15g-100)
2.1.1.4.2 Regulation FD -- Selective Disclosure and Insider Trading
2.1.1.5 Understands regulatory requirements pertaining to disclosure of a member firm's interest in distribution
2.1.1.5.1 SEC Rule 15c1-5 -- Disclosure of Control
2.1.1.5.2 SEC Rule 15c1-6 -- Disclosure of Interest in Distributions
2.1.1.5.3 FINRA Rule 2262 -- Disclosure of Control Relationship with Issuer
2.1.1.5.4 FINRA Rule 2269 -- Disclosure of Participation or Interest in Primary or Secondary Distribution

2.1.2. Assists in the distribution of the preliminary and final prospectuses
2.1.2.1 Securities Act of 1933
2.1.2.1.1 Rule 153A -- Definition of "Preceded by a Prospectus" as Used in Section 5(b)(2) in Relation to Certain Transactions Requiring Approval of Security Holders
2.1.2.1.2 Rule 172 -- Delivery of Prospectuses
2.1.2.1.3 Rule 174 -- Delivery of prospectus by dealers
2.1.2.1.4 Rule 460 -- Distribution of preliminary prospectus
2.1.2.2 Securities Exchange Act of 1934
2.1.2.2.1 Rule 15c2-8 -- Delivery of Prospectus (preliminary prospectus, final prospectus, information required in registration statements)

2.1.3. Understands FINRA/NASD rules pertaining to securities distributions

2.1.3.1 FINRA Rule 5110 -- Corporate Financing Rule -- Underwriting Terms and Arrangements
2.1.3.2 FINRA Rule 5121 -- Public Offerings of Securities With Conflicts of Interest

***2.2 Activities of the Underwriting Syndicate***

2.2.1 Manages the execution of syndicate agreements, including agreement among underwriters, selected dealers agreement, deal wires
2.2.1.1 Types of underwriting commitments (e.g., firm commitment, competitive bid or negotiated, stand-by commitment , all or none, best efforts)
2.2.1.2 Issuer and shareholder lock-up agreements
2.2.1.3 Securities Exchange Act of 1934
2.2.1.3.1 Rule 10b-9 -- Prohibited Representations in Connection with Certain Offerings
2.2.1.3.2 SEC Rule 15c2-4 -- Transmission or Maintenance of Payments Received in Connection with Underwritings
2.2.1.4 FINRA Rule 5160 -- Disclosure of Price and Concessions in Selling Agreements

2.2.2 Prepares and files all necessary regulatory wires (e.g., Regulation M filings)
2.2.2.1 Regulation M, Rule 101 -- Activities by Distribution Participants, Rule 102 -- Activities by Issuers and Selling Security Holders During a Distribution

***2.3 Execution and Distribution***

2.3.1 Assists in the education of internal sales force and marketing of the offering
2.3.1.1 Determines current trends in the market/sectors and identifies the sales points of each transaction
2.3.1.2 Assists in drafting materials regarding the transaction to educate the internal sales force (e.g. internal sales memo)
2.3.1.3 Assists the issuer in preparing the road show presentation
2.3.1.4 Assists the issuer in setting up investor meetings
2.3.1.5 Reviews the current shareholders of the issuer as well as shareholders of comparable companies to locate prospective investors
2.3.1.6 Distributes materials to potential investors as permitted by regulations
2.3.1.7 Keeps issuer apprised of the status of marketing, market conditions and time frame for transaction
2.3.1.8 Understands marketing restrictions under industry regulations
2.3.1.8.1 SEC Rule 15c1-8 – Sales at the Market and NASD Rule 2760 -- Offerings “At the Market”
2.3.1.8.2 “Blue Sky” and The National Securities Markets Improvement Act of 1996 (NSMIA) (Section 18 of the Securities Act of 1933 -- Exemption from State Regulation of Securities Offerings)
2.3.1.8.3 NASD Rule 2711(a)(5) and NYSE Rule 472.50 -- Definition of Public Appearance
2.3.1.8.4 NASD Rule 2711(c)(4-6) and NYSE Rule 472(b)(5-6) -- Restrictions on Communications with the Subject Company
2.3.1.8.5 NASD Rule 2711(e) and NYSE Rule 472(g) -- Prohibition of Offering Favorable Research for Business

2.3.1.8.6 NASD Rule 2711(f) and NYSE Rule 472(f) -- Restrictions on Publishing Research Reports and Public Appearances; Termination of Coverage
2.3.1.8.7 NASD Rule 3120 -- Use of Information Obtained in Fiduciary Capacity

2.3.2 Builds the book
2.3.2.1 Ascertains investor interest and price level information and maintains "indication of interest book" and assists in creating and maintaining the book, which includes: the list of prospective investors and how the issue is split among the underwriters
2.3.2.2 Understand the suitability rules in order to perform thorough suitability assessments of customers
2.3.2.2.1 FINRA Rule 2111 -- Recommendations to Customers -- Suitability
2.3.2.2.2 FINRA Rule 2111 -- Suitability obligations to institutional customers
2.3.2.2.3 NYSE Rule 405 -- Diligence as to Accounts

2.3.3 Sizing, pricing and timing
2.3.3.1 Maintains information about other scheduled transactions in the market and the release of economic data for the purpose of pricing and scheduling the offering
2.3.3.2 Makes sizing, pricing and timing judgments and recommendations to issuers based on certain factors, including but not limited to: indications of interest, supply and demand, overall market conditions, debt and volatility, investor feedback, trading depth and volatility during the marketing period, existing holder participation in a follow-on offering, and valuation

2.3.4 Allocation, syndicate short covering, stabilization and other market activities
2.3.4.1 Researches and summarizes the following allocation factors:
2.3.4.1.1 Retail versus institutional demand
2.3.4.1.2 Investor trading history
2.3.4.1.3 NASD Rule 2810 -- Direct Participation Programs
2.3.4.1.4 FINRA Rule 5130 -- Restrictions on the Purchase and Sale of Initial Equity Public Offerings and FINRA Rule 6130 -- Transactions Related to Initial Public Offerings
2.3.4.1.5 FINRA Rule 5190 -- Notification Requirements for Offering Participants
2.3.4.1.6 SEC Regulation M Rule 105 -- Short Selling in Connection with a Public Offering
2.3.4.2 Manages stabilizing activity and syndicate short positions
2.3.4.2.1 Understands the following rules and regulations applicable to such activities
2.3.4.2.1.1 SEC Regulation M Rule 100 -- Definitions
2.3.4.2.1.2 SEC Regulation M Rule 103 -- Nasdaq Passive Market Making
2.3.4.2.1.3 SEC Regulation M Rule 104 -- Stabilizing and Other Activities in Connection with an Offering
2.3.4.2.1.4 SEC Rule 17a-2 -- Recordkeeping Requirements Relating to Stabilizing Activities
2.3.4.2.1.5 FINRA Rules 6220(a)(17) -- Definition of stabilizing bid and FINRA Rule 5190(e) -- Notice of Penalty Bids and

Syndicate Covering Transactions in OTC Equity Securities

2.3.4.2.2 Assists in structuring and managing the over-allotment option (i.e., green shoe), determines whether to exercise the green shoe and to what extent based upon market conditions and the short position

2.3.4.3 NASD Rule 2780 -- Solicitation of Purchases on an Exchange to Facilitate a Distribution of Securities

2.3.5 Billing and delivery

2.3.5.1 Calculates compensation of the syndicate (e.g., components of underwriter's spread including management fee, underwriting fee, selling concession; gross spread; pot agreement (jump ball, fixed); free retention; designations)

2.3.5.2 Assists in ensuring that all customer orders are booked correctly

2.3.5.3 Communicates with branch office managers or designee to confirm allotments and designations

2.3.5.4 FINRA Rule 5141 – Sale of Securities in a Fixed Price Offering

***2.4 Post-Execution Activities for Financing Deals***

2.4.1 Compiles the deal file, including correspondence with underwriting group members, selling groups and/or the issuer, archives of pitch and marketing materials, information used for road shows, book building, prospectuses, and copies of underwriting materials

2.4.1.1 Understands books and record requirements

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

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

2.4.1.1.3 FINRA Rule 4511—General Requirements

2.4.2 Keeps track of billing and finalizing the transaction

2.4.2.1 NASD Rule 11880 -- Settlement of Syndicate Accounts

***2.5 Securities Exempt from the Registration Requirements of the Securities Act of 1933***

2.5.1 Section 3 -- Exempted securities

2.5.1.1 SEC Rule 147 -- "Part of an Issue," "Person Resident" and "Doing Business Within," for Purposes of Section 3(a)(11)

2.5.1.2 SEC Regulation A -- General exemptions (definitions of terms, amount of securities exempted, filing and use of the offering circular, filing of sales materials)

***2.6 Transactions Exempt from the Registration Requirements of the Securities Act of 1933***

2.6.1 Private Placements -- Performs tasks similar to those associated with public offerings (e.g., see sections on communications and due diligence) and performs the following tasks that are unique to private placement

2.6.1.1 Assists in drafting and executing the Placement Agent Agreement

2.6.1.2 Assists in drafting and executing of engagement documentation for private placements

2.6.1.2.1 Understanding the obligations and liabilities to the issuer and investors

2.6.1.3 Assists in determining eligibility of interested investors

2.6.1.4 Assists in the preparation of the private offering documents, including but not limited to the private placement memorandum (PPM), the confidentiality agreement, and the teaser (i.e., an executive summary, or a one-page document describing financing opportunities to attract interest), and security term sheets (i.e., expected pricing)

2.6.1.5 Assists in identifying the list of potential investors and determines the types and suitability of investors for whom private placement is appropriate

2.6.1.6 Assists in structuring appropriate private placement securities, convertibles, preferred stock, subordinated debt, warrants

2.6.1.7 Assists in procuring nonbinding commitments from interested investors

2.6.2 Understands regulations pertaining to the distribution of private placement offerings

2.6.2.1 Securities Act of 1933 Section 4(2) -- Transactions by an Issuer not Involving any Public Offering

2.6.2.2 Securities Act of 1933 Section 4(6) -- Private Placements

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

2.6.2.3.1 Rule 501 -- Definitions and Terms Used in Regulation D

2.6.2.3.2 Rule 502 -- General Conditions to be Met

2.6.2.3.3 Rule 503 -- Filing of Notice of Sales

2.6.2.3.4 Rule 504 -- Exemption for Limited Offerings and Sales of Securities Not Exceeding $1,000,000

2.6.2.3.5 Rule 505 -- Exemption for Limited Offers and Sales of Securities Not Exceeding $5,000,000

2.6.2.3.6 Rule 506 -- Exemption for Limited Offers and Sales Without Regard to Dollar Amount of Offering

2.6.2.4 SEC Rule 144A -- Private Resales of Securities to Institutions

2.6.2.5 Regulation S -- Rules Governing Offers and Sales Made Outside the U.S. Without Registration Under the Securities Act of 1933

2.6.2.5.1 Rule 901-- General statement

2.6.2.5.2 Rule 902 -- Definitions

2.6.2.5.3 Rule 903 -- Offers or Sales of Securities by the Issuer, a Distributor, and of their Respective Affiliates, or Any Person Acting on Behalf of Any of the Foregoing; Conditions Relating to Specific Securities

2.6.2.5.4 Rule 904 -- Offshore Resales

2.6.2.6 FINRA Rule 5122 -- Private Placements of Securities Issued by Members

2.6.3 Resales of securities by control persons

2.6.3.1 SEC Rule 144 -- Persons Deemed Not to be Engaged in a Distribution and Therefore not Underwriters

***2.7 Principal Trading Markets***

2.7.1 General understanding of securities markets/exchanges (e.g., Nasdaq, NYSE, OTC Bulletin Board, foreign)

2.7.2 NYSE and Nasdaq listing requirements

## 3. Mergers and Acquisitions, Tender Offers and Financial Restructuring Transactions

### *3.1 Mergers and Acquisitions – Sell Side Transactions*

3.1.1 Setting up the process

- 3.1.1.1 Assists in preparing, negotiating and finalizing the engagement letter with the seller
- 3.1.1.2 Prepares and reviews with the seller potential transaction structures and the impact of existing market, regulatory and tax environment on the proposed transaction
  - 3.1.1.2.1 Identifies and assesses potential transactions (e.g., sale of entire company, divestitures, spin--offs, split--offs)
  - 3.1.1.2.2 Identifies and assesses potential transaction structures (e.g., stock versus asset sale, merger versus tender offer)
  - 3.1.1.2.3 Coordinates with the seller's tax advisors to identify potential tax issues and their financial implications (e.g., tax free reorganization, recapitalizations, IRS Rule 338(h)(10) elections, stock versus cash)
  - 3.1.1.2.4 Coordinates with the seller's legal advisors in identifying antitrust and other regulatory issues (e.g., cross border transactions)
  - 3.1.1.2.5 Assists the seller in identifying potential corporate issues (e.g., IRS Rules 160 and 280G, golden parachute, plant closings, shareholder objectives, corporate culture)
  - 3.1.1.2.6 Assists the seller in evaluating the impact of terms of existing equity and debt securities and contractual obligations of the seller on the proposed transaction (e.g. debt covenants, consents, conversion features)
- 3.1.1.3 Performs financial valuation analysis for the seller and produces and comprehensive valuation report using a variety of valuation methods (See Section 1.2)
- 3.1.1.4 Conducts extensive analyses of potential buyers to:
  - 3.1.1.4.1 Assist the seller in identifying potential buyers and their strengths and weaknesses, including capacity to pay
  - 3.1.1.4.2 Assist in evaluating any financing requirements, including stapled financing
  - 3.1.1.4.3 Assess the primary competitors both general and sector--specific
  - 3.1.1.4.4 Assess the existing growth strategy and optimization potential
  - 3.1.1.4.5 Perform suitability assessments of specific candidates
  - 3.1.1.4.6 Assist in evaluating credit implications of the potential transaction
  - 3.1.1.4.7 Evaluate potential market reaction announcements concerning a merger/acquisition

3.1.2 Marketing the transaction

- 3.1.2.1 Assists the seller in preparation of confidentiality agreements (CAs)
- 3.1.2.2 Prepares, finalizes and distributes a business profile highlighting corporate overview, financial history, and other information relevant to a potential buyer

("teaser")

3.1.2.3 Assists in process of contacting potential buyers and having them sign the confidentiality/non-disclosure agreements

3.1.2.4 Assists in the preparation of a confidential offering document for presentation to potential buyers and merger partners

3.1.2.5 Prepares, finalizes and distributes bidding procedures letter to potential buyers

3.1.2.6 Assists the seller in drafting of management presentations

3.1.3 Managing the bidding process

3.1.3.1 Receives non-binding indications of interest from potential buyers and organizes and communicates material to the seller

3.1.3.2 Evaluates buyers' proposals from strategic and financial perspectives (e.g., buyers' ability to pay, strength of buyers' currency, accretion/dilution analysis, assessment of potential synergies deemed obtainable from buyers, social issues, sensitivity to potential regulatory/antitrust issues)

3.1.3.2.1 General understanding of Hart Scott Rodino Anti--Trust Act

3.1.3.3 Assists the seller to determine successful bids and assists in communicating regret or invitations to move forward with potential buyers

3.1.3.4 Attends and monitors management presentations, data room sessions and site visits (See Section 1.3.2 – Assists in due diligence process – sell side transactions)

3.1.3.5 Responds to potential buyers' requests for additional information (See Section 1.3.2 -- Assists in due diligence process – sell side transactions)

3.1.3.6 Assists the seller in preparation of the final round procedures, including deadline for final offers and guidance on issues to be addressed in letters of intent

3.1.4 Executing the transaction

3.1.4.1 Finalizes and distributes final round procedure letter to potential buyers

3.1.4.2 Receives, analyzes and presents final round bids to the seller

3.1.4.3 Assists the seller in selecting a buyer(s) with whom to negotiate definitive agreements

3.1.4.3.1 Assists the seller in communicating to the seller's legal counsel and accountants the material financial terms of the transaction as agreed to by seller and buyer

3.1.4.4 Assists in the preparation of a fairness opinion, if warranted or requested (See Section 3.3 -- Fairness Opinion)

***3.2 Mergers and Acquisitions – Buy Side Transactions***

3.2.1 Analysis before the bid

3.2.1.1 Determines or assesses the strategy, resources, financial capacity of the buyer

3.2.1.2 Evaluates rationale for the acquisition and value of the business

3.2.1.3 Identifies potential corporate, structural or legal impediments to the transaction (control share acquisition statutes, shareholder rights plans, staggered boards, etc.)

3.2.1.4 Coordinates with buyer's tax advisors in the identification of potential tax issues and their financial implications (tax free reorganization, recapitalizations, IRS

Rule 338(h)(10), elections, stock versus cash)

3.2.1.5 Reviews the confidential offering memorandum and confidentiality agreement provided by the seller

3.2.1.6 Analyzes target's financial results, future prospects, market position, industry dynamics, potential strategic value to the buyer and potential synergies with the buyer (See Section 1.3.3 – Assists in the due diligence process – Buy side transactions)

3.2.1.7 Produces preliminary stand-alone and pro forma valuations of target through comparable company analysis, precedent transaction analysis, discounted cash flow analysis, leveraged buyout (LBO) analysis and other relevant analyses (See Section 1.2 – Analysis and Evaluation of Data)

3.2.1.8 Assists in evaluating credit implications of the potential transaction

3.2.1.9 Assesses the capabilities of other buyers and informs the buyer regarding recent developments among other buyers and competitors

3.2.1.10 Evaluates potential market reaction announcements concerning a merger/acquisition

3.2.2 Bidding process

3.2.2.1 Assists the buyer with development, finalization and review of preliminary bid

3.2.2.2 Assists in process of contacting the seller and/or acting as a liaison with its advisors

3.2.2.3 Assists in arrangement of financing alternatives from various institutions, as necessary

3.2.3 Executing the deal

3.2.3.1 Assists the buyer in preparing follow up due diligence requests and communicates with target (See Section 1.3.3 – Assists in the due diligence process – Buy side transactions)

3.2.3.2 Develops, finalizes and reviews final bid with the buyer

3.2.3.3 Assists in the preparation of a fairness opinion, if warranted or requested. (See Section 3.3 – Fairness Opinions)

3.2.3.4 Assists buyer in communicating to buyer's legal counsel and accountants material financial terms of the transaction as agreed to by seller and buyer

***3.3 Fairness Opinions (applicable for both buy side and sell side transactions)***

3.3.1 Assists the client with the determination of whether a fairness opinion is necessary

3.3.2 Prepares the financial analysis for the fairness opinion (See Section 1.2)

3.3.3 Presents the analysis to the firm's internal approval committees, the client and the client's board of directors or special committee of the board

3.3.3.1 Assists in preparation of fairness opinion meeting; internal procedures for disclosing conflicts

3.3.4 Assists in drafting the fairness opinion letter

3.3.5 Assists client in the preparation of proxy statement/prospectus disclosure regarding any fairness opinion that has been issued

3.3.6 FINRA Rule 5150 -- Fairness Opinions (e.g., Disclosures, Procedures)

***3.4 Signing to Closing (Applicable for both buy side and sell side transaction)***

3.4.1 Reviews proxy statement/prospectus disclosure regarding the transaction

3.4.2 Assists buyer in certain closing conditions; monitors closing conditions

3.4.3 Assists buyer in facilitating the closing

3.4.4 Assists buyer in the development of external communications materials (e.g., press releases, Investor presentations)

***3.5 SEC Rules Applicable to Mergers and Acquisitions***

3.5.1 Securities Act of 1933
- 3.5.1.1 Rule 145 -- Reclassification of Securities, Mergers, Consolidations, and Acquisitions of Assets
- 3.5.1.2 Form S-4 -- Registration Statement -- Used in connection with business combinations and exchange offers
- 3.5.1.3 Rule 165 -- Offers Made in Connection with a Business Combination Transaction; Rule 425 -- Filing of Certain Prospectuses and Communications Under Rule 135 in Connection With Business Combination Transactions

3.5.2 Securities Exchange Act of 1934
- 3.5.2.1 Rule 14a-101 – Information Required in Proxy Statement, Schedule 14A -- Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934; Item 14 of Schedule 14A -- Mergers, consolidations, acquisitions and similar matters
- 3.5.2.2 Regulation M-A -- Mergers and Acquisitions

***3.6 Tender Offer Regulations***

3.6.1 General understanding of tender offer regulations including communications, timing and filing requirements, disclosure requirements and equal treatment of shareholders
- 3.6.1.1 Tender offers by issuer
  - 3.6.1.1.1 SEC Rule 13e-4 -- Tender Offers by Issuers (including Dutch Auctions and other repurchase programs); Schedule TO -- Filing requirement
  - 3.6.1.1.2 SEC Rule 13e-3 -- Going Private Transactions by Certain Issuers or Their Affiliates
- 3.6.1.2 Other tender offers
  - 3.6.1.2.1 SEC Rule 14d-1 -- Scope of and Definitions Applicable to Regulations 14D and 14E
  - 3.6.1.2.2 SEC Rule 14d-9 -- Recommendation or Solicitation by the Subject Company and Others
  - 3.6.1.2.3 SEC Rule 14d-10 -- Equal Treatment of Security Holders
  - 3.6.1.2.4 SEC Rule 14e-1 -- Unlawful Tender Offer Practices

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3.6.1.2.5 SEC Rule 14e-2 -- Position of Subject Company with Respect to a Tender Offer
3.6.1.2.6 SEC Rule 14e-3 -- Transactions in Securities on the Basis of Material, Non-public Information in the Context of Tender Offers
3.6.1.2.7 SEC Rule 14e-4 -- Prohibited Transactions in Connection with Partial Tender Offers
3.6.1.2.8 SEC Rule 14e-5 -- Prohibiting Purchases Outside of a Tender Offer

***3.7 Financial Restructuring/ Bankruptcy***

3.7.1 Understands the potential claims and priorities of investors in connection with bankruptcy (e.g., senior secured creditors (senior debt lenders); junior secured creditors (senior subordinated debt); unsecured creditors (trade suppliers); mezzanine (convertible debt); preferred stock; common stock)

3.7.2 Understands fundamental terms of loan documents
3.7.2.1 Credit agreements and indentures (e.g., repayment, prepayment, events of default, negative covenants)
3.7.2.2 Financial covenants (including an assessment of the company's short-term and long-term liquidity, including maturities of debt, required redemptions, and other obligations and rights)
3.7.2.3 Consequences of refinancing early

3.7.3 Understands fundamental terms of bankruptcy (e.g., plan of reorganization (Bankruptcy Code Chapter 11), debtor in Possession financing (DIP), liquidation (Bankruptcy Code Chapter 7), mergers and acquisitions (Bankruptcy Code Section 363), stalking horse, the roles of creditor committees, debtor in possession, company's board of directors/management, and trustee)

## 4. General Securities Industry Regulations

***4.1 Requirements for Registration of Individuals***

4.1.1 Qualification, registration and approval
4.1.1.1 FINRA By-Laws and NASD Rules
4.1.1.1.1 Article III, Sec. 3 – Ineligibility of Certain Persons for Membership or Association
4.1.1.1.2 Article V, Sec. 4 -- Retention of Jurisdiction
4.1.1.1.3 Article V, Sec. 1 -- Qualification Requirements
4.1.1.1.4 NASD Rule 1000 Series -- Membership, Registration and Qualification Requirements
4.1.1.1.5 NASD Rule 3010 (e) -- Qualifications Investigated
4.1.1.2 NYSE Rules
4.1.1.2.1 Rule 345 -- Employees -- Registration, Approval, Records
4.1.1.2.2 Rule 345.11 – Investigation and Records
4.1.1.3 Securities Exchange Act of 1934
4.1.1.3.1 Rule 17f-2 -- Fingerprinting of Securities Industry Personnel

4.1.2 Continuing education for registered persons
- 4.1.2.1 FINRA Rule 1250(a) – Regulatory Element
- 4.1.2.2 FINRA Rule 1250(b) – Firm Element

4.1.3 Statutory disqualification
- 4.1.3.1 SEC Rule 3(a)(39) -- Definition of "Statutory Disqualification"

***4.2 Business Conduct***

4.2.1 Anti-manipulation and fraud rules
- 4.2.1.1 Securities Exchange Act of 1934
  - 4.2.1.1.1 Section 9(a)(1)-(a)(6) -- Prohibition Against Manipulation of Security Prices
  - 4.2.1.1.2 Rule 10b-1 -- Prohibition of Use of Manipulative or Deceptive Devices or Contrivances with Respect to Certain Securities Exempted from Registration
  - 4.2.1.1.3 Rule 10b-3 -- Employment of Manipulative and Deceptive Devices by Brokers or Dealers
  - 4.2.1.1.4 Rule 10b-18 -- Purchase of Certain Equity Security by the Issuer
  - 4.2.1.1.5 Rule 15c1-1 -- Definitions
  - 4.2.1.1.6 Rule 15c1-2 -- Fraud and Misrepresentation
  - 4.2.1.1.7 Rule 15c1-3 -- Misrepresentation by Brokers, Dealers and Municipal Securities Dealers as to Registration
  - 4.2.1.1.8 Rule 15c1-9 -- Use of Pro Forma Balance Sheets
- 4.2.1.2 FINRA and NASD Rules
  - 4.2.1.2.1 FINRA Rule 2010 -- Standards of Commercial Honor and Principles of Trade
  - 4.2.1.2.2 FINRA Rule 2020 -- Use of Manipulative, Deceptive or other Fraudulent Devices
  - 4.2.1.2.3 FINRA Rule 5210 -- Publication of Transactions and Quotations
- 4.2.1.3 NYSE Rules
  - 4.2.1.3.1 Rule 435(5) --Miscellaneous Prohibitions -- Circulation of Rumors

4.2.2 Insider trading/information barriers
- 4.2.2.1 Insider Trading and Securities Fraud Enforcement Act of 1988 and Joint Memo on Chinese Wall Policies and Procedures (NASD NTM 91-45 and NYSE IM 91-22)
- 4.2.2.2 Securities Exchange Act of 1934
  - 4.2.2.2.1 Rule 10b5 -- Employment of Manipulative and Deceptive Devices
  - 4.2.2.2.2 Rule 10b5-1 -- Trading "On the Basis of" Material Nonpublic Information in Insider Trading Cases
  - 4.2.2.2.3 Rule 10b5-2 -- Duties of Trust or Confidence in Misappropriation Insider Trading Cases
  - 4.2.2.2.4 Section 15(f) -- Written procedures designed to prevent misuse of material, non-public information

4.2.3 General business conduct rules and regulations

4.2.3.1 Supervisory procedures and systems
- 4.2.3.1.1 NASD Rule 3010 -- Supervision
- 4.2.3.1.2 NYSE Rule 342 -- Offices: Approval, Supervision and Control

4.2.3.2 Anti-money laundering rules
- 4.2.3.2.1 FINRA Rule 3310 -- Anti-Money Laundering Compliance Program;

4.2.3.3 Transactions with other professionals
- 4.2.3.3.1 NASD Rule 3050 -- Transactions for or by Associated Persons
- 4.2.3.3.2 NYSE Rule 407 -- Transactions -- Employees of Members, Member Organizations and the Exchange

4.2.3.4 Outside business activities
- 4.2.3.4.1 FINRA Rule 3270 -- Outside Business Activities of an Associated Person
- 4.2.3.4.2 NASD Rule 3040 -- Private Securities Transactions of an Associated Person

4.2.3.5 Sharing in customer accounts
- 4.2.3.5.1 FINRA Rule 2150 - Improper Use of Customers' Securities or Funds; Prohibition Against Guarantees and Sharing in Accounts
- 4.2.3.5.2 FINRA Rule 3240 -- Borrowing From or Lending to Customers

4.2.3.6 Gifts and gratuities
- 4.2.3.6.1 FINRA Rule 3220 – Influencing or Rewarding Employees of Others

4.2.3.7 Handling customer complaints
- 4.2.3.7.1 FINRA Rule 4513 -- Records of Written Customer Complaints
- 4.2.3.7.2 FINRA Rule 4513 -- Records of Written Customer Complaints

4.2.3.8 Reporting requirements
- 4.2.3.8.1 FINRA Rule 4530 -- Reporting Requirements

4.2.3.9 Investigations and resulting sanctions
- 4.2.3.9.1 FINRA Rule 8000 -- Investigations and Sanctions
- 4.2.3.9.2 FINRA Rule 8310 -- Sanctions for Violation of the Rules

4.2.3.10 Arbitration and mediation procedures
- 4.2.3.10.1 FINRA Rule 2263 -- Arbitration Disclosure to Associated Persons Signing or Acknowledging Form U4
- 4.2.3.10.2 FINRA Rule 12000 -- Code of Arbitration Procedure for Customer Disputes
- 4.2.3.10.3 FINRA Rule 13000 -- Code of Arbitration Procedure for Industry Disputes
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## Sample Examination Question Formats and Orientation

The questions on the exam may range from recall of facts to the drawing of conclusions from a set of facts. Questions may present job-related scenarios or problems that typically require candidates to go beyond the simple recall of facts and may require the application of knowledge. Other questions may require the evaluation of an array of information to arrive at a decision about the "BEST" or the "FIRST" action to take in a particular situation. Some questions involve calculations. All exam questions will be presented in one of the five following multiple-choice formats: closed stem, sentence completion, "EXCEPT," complex multiple-choice ("Roman Numeral") and "MOST/LEAST/BEST." Examples of these formats are shown below. The sample questions presented below are not reflective of the content or difficulty level of actual test questions. The intent of the sample questions is to simply illustrate the various formats of test questions. The questions' correct answers are identified by the double asterisks (**).

1. **Closed-Stem Format:** The stem (the part that poses the question) is a complete sentence, concluding with a question mark. The four options (answer choices) may be complete or incomplete sentences. Below is an example of a closed-stem test question:

   EE savings bonds can be described as which of the following?
   - (A) Direct obligations of municipalities
   - (B) Direct obligations of the federal government **
   - (C) Moral obligations of a local zoning board
   - (D) Moral obligations of state governments

2. **Open-Stem Format:** This type of test question is an incomplete statement, followed by four options that represent completions of the sentence. Below is an example of an open-stem test

question:

Liquidity is the degree of ease with which assets can be

(A) purchased on credit
(B) converted into cash**
(C) used as collateral
(D) transferred to other ownership

3. **"EXCEPT" or "NOT" Format:** This format is used when the task is to select the response option that is an exception to the principle or rule stated in the stem. The stem may be open or closed. Below is an example of this type of test question:

All of the following are considered advantages of registered limited partnerships EXCEPT

(A) professional management
(B) limited liability
(C) diversification of risk* *
(D) flow-through of income and expense

4. **Complex Multiple-Choice ("Roman Numeral") Format:** The "Roman Numeral" type question presents a question, which is followed by four statements, phrases or terms identified by Roman numerals. The four answer choices represent combinations of these statements, phrases, or terms. The candidate must select the combination that best answers the question. Below is an example of this type of question:

In which order, from first to last, are the following actions performed during the underwriting of an issue of corporate securities?

I. The holding of a due diligence meeting
II. Investigation and analysis of the issuer
III. The filing of a registration statement
IV. The assignment of the effective date by the SEC

(A) I, II, III, IV
(B) II, III, I, IV**
(C) III, I, II, IV
(D) IV, II, III, I

The Roman numeral format is also used is when more than one of the Roman numeral statements is a correct response. Below is an example of this format.

Which TWO of the following are TRUE of options sales literature?

I. It must be preceded or accompanied by an options disclosure document.
II. It must be approved by CBOE prior to use
III. It must contain projected performance figures for the member firm's recommendations.
IV. It may portray past performances of the member firm's recommendations.

(A) I and II

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

5. **"MOST/LEAST/BEST" Format:** This type of test question requires candidates to select an option that is either better or worse than the others. The basis on which the evaluation is to be made is stated in the stem. Below is an example of this format.

   Which of the following BEST describes an aspect of partnership democracy?
   (A) An equal sharing agreement among limited and general partners
   (B) The right of limited partners to examine partnership books and records **
   (C) Management by both limited and general partners
   (D) Prohibitions against control by a single limited partner

## References

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

**Financial Industry Regulatory Authority's website:** www.finra.org

**NASD Manual**
CCH Inc.
4025 W. Peterson Ave.
Chicago, IL 60646
www.finra.org

**New York Stock Exchange, Inc., Constitution and Rules**
New York Stock Exchange
11 Wall Street
New York, NY 10005
www.nyse.com

**Securities Industry/Regulatory Council On Continuing Education**
http://www.cecouncil.com

**Securities and Exchange Commission**
http://www.sec.gov/rules/final.shtml

The Financial Industry Regulatory Authority's (FINRA's) Content Outline for the Limited Registered Investment Banker Examination (Series 79) is available in PDF file format on FINRA's website: