United Kingdom Securities Representative Qualification Examination

(Series 17)

Content Outline

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INTRODUCTION

The United Kingdom Securities Representative Qualification Examination (Series 17) is a subset of the General Securities Representative Qualification Examination (Series 7). The examination is developed and maintained by the Financial Industry Regulatory Authority (FINRA). This content outline provides a comprehensive guide to the topics covered on the Series 17. The outline is intended to familiarize examination candidates with the range of subjects covered on the examination, as well as the depth of knowledge required. Sample questions are also included to acquaint candidates with the types of multiple-choice questions used on the examination. It is recommended that candidates refer to the content outline as part of their preparation to take the examination. Candidates are responsible for planning their course of study in preparation for the examination.

THE PURPOSE OF THE SERIES 17 EXAMINATION

The Series 17 examination is designed to address the duplication of certain qualification requirements in the United States and the United Kingdom. Individuals who hold certain certifications recognized by the Financial Conduct Authority (FCA) in the United Kingdom may be eligible to act as a General Securities Representative in the United States by obtaining the United Kingdom Securities Representative (IE) registration. The IE registration is obtained by passing the Series 17 examination and meeting certain eligibility requirements. The IE registration allows individuals to act as a General Securities Representative (GS) without having to sit for the Series 7 examination. However, such registration does not permit persons to conduct business in municipal securities. Those individuals who want to conduct a business in municipal securities must pass the Series 7 examination (in lieu of the Series 17) or the Municipal Securities Representative Examination (Series 52).

ELIGIBILITY REQUIREMENTS

How to Obtain an IE Registration

To obtain an IE registration, candidates must satisfy certain prerequisite training and competence requirements of the United Kingdom's FCA that FINRA has identified as the eligibility requirements to take the Series 17 examination. Candidates must also be registered and in good standing with the FCA. Finally, candidates must take and pass the Series 17 qualification examination. For more information on these requirements, please refer to information on FINRA's website, which can be viewed through the following web link:

http://www.finra.org/Industry/Compliance/Registration/QualificationsExams/RegisteredReps/Qualifications/P121264

APPLICATION PROCEDURES

The FINRA member firm that sponsors the applicant must file a Uniform Application for Securities Industry Registration or Transfer (Form U4) in the Central Registration Depository (CRD®) and request the Series 17 Examination on the Form U4.

DEVELOPMENT OF THE SERIES 17 CONTENT OUTLINE AND EXAMINATION

DEVELOPMENT OF THE SERIES 17 CONTENT OUTLINE

The Series 17 Content Outline was developed based on the results of a job analysis study of General Securities Representatives. The job analysis process included collecting data about the job functions, tasks and required knowledge of registered representatives (RRs) from a wide variety of firms using a variety of data collection techniques, including a survey of RRs. Under the guidance of FINRA staff and using data collected from the job analysis, a task force comprised of RRs identified and described five major job functions performed by RRs. For each major job function, the task force identified tasks that RRs perform and the underlying knowledge required of an RR to perform the tasks. The task force also determined the number of test questions allocated to each major function based on an evaluation of the survey results.

ORGANIZATION OF THE SERIES 17 CONTENT OUTLINE

The Series 17 Content Outline is comprised of *inter-related* components: functions, tasks, knowledge statements, and rule knowledge. The outline provides an overview of the examination's content coverage across the following inter-related components:

- **FUNCTIONS** describe major areas of practice performed by RRs. Job functions are denoted with an "F" and a number. There are five major job functions (*i.e.,* F1, F2, F3, F4, and F5).
- **TASKS** describe activities associated with performing a particular job function. Tasks are preceded by a "T" and a two-digit number (*e.g.,* T1.1).
- **KNOWLEDGE STATEMENTS** describe the underlying knowledge required to perform the major job functions and associated tasks. Knowledge statements are preceded by a "K" and a series of numbers ranging from one to four digits (e.g., K1.2, K1.2.1.1). There are 15 major knowledge groups (K1 to K15).
- **RULES AND REGULATIONS KNOWLEDGE** are listings of rules and regulations associated with knowledge statements, tasks and functions. Rule listings are grouped by topic. Each rule group topic is preceded by an "R" and a number. There are 41 rule groups (R1 to R41).

This document illustrates how each component of the outline (functions, tasks, knowledge statements, and rule knowledge) is related to one another. Each outline component provides reference linkages to its associated components. The five major job functions and their associated tasks are referenced to related knowledge statements

and rule knowledge. The 15 major knowledge groups are referenced to applicable functions, associated tasks and rule knowledge. The 41 rule groupings are referenced to associated functions, tasks and knowledge statements.

ADDITIONAL INFORMATION AND RESOURCES:

The following government and self-regulatory organizations' (SROs') websites provide information about rules and other information that may be useful in preparing for the examination:

Financial Industry Regulatory Authority (FINRA): www.finra.org
New York Stock Exchange (NYSE): www.nyse.com
Chicago Board Options Exchange (CBOE): www.cboe.com
NASDAQ OMX PHLX: www.nasdaqomx.com
Options Clearing Corp: www. theocc.com
Securities and Exchange Commission (SEC): www.sec.gov
US Treasury: www.treasury.gov
Internal Revenue Service (IRS): www.irs.gov

These and additional references are also provided at the end of this outline.

EXAMINATION DEVELOPMENT AND MAINTENANCE

To ensure and sustain the job relevance of the examination, under the guidance of FINRA staff, a committee of registered representatives ("the Committee") writes, reviews and validates all test questions. Test questions are subjected to multiple reviews prior to inclusion on the examination and each question is linked directly to a component of the content outline. The Series 17 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. Each question will have one correct or best answer. The purpose of the Series 17 Examination is to determine if a candidate has attained the level of competency required to function as an RR.

The bank of test questions changes constantly as a result of amendments to, or the introduction of, government and/or industry rules and regulations, changes in practice and/or 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 the test questions continue to be relevant to the functions of RRs. Examination questions are updated when necessary to reflect current industry practices and regulations. **Please Note: Candidates are responsible for keeping abreast of changes made to the applicable rules and regulations, as the examination is updated when new rules are introduced and when the rules are amended.**

ADMINISTRATION AND SCORING OF THE SERIES 17 EXAMINATION

The examination consists of 100 multiple-choice questions and each question consists of four answer choices. The allocation of test questions for each major function is listed in Table 1.

TABLE 1 - NUMBER OF TEST QUESTIONS ON THE SERIES 17 EXAMINATION BY MAJOR JOB FUNCTIONS

Major Job Functions		Percentage of Test Questions	Number of Questions
F1	Seeks Business for the Broker-Dealer through Customers and Potential Customers	20%	20
F2	Evaluates Customers' Other Security Holdings, Financial Situation and Needs, Financial Status, Tax Status, and Investment Objectives	15%	15
F3	Opens Accounts, Transfers Assets, and Maintains Appropriate Account Records	25%	25
F4	Provides Customers with Information on Investments and Makes Suitable Recommendations	20%	20
F5	Obtains and Verifies Customer's Purchase and Sales Instructions, Enters Orders, and Follows Up	20%	20
	TOTAL	**100%**	**100**

THE ADMINISTRATION OF THE SERIES 17 EXAMINATION

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 two and one-half hours to complete the examination. Each scored test question is worth one point. There is no penalty for guessing. Therefore, candidates should attempt to answer all questions.

Scratch paper and basic electronic calculators will be provided to candidates by the test administrator, and **must** be returned to the test center administrator at the end of the testing session. Some test questions involve calculations. Only calculators provided by the test center administrators are allowed for use during the examination. The examination may contain questions that require the use of charts, graphs, tables and scenarios, which are contained in an Exhibits Book. Should an examination include such questions, an Exhibits Book will be provided to candidates by the test administrator and **must** be returned to the test administrator at the end of the testing session. 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 or attempt to cheat on FINRA-administered examinations.

HOW THE EXAMINATION IS SCORED

HOW THE PASSING SCORE IS DETERMINED

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. A committee of RRs using a standard setting procedure establishes the passing score for a standard form of the examination. The passing score is an absolute standard and it is independent of the performance of candidates taking the examination. The passing score is 72%.

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, the total score, and a score profile indicating performance based on the major job functions covered on the examination. It is recommended that candidates who fail the examination review the information provided on the score report, as they may want to focus on the areas that they performed poorly on when preparing to retake examination. 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 after taking the examination.

SAMPLE TEST QUESTIONS AND REFERENCES

Several sample questions are presented at the end of this outline. The sample questions are included to provide an introduction to the basic formats of multiple-choice questions used on the examination. The sample questions do not reflect the difficulty level of actual test questions. Candidates who familiarize themselves with these formats may be able to improve their test-taking skills so that their performance on the examination will better reflect their knowledge of the areas tested. A list of links to self-regulatory organizations' (SROs') websites and other resources are provided as reference. The information provided 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 FINRA's website at: **www.finra.org**.

THE SERIES 17 CONTENT OUTLINE

FUNCTIONS, TASKS, KNOWLEDGE AND RULES

The content outline provides an overview of the examination's content coverage across functions, tasks, knowledge statements and rule knowledge. The outline describes the five major job functions and the tasks associated with each job function. References to the underlying knowledge required to perform the functions and associated tasks are provided.

		Knowledge	Rule Knowledge
F1	**FUNCTION 1: Seeks Business for the Broker-Dealer through Customers and Potential Customers** **(20% of the Examination, 20 Questions)**	K1, K4, K6 – K12, K15	R1 – R9, R16 – R24, R31 – R41

TASKS:

T1.1 Contacts and builds relationships with current and potential customers in person, by telephone, mail, and electronic means in order to obtain new business

T1.2 Describes investment products and services to current and potential customers with the intent of soliciting interest

T1.3 Develops promotional and advertising material and sales literature and seeks appropriate approvals prior to distribution

T1.4 Distributes promotional and advertising material and sales literature to current and potential customers

T1.5 Conducts seminars, lectures and other group forums with customers with appropriate approvals

		Knowledge	Rule Knowledge
F2	**FUNCTION 2: Evaluates Customers' Other Security Holdings, Financial Situation and Needs, Financial Status, Tax Status, and Investment Objectives** **(15% of the Examination, 15 Questions)**	K2, K4, K5, K6, K9 – K15	R10, R11, R16 – R24, R31, R37 – R40

TASKS:

T2.1 Makes reasonable efforts to obtain customer investment profile information including, among other factors, the customer's other security holdings, financial situation and needs, financial status, tax status, and investment objectives (*e.g.,* preservation of capital, income, growth)

T2.2 Reviews and analyzes customer's investment profile

T2.3 Determines suitable investments for the customer

F3	FUNCTION 3: Opens Accounts, Transfers Assets, and Maintains Appropriate Account Records (25% of the Examination, 25 Questions)	Knowledge	Rule Knowledge
		K2 – K8, K9 – K15	R9 – R24, R26 – R29, R31 – R41

TASKS:

T3.1 Informs customers of the basic types of accounts and their appropriateness

T3.2 Provides disclosures to customers regarding various account types and restrictions

T3.3 Obtains/updates customer information and documentation, as required by federal and SRO rules and regulations (*e.g.,* USA PATRIOT Act Section 326 requirements, Customer Identification Program requirements (CIP))

T3.4 Identifies and responds appropriately to suspicious activity at account opening and on an ongoing basis, and escalates or reports to appropriate parties

T3.5 Obtains necessary legal documents (*e.g.,* power of attorney, trust documents, Transfer on Death, corporate resolutions, discretionary approval documents, beneficiary forms) to open and maintain accounts

T3.6 Obtains any supervisory approvals required to open accounts (*e.g.,* client accounts and RR accounts), updates existing account information, and obtains or files necessary documents

T3.7 Retains account documentation and copies of all customers' correspondence

T3.8 Submits appropriate requests (*e.g.,* withdrawals, transfers, tenders, investment guidelines) and obtains required documentation

F4	FUNCTION 4: Provides Customers with Information on Investments and Makes Suitable Recommendations (20% of the Examination, 20 Questions)	Knowledge	Rule Knowledge
		K1 – K15	R1 – R33, R36 – R41

TASKS:

T4.1 Obtains information regarding current domestic and global market events, economic/financial news, industry sectors, and the status of markets and securities from various appropriate sources to assess how this information may impact the markets, issuers, and customers' accounts

T4.2 Communicates relevant market, investment and research data to customers

T4.3 Makes suitable investment recommendations

T4.4 Provides appropriate disclosures concerning products, risks, services, costs and fees

T4.5 Provides customers with information on investment strategies and explains how the risks and rewards of a particular investment or strategy relate to the customer's financial needs and investment objectives

F5	Function 5: Obtains and Verifies Customer's Purchase and Sales Instructions, Enters Orders, and Follows Up (20% of the Examination, 20 Questions)	Knowledge	Rule Knowledge
		K3 – K15	R10 – R12, R14, R16 – R34, R36–R41

TASKS:

T5.1 Provides current quotes and security prices (*e.g.,* NAV), and reports trade executions

T5.2 Verifies, enters and monitors orders in accordance with customers' instructions and regulatory requirements

T5.3 Enters or creates trade orders pursuant to regulatory requirements (*e.g.,* market making activities, use of exchange automated execution systems)

T5.4 Informs the appropriate supervisor and assists in the resolution of trade discrepancies, disputes, errors and complaints

T5.5 Informs customers of delivery obligations and settlement procedures for trades executed in their accounts

T5.6 Addresses margin issues as they arise

T5.7 Reports account information to customers (*e.g.,* account value, profits and losses)

KNOWLEDGE STATEMENTS

The knowledge statements describe underlying knowledge required to perform the tasks associated with the five major job functions. There are 15 major knowledge areas. Each knowledge statement is preceded by a "K" and a series of numbers ranging from one to four digits. Each of the 15 major knowledge areas is referenced to a major function and its associated tasks, and applicable rule knowledge.

K1	Knowledge associated with regulatory requirements, including communications	Function & Associated Tasks	Rule Knowledge
		F1 (T1.1 –T1.5) F4 (T4.1 – T4.5)	R1 – R8, R41

K1.1 SEC, SRO and state requirements for registration

K1.1.1 Registered representatives: registration, continuing education, and termination of associated persons (*e.g.,* Form U4 and Form U5), and permitted activities for registered and non-registered individuals

K1.1.2 Investment advisers: basic information about registration requirements and exemptions

K1.2 Standards and required approvals of public communications

K1.2.1 Product specific disclosures and review (*e.g.,* options, mutual funds, and research)

K1.2.1.1 Definition and approval of options-related advertisements, sales literature; Options Disclosure Document (ODD)

K1.2.1.2 Requirements for advertisements of investment company products, variable

contracts, and mutual funds

K1.2.1.3 Requirements for advertisements of other securities (*e.g.,* government securities, collateralized mortgage obligations (CMOs), Certificates of Deposit (CDs))

K1.2.1.4 Requirements and permitted activities associated with research reports (*e.g.,* definition of research report, quiet period, information barriers, distribution of research reports, and third party research)

K1.2.2 Regulation of telephone solicitations ("cold calling") including national telephone solicitation rules and the National "Do Not Call" Registry

K1.3 Regulations regarding gifts and gratuities, non-cash compensation and guidelines for business entertainment

		Function & Associated Tasks	Rule Knowledge
K2	**Knowledge associated with evaluating customer's investment profile, including, among other factors, the customer's other security holdings, financial situation and needs, financial status, tax status, and investment objectives**	F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5)	R11, R18

K2.1 Factors affecting the selection of securities, including: the customer's risk tolerance, investment time horizon, and investment objectives and goals (*e.g.,* preservation of capital, current income, capital growth, total return (growth with income), tax advantages provided by certain products, portfolio diversification, liquidity, speculation, trading profits, and long-term versus short-term risks)

K2.2 Portfolio analysis and its application to security selection (*e.g.,* portfolio diversification, asset allocation principles, concentration, volatility, potential tax ramifications)

K2.2.1 Portfolio theory (*e.g.,* alpha and beta considerations, Capital Asset Pricing Model (CAPM))

		Function & Associated Tasks	Rule Knowledge
K3	**Knowledge associated with opening and maintaining customer accounts**	F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	R10 – R18, R41

K3.1 Requirements for opening customer accounts, including approvals

K3.1.1 Account types (e.g., cash, margin, option, retirement, day trading, prime brokerage, DVP/RVP, advisory or fee-based, discretionary)

K3.1.2 Account registration types (*e.g.,* individual, institutional, joint (Joint Tenants with Right of Survivorship (JTWROS), Joint Tenants in Common (JTIC)), community property, sole proprietorship, partnership, corporation, unincorporated associations, trust, custodian under UGMA/UTMA, numbered (confidential), Transfer on Death (TOD) and estate accounts)

K3.1.3 Account authorizations (*e.g.,* power of attorney, corporate resolutions, trading authority, discretionary)

K3.1.4 Customer screening (*e.g.,* Customer Identification Program (CIP), Know your customer (KYC), domestic or foreign residency and/or citizenship, corporate insiders, employee of a broker-dealer, employees of an SRO)

K3.1.5 Required disclosures related to specific account types (*e.g.,* margin, day trading, and options disclosure document (ODD))

K3.2 Requirements related to the maintenance of accounts

K3.2.1 Customer account records (*e.g.,* updating for change of address, sending required notifications, holding of customer mail, investment objectives)

K3.2.2 Physical receipt, delivery and safeguarding of cash or cash equivalents, checks and securities

K3.2.3 Circumstances for refusing or restricting activity in an account and/or closing accounts

K3.2.4 Transferring accounts between broker-dealers (*e.g.,* Automated Customer Account Transfer Service (ACATS))

K3.2.5 Account registration changes and internal transfers (*e.g.,* Transfer on Death (TOD), divorce)

K3.2.6 Anti-money laundering compliance procedures and reporting (*e.g.,* Suspicious Activity Reports (SARs) and other Bank Secrecy Act (BSA) reports, reviewing Office of Foreign Asset Control (OFAC) Specially Designated Nationals (SDN) list, Currency Transactions Reports (CTRs))

K3.2.7 Delivery of annual reports and notices of corporate actions (*e.g.,* splits, tenders, proxies, repurchases)

K3.2.8 Books and records (*e.g.,* retention of customer and firm-related records)

K3.2.9 Privacy regulations (*e.g.,* Regulation S-P)

K3.3 Margin accounts

K3.3.1 Key terms: margin, portfolio margin, hypothecation, re-hypothecation, marginable securities, exempt and nonexempt securities, loan value, margin calls, Special Memorandum Account (SMA)

K3.3.2 Requirements and characteristics of margin accounts (*e.g.,* approvals, ineligible accounts, eligible/ineligible securities), and required disclosures (*e.g.,* interest rate disclosure and hypothecation)

K3.3.3 Product or strategy specific requirements (*e.g.,* Treasuries, mutual funds)

K3.3.4 Calculations in margin accounts (*e.g.,* long and/or short positions)

K3.3.4.1 Initial margin: long market value, short market value, debit balance, credit

balance, initial Reg. T margin requirement on long or short positions, Reg. T requirement for established accounts, loan value, excess equity, buying power of deposited securities

K3.3.4.2 Maintenance: additional purchases, sales (long or short), cash withdrawals, stock withdrawals, simultaneous purchases and sales, restrictions, liquidation to meet a margin/maintenance call, deposit of cash/securities required to meet a margin/maintenance call

K3.3.4.3 Special Memorandum Account (SMA): balance, buying power, prohibited use of SMA, effect of excess equity, deposit of marginable securities, receipt of cash dividends and earned interest, liquidation of securities in the account, cash or securities withdrawals, new margin securities purchased or sold short

K3.3.5 Other margin accounts (*e.g.,* portfolio margin, day trading)

		Function & Associated Tasks	Rule Knowledge
K4	**Knowledge associated with appropriate business conduct, providing customers with information on investments and making suitable recommendations**	F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	R10, R17 – R22, R35 – R40

K4.1 **Prohibited activities** (*e.g.,* spreading market rumors, front running, churning, commingling, unauthorized trading, guarantees against losses, paying for referrals, unsuitable recommendations)

K4.2 **Sources of market and investment information** (*e.g.,* exchange quote and trade-related data, news outlets, internet, TRACE, NASDAQ, rating agencies, research reports, pricing services, product-specific periodicals, Trade Reporting Facility (TRF))

K4.3 **Sources of data on business conditions, business activity, and corporate profits** (*e.g.,* media outlets, business indices and statistics, U.S. government sources)

K4.4 **Types of investment returns** (*e.g.,* dividends, interest, tax-exempt interest, capital gains, return of capital)

K4.5 **Required disclosures on specific transactions** (*e.g.,* offering documents, prospectus, material aspects of investments, red herring, statement of additional information, material events, control relationships)

K4.6 **Costs and fees associated with investments** (*e.g.,* breakpoints, rights of accumulation, Letters of Intent (LOI), markups, commissions, net transactions, share classes, non-discretionary fee-based accounts, surrender charges, 12b-1 fees, mortality and expense charges in variable products)

K4.7 **Protections afforded under Securities Investor Protection Corporation (SIPC) and Federal Deposit Insurance Corporation (FDIC)**

K4.8 **Tax considerations** (*e.g.,* unification of gift and estate taxes, lifetime exclusion, annual gifts excluded from

taxation, taxation of securities received as a gift, valuation of securities received as a result of a bequest)

K5	Knowledge associated with orders and transactions in customer accounts	Function & Associated Tasks	Rule Knowledge
		F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	R15 – R17, R23 – R29, R36 – R41

K5.1 **Types of securities quotes** (*e.g.,* bid, ask, spread, firm, subject, not held, and OTCBB quote requirements; workout, fast markets)

K5.2 **Types of orders** (*e.g.,* buy, sell, sell short, market, limit, stop, day, good til cancelled (GTC); options (open/close, spread, straddle), all-or-none, fill or kill, immediate or cancel, not held, market on close)

K5.3 **Information required on an order ticket** (*e.g.,* symbol, account number, price limit versus purchase)

K5.4 **Short sale requirements** (*e.g.,* order marking, locate, borrow and delivery)

K5.5 **Short sale strategies** (*e.g.,* speculation, hedging, arbitrage)

K5.6 **Securities lending** (easy to borrow, hard to borrow, failure to deliver)

K5.7 **Best execution obligations**

K5.8 **Soft dollar arrangements**

K5.9 **Erroneous reports, errors, cancels and rebills**

K5.10 **Customer confirmations, including components, timing, mailings to third parties, and exceptions**

K5.11 **Delivery requirements**

K5.11.1 Good delivery (*e.g.,* certificates in possession of the seller, certificates in the name of two persons, deceased owner, stock or bond powers, mutilated certificates, due bills, delivery versus payment /receive versus payment (DVP/RVP), book entry securities, Direct Registration System (DRS), denominations, bearer, registered)

K5.11.2 Settlement of transactions (*e.g.,* security-specific requirements, when as and if issued (WI), regular-way, T+1, ex-rights, ex-dividends, due bills, due bill checks, negotiated settlements, option exercise/assignment, don't know (DK), extensions)

K5.12 **Regulatory reporting requirements** (*e.g.,* OATS, TRF, TRACE, Real-time transaction reporting system (RTRS))

K6	Professional conduct and ethical considerations	Function & Associated Tasks	Rule Knowledge
		F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	R8, R9, R17, R18, R20, R30 – R34

K6.1 Required disclosures by an RR

- K6.1.1 Outside business activities
- K6.1.2 Personal investment accounts
- K6.1.3 Private securities transactions
- K6.1.4 Potential conflicts of interest

K6.2 Regulation of insider activities and use of material, non-public information (primary markets, secondary markets, customer, RRs)

K6.3 Information security (*e.g.,* protect proprietary and customers' personal information, safeguard laptops, encrypt e-mail)

K6.4 Requirements for addressing customer complaints and consequences of improper handling of complaints

K6.5 Regulatory bodies, their jurisdiction, rule making authority, and disciplinary authority (*e.g.,* SEC, FINRA, CBOE)

K6.6 Arbitration, mediation and litigation

K6.7 Business continuity and disaster recovery plans

K7	The primary marketplace	Function & Associated Tasks	Rule Knowledge
		F1 (T1.1 – T1.5) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	R18, R20, R21, R31, R36, R41

K7.1 The functions of capital markets, investment banking, and the underwriting syndicate

- K7.1.1 Advisory, distribution and the formation of the underwriting syndicate: types of selling groups, underwriting commitments, offerings

K7.2 Process for bringing new issues to market (*e.g.,* due diligence, registration statement, preliminary prospectus, final prospectus, underwriting agreement, selling group agreement, blue-sky rules and procedures)

K7.2.1 Pricing practices and components of underwriters' spread and determination of underwriters' compensation, and selling practices

K7.2.2 Stabilizing: purpose of syndicate bid

K7.2.3 Penalty fees to syndicate members

K7.2.4 Overallotments

K7.2.5 Selling group concession and reallowance

K7.2.6 Tombstone advertisements: contents and purposes

K7.2.7 Shelf registrations and distributions: definition and purpose

K7.3 Regulatory requirements for initial public offerings (IPOs) (*e.g.,* prospectus requirements, restrictions on prospecting or soliciting, securities and/or transactions exempted from registration)

K7.3.1 The Securities Act of 1933 ("Securities Act"): definition and purposes

K7.3.2 Information required in a registration statement

K7.3.3 Filing period, filing date, cooling-off period, and effective date of registration

K7.3.4 Release of publicity and offering material on new issue: in pre-filing period, in cooling-off period, indications of interest (delivery of red herring), in post-registration period

K7.3.5 Prospectus requirements (*e.g.,* registration statement, timeliness of information, preliminary prospectus (red herring), final prospectus)

K7.3.6 Restrictions on prospecting or soliciting while a security is in registration: limitations on use of preliminary prospectus, taking indications of interest for a new issue, post-distribution restrictions, allowable communications with the public, delivery requirements

K7.3.7 Requirements for qualification of a Regulation A offering, filing of abbreviated registration statement and offering circular

K7.3.8 Securities and/or transactions exempted from registration, including Section 3(a)(11) of the Securities Act of 1933 and Rule 147 thereunder: ,intrastate offering

K7.4 Regulatory requirements for private placements/re-sales

K7.4.1 Securities Act Rule 144, purpose and terminology: control securities, control persons, restricted securities, reporting companies; basic requirements: holding period, quantity limitations, filing requirements

K7.4.2 Securities Act Rule 144A, non-registered foreign securities sold to institutions qualified in the U.S.

K7.4.3 Securities Act, Regulation D, Section 4(2), Section 4(6), and Regulation S, foreign securities

prohibited from being sold to U.S. investors

K8	The secondary and other marketplaces	Function & Associated Tasks	Rule Knowledge
		F1 (T1.1 – T1.5) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	R21, R31, R37 – R41

K8.1 **Regulation of activities of broker-dealers** (*e.g.,* trading for own accounts, designated market makers/specialists' activities, broker-dealer in the same transaction, manipulative and deceptive devices, trading by participants in the distribution of a security, stabilizing bids other than during offerings)

K8.2 **U.S. equity securities**

K8.2.1 Over-The-Counter (OTC) market (*e.g.,* OTC Pink market, bulletin board stocks)

K8.2.2 Electronic exchanges, auction markets (*e.g.,* NASDAQ OMX PHLX, NYSE Euronext, NYSE Amex, NYSE Arca)

K8.2.2.1 Exchange auction market: role and functions of the designated market maker/specialist, listing requirements, limitations on trading during significant market declines

K8.2.2.2 Nasdaq Stock Exchange: role and function of the market maker, principal transactions, agency transactions, quotations (*e.g.,* firm, subject or otherwise qualified, bid wanted, offer wanted, size obligations), SEC order handling rules, transaction reporting, listing requirements

K8.2.2.3 Electronic communications networks (ECNs)

K8.2.2.4 Dark pools of liquidity

K8.2.2.5 Convertibles and preferreds

K8.2.2.6 Exchange-traded funds (ETFs)

K8.3 **Listed options, including listed options markets:** nature and functioning, trading participants

K8.4 **U.S. Treasuries**

K8.5 **Government agency securities** (*e.g.,* general characteristics, primary dealers, distribution)

K8.6 **Debt securities:** corporate bonds (including high-yield bonds), repurchase agreements (repos), commercial paper, brokered certificates of deposit (jumbo CDs), bankers' acceptances (BAs), auction rate securities (ARSs), asset-backed securities (*e.g.,* collateralized mortgage obligations (CMOs), collateralized debt obligations (CDOs))

K8.7 **Structured products** (*e.g.,* equity-linked securities, ETFs, ETNs, HOLDRs, OTC options)

		Function & Associated Tasks	Rule Knowledge
K9	**Equity securities**	F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	R18, R23, R37, R41

K9.1 Current tax treatment of equity securities transactions

K9.1.1 Definition and tax treatment of capital gains and losses, dividend distributions (qualified and non-qualified), holding periods

K9.1.1.1 Determination of net long-term and short-term gains or losses

K9.1.1.2 "When issued" securities, securities acquired through conversion, securities received as gifts or bequests

K9.1.1.3 Cost basis per share: on purchases, exchange of convertibles for common shares, stock dividends and stock rights, inherited or gifted securities, average cost basis calculations

K9.1.1.4 Methods of selling part of a position: FIFO, LIFO, identified shares

K9.1.1.5 Tax treatment of wash sales

		Function & Associated Tasks	Rule Knowledge
K10	**Debt securities**	F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	R18, R23, R38, R41

K10.1 U.S. Treasury securities (*e.g.,* U.S. Treasury bills, U.S. Treasury notes, U.S. Treasury bonds, Treasury receipts (STRIPS)/Treasury Zero-coupon bonds, and Treasury Inflation Protection Securities (TIPS))

K10.1.1 Characteristics such as maturities, denominations, issue form, quotations, calculating a spread, pricing, advantages and risks

K10.1.2 How interest is accrued, computation of accrued interest, interest payments

K10.1.3 Yields: coupon (nominal), current, yield-to-maturity, yield-to-call, yield-to-worst, and discount yield (T-bills only)

K10.2 **U.S. government agency securities** (*e.g.,* Government National Mortgage Association (GNMA) pass-throughs, Federal National Mortgage Association (FNMA) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Student Loan Marketing Association): issuing agencies and their purposes, definitions, general characteristics (*e.g.,* types, denominations, risks, payment of interest and principal)

K10.3 **Tax implications of taxable debt securities** (including OID rules): interest, principal, premiums, discounts, and capital gains and losses

		Function & Associated Tasks	Rule Knowledge
K11	**Packaged securities and other managed investments**	F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	R4, R18, R23, R39, R41

K11.1 **Mutual funds**

K11.1.1 Structure of mutual funds (i.e., open ended investment companies)

K11.1.2 Types of mutual funds by objective (*e.g.,* value, growth, income, balanced, international, sector, lifecycle, money market,)

K11.1.3 Characteristics (*e.g.,* Net Asset Value (NAV), forward pricing, computing the offering price, reinvestment of dividends and/or capital gains, exchange privileges within families of funds, charges and expenses: no load, load (front-end, back-end), distribution fees, management fees, nature of 12b-1 fees)

K11.1.4 Sales practices (*e.g.,* dollar cost averaging, computing the sales charge, breakpoints, letters of intent, rights of accumulation, share class, market timing, late trading)

K11.1.5 Redemption (*e.g.,* redemption price, payout or withdrawal plans, conversion privilege, restrictions, contingent deferred sales charge, tenders)

K11.1.6 Tax treatment of mutual funds: dividends, capital gains, distributions, exchanges

K11.2 **Closed-end funds, including exchange-traded funds (ETFs)**

K11.2.1 Structure (*e.g.,* finite number of shares, distributed in primary market at IPO price, traded in secondary market, premiums and discounts to NAV)

K11.2.2 Types (*e.g.,* growth, income, balanced, international, sector, ETF)

K11.2.3 Characteristics (*e.g.,* not traded at NAV, reinvestment of dividends and/or capital gains, charges

and expenses)

K11.2.4 Tax treatment of closed end funds: dividends, capital gains, distributions

K11.3 Unit investment trusts

K11.3.1 Structure (*e.g.,* finite number of shares and duration, distributed in primary market at IPO price, limited liquidity)

K11.3.2 Types (*e.g.,* growth, income, balanced, international)

K11.3.3 Charges and expenses

K11.3.4 Tax treatment of unit investment funds: dividends, capital gains, capital distributions or return of principal

K11.4 Variable life insurance/annuity contracts

K11.4.1 Definition, characteristics, insurance aspects (*e.g.*, minimum guarantees, death benefits, living benefits, riders)

K11.4.2 Separate accounts (*e.g.,* purpose, management of portfolio, investment policies, performance of account)

K11.4.3 Valuation of a variable annuity contract (*e.g.,* accumulation units and their surrender value, annuity units)

K11.4.4 Purchasing or exchanging variable annuities (*e.g.,* immediate annuity, charges, fees, penalties, rights of accumulation, waiver of premium)

K11.4.5 Annuitization: types of election, the variable payout, assumed interest rate (AIR), relationship between AIR and actual rate of return

K11.4.6 Tax treatment of variable annuity contracts: during accumulation period, during annuity period, taxation at surrender of contract, death benefits during accumulation period

K11.5 Real Estate Investment Trusts (REITs)

K11.5.1 Structure (*e.g.,* finite number of shares, distributed in primary market at IPO price, traded in secondary market, premiums and discounts to NAV)

K11.5.2 Types and characteristics (*e.g.,* equity REIT, mortgage REIT, hybrid REIT)

K11.5.3 Tax treatment of REITs: dividends, capital gains, distributions

K11.6 Other investment types

K11.6.1 Direct participation programs (DPPs)

K11.6.1.1 General characteristics, procedures and requirements for forming limited partnerships; information required in certificate of limited partnership, partnership agreement, subscription agreement; liability of limited partners; flow-through of income and certain expenses; restrictions on activities of limited partners, dissolution of a limited partnership

K11.6.1.2 Various types of DPPs, investment advantages and risks, tax implications for real estate DPPs, oil and gas programs, and equipment leasing programs

K11.6.1.3 Subscription agreements, including the responsibility of the RR regarding representation in the subscription agreement, sales conditioned upon acceptance by general partners

K11.6.1.4 Types of offerings of DPPs (*e.g.,* private, public) and evaluating the DPP: factors to consider, such as economic soundness of the program, expertise of the general partner, basic objectives of the program; start-up costs and other revenue considerations

K11.6.2 Registered hedge funds and funds of hedge funds

K11.6.2.1 Structure (*e.g.,* private placements, registered, exemption from registration under the Investment Company Act of 1940, blind pool/ blank check)

K11.6.2.2 Characteristics (*e.g.,* limited or no liquidity, limited available information, lock-up provisions, charges and expenses, wide array of investment styles, models and vehicles; including tangible assets)

K11.6.2.3 Tax treatment of distributions

K11.6.3 Private equity General characteristics

K11.6.4 Structured products General characteristics

		Function & Associated Tasks	Rule Knowledge
K12	**Options**	F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	R3, R10, R18, R23, R40, R41

K12.1 The Options Clearing Corporation (OCC), OCC settlement date

K12.2 Tax treatment of option transactions (equity, index, foreign currency, yield based)

K13	Retirement plans and other tax advantaged accounts	Function & Associated Tasks	Rule Knowledge
		F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	R10, R18, R23, R41

K13.1 **Individual Retirement Accounts types** (Traditional IRAs, Roth IRAs and SEP-IRAs) and transfers, rollovers, eligibility, distribution strategies and taxation: maximum contribution, contributions covering nonworking spouses, types of allowable standard or catch-up contributions, taxation of investments within plans, distribution options, taxation of distribution at retirement, age restrictions for distributions, calculating required minimum distributions (RMDs) and required beginning date (RBDs), permissible investments in the plan, effect on plan due to change of employment, taxation of contributions, penalty on excess contributions, employee coverage, rollovers, re-characterization

K13.2 **Employer-sponsored plans and ERISA** (*e.g.,* SIMPLE IRA, 401(k), 403(b), 457, defined benefit, profit-sharing, money-purchase, stock options and stock purchase, qualified and non-qualified, and deferred compensation programs); characteristics, rollovers

K14	Custodial, Educational and Health Savings Accounts	Function & Associated Tasks	Rule Knowledge
		F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	R10, R18, R23, R41

K14.1 **UGMA/UTMA Accounts**

K14.2 **Coverdell Education Savings Accounts**

K14.3 **529 College Savings Plan Accounts**

K14.4 **Health Savings Accounts**

K15	Special product emphasis and/or new or amended rules or regulations	Function & Associated Tasks	Rule Knowledge
		F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	R1 – R41

May include new products, additional emphasis on products listed elsewhere, and/or new or amended rules or regulations as determined by FINRA.

RULES AND REGULATIONS

Listings of rules and regulations are grouped by topic. Each rule group is preceded by an "R." Each of the 41 rule groups is referenced to the associated functions, tasks and knowledge statements. Some rule citations included within a rule topic group may also contain an additional knowledge reference in parentheses following the rule. Also, some rules may be listed in more than one rule grouping. The references and citations presented here are current as of the time of this publication. Questions on the examination will be updated to reflect the current interpretations of the rules and regulations on which they are based. Questions on new rules will be added to the bank of questions for the examination within a reasonable time period after their effective dates. Questions on rescinded rules will be removed from the bank of questions. Candidates are responsible for keeping abreast of rule changes and Regulatory Notices that relate to topics covered in the examination.

R1	**SEC, SRO and State requirements for registration of individuals**	**Function & Associated Tasks**	**Knowledge**
		F1 (T1.1 – T1.5) F4 (T4.1 – T4.5)	K1.1

- CBOE 9.3A (Continuing Education for Registered Persons)
- CBOE 9.3 (Registration and Termination of Representatives)
- CBOE 9.4 (Other Affiliations of Registered Associated Persons)
- FINRA 1250 (Continuing Education Requirements)
- FINRA 4530 (Reporting Requirements) **(K1.1, K6.4)**
- NASD 1021(Registration Requirements)
- NASD 1022 (Categories of Principal Registration)
- NASD 1030 (Registration of Representatives)
- NASD 1031 (Registration Requirements)
- NASD 1032 (Categories of Representative Registration)
- NASD 1050 (Registration of Research Analysts) **(K1.2.1.4)**
- NYSE 10 ("Registered Representative")
- NYSE 344 (Research Analysts and Supervisory Analysts) **(K1.2.1.4)**
- NYSE 345 (Employees–Registration, Approval, and Records)
- NYSE 345A (Continuing Education For Registered Persons)

R2	**Standards and required approvals of public communications**	**Function & Associated Tasks**	**Knowledge**
		F1 (T1.1 –T1.5) F4 (T4.1 – T4.5)	K1.2

- FINRA 2210 (Communications with the Public)

- FINRA 2214 (Requirements for the Use of Investment Analysis Tools)
- NASDAQ OMX PHLX 605 (Advertisements, Market Letters, Research Reports and Sales Literature)
- NASDAQ OMX PHLX 1049 (Communications to Customers)
- NYSE 342 (Offices – Approval, Supervision and Control)
- NYSE 472 (Communications With The Public)
- Securities Act of 1933, Rule 134 (Communications Not Deemed a Prospectus) **(K7)**

R3	**Options Communications**	**Function & Associated Tasks**	**Knowledge**
		F1 (T1.1 – T1.5) F4 (T4.1 – T4.5)	K1.2.1.1, K12

- CBOE 9.15 (Delivery of Current Options Disclosure Documents) **(K3.1.5)**
- CBOE 9.21 (Options Communications)
- FINRA 2220 (Options Communications)
- FINRA 2360 (Options) **(K3.1.1, K12)**
- NASDAQ OMX PHLX 1029 (Delivery of Options Disclosure Documents)
- Securities Act of 1933, Rule 134a (Options Material Not Deemed a Prospectus)
- Options Clearing Corporation, "Characteristics and Risks of Standardized Options," Options Disclosure Document

R4	**Investment Company Products, Variable Contracts, and Mutual Fund Advertisements,**	**Function & Associated Tasks**	**Knowledge**
		F1 (T1.1 – T1.5) F4 (T4.1 – T4.5)	K1.2.1.3, K11

- FINRA 2212 (Use of Rankings in Investment Companies Advertisements and Sales Literature)
- FINRA 2213 (Requirements for the Use of Bond Mutual Fund Volatility Ratings)
- FINRA 2330 (Members' Responsibilities Regarding Deferred Variable Annuities)
- NASD IM-2210-2 (Communications with the Public About Variable Life Insurance and Variable Annuities)
- Securities Act of 1933, Rule 156 (Investment Company Sales Literature)
- Securities Act of 1933, Rule 482 (Advertising by an Investment Company as Satisfying Requirements of Section 10)

R5	**Government Securities, Collateralized Mortgage Obligations (CMOs), Certificates of Deposit (CDs) Advertisements**	**Function & Associated Tasks**	**Knowledge**
		F1 (T1.1 – T1.5) F4 (T4.1 – T4.5)	K1.2.1.3, K10

- FINRA 2216 (Communications with the Public About Collateralized Mortgage Obligations (CMOs))

R6	**Research reports**	**Function & Associated Tasks**	**Knowledge**
		F1 (T1.1 – T1.5) F4 (T4.1 – T4.5)	K1.2.1.4

- FINRA 2210 (Communications with the Public)

- NASD 1050 (Registration of Research Analysts) **(K1.1)**
- NASD 2711 (Research Analysts and Research Reports)
- NYSE 344 (Research Analysts and Supervisory Analysts) **(K1.1)**
- NYSE 472 (Communications With The Public)
- SEC Regulation AC (Analyst Certification)
- SEC Regulation FD (Fair Disclosure)
- Securities Exchange Act 1934, Section 28(e) (Exchange, broker, and dealer commissions; brokerage and research services) **(K5.8)**

		Function & Associated Tasks	Knowledge
R7	**Regulation of telephone solicitations**	F1 (T1.1 – T1.5) F4 (T4.1 – T4.5)	K1.2.2

- CBOE 9.24 (Telephone Solicitation)
- FINRA 3230 (Telemarketing)
- Junk Fax Protection Act of 2005
- Telephone Consumer Protection Act of 1991

		Function & Associated Tasks	Knowledge
R8	**Regulations regarding gifts and gratuities, non-cash compensation, and guidelines for business entertainment.**	F1 (T1.1 – T1.5) F4 (T4.1 – T4.5)	K1. 4, K6.1

- CBOE 4.4 (Gratuities)
- FINRA 3220 (Influencing or Rewarding Employees of Others)

		Function & Associated Tasks	Knowledge
R9	**Regulatory bodies, their jurisdiction, rulemaking authority, and disciplinary authority (*e.g.,* SEC, FINRA, CBOE)**	F1 (T1.1 – T1.5) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K6.5

- CBOE 9.5 (Discipline, Suspension, Expulsion of Registered Persons)
- CBOE 17.1 (Disciplinary Jurisdiction)
- FINRA By-Laws, Article V (Registered Representatives and Associated Persons, Section 4– Retention of Jurisdiction)
- FINRA By-Laws, Article XII (Disciplinary Proceedings)
- FINRA 8000 Series (Investigations and Sanctions)
- FINRA 9000 Series (Code of Procedure)

		Function & Associated Tasks	Knowledge
R10	**Requirements for opening and maintaining accounts**	F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K3, K4.6, K12, K13, K14

- CBOE 9.7 (Opening of Accounts)
- CBOE 9.8 (Supervision of Accounts)
- CBOE 9.10 (Discretionary Accounts)
- CBOE 9.20 (Transfer of Accounts)
- Employee Retirement Income Security Act of 1974 (ERISA)
- Federal Reserve Board Regulation T (Credit by Broker-Dealers)
- FINRA 2070 (Transactions Involving FINRA Employees)
- FINRA 2130 (Approval Procedures for Day-Trading Accounts)
- FINRA 2261(Disclosure of Financial Condition)
- FINRA 2264 (Margin Disclosure Statement)
- FINRA 2267 (Investor Education and Protection)
- FINRA 2270 (Day-Trading Risk Disclosure Statement)
- FINRA 2360 (Options) **(K12)**
- FINRA 3160 (Networking Arrangements Between Members and Financial Institutions)
- FINRA 3250 (Designation of Accounts)
- FINRA 4210 (Margin Requirements) (**K3.3)**
- FINRA 4512 (Customer Account Information)
- NASD 2510 (Discretionary Accounts)
- NASD 3050 (Transactions for or by Associated Persons)
- NASD 3010 (Supervision)
- NASDAQ OMX PHLX 1025 (Supervision of Accounts) *Options*
- NYSE 342 (Offices–Approval, Supervision and Control)
- NYSE 405 (Diligence as to Accounts)
- NYSE 407 (Transactions–Employees of Members, Member Organizations and the Exchange)
- NYSE 408 (Discretionary Power in Customers' Accounts)
- SEC Regulation S-P (Privacy of Consumer Financial Information)
- Securities Act of 1934, Section 3(a)35 (Definition and Applications–"Investment Discretion")
- OFAC, "Foreign Asset Control Regulations for the Securities Industry"
- Uniform Gift to Minors Act (UGMA)
- Uniform Transfer to Minors Act (UTMA)
- USA PATRIOT Act, Section 326 (Verification of Identification)

		Function & Associated Tasks	Knowledge
R11	**Customer account records (*e.g.,* updating for change of address, sending required notifications, holding of customer mail, investment objectives)**	F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K2.1, K3.2.1

- CBOE 9.14 (Addressing of Communications to Customers)
- FINRA 4510 (Books and Records)
- NYSE 409 (Statements of Accounts to Customers)
- Securities Exchange Act of 1934, Rule 17a-3 (Records to Be Made by Certain Exchange Members, Brokers and Dealers)
- Securities Exchange Act of 1934, Rule 17a-4 (Records to Be Preserved by Certain Exchange Members, Brokers and Dealers)

		Function & Associated Tasks	Knowledge
R12	**Physical receipt, delivery and safeguarding of cash or cash equivalents, checks and securities**	F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K3.2.2

- FINRA 2150 (Improper Use of Customers' Securities or Funds; Prohibitions Against Guarantees and Sharing)
- FINRA 11860 (COD Orders)
- Securities Exchange Act of 1934, Rule 15c3-3 (Customer Protection--Reserves and Custody of Securities)

		Function & Associated Tasks	Knowledge
R13	**Transferring accounts between broker-dealers (*e.g.,* Automated Customer Account Transfer Service (ACATS))**	F3 (T3.1 – T3.8) F4 (T4.1 – T4.5)	K3.2.4

- FINRA 11870 (Customer Account Transfer Contracts)

		Function & Associated Tasks	Knowledge
R14	**Anti-money laundering compliance procedures and reporting**	F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K3.2.6

- FINRA 3310 (Anti-Money Laundering Compliance Program)
- OFAC, "Foreign Asset Control Regulations for the Securities Industry"
- USA PATRIOT Act Section 352 (Anti-Money Laundering Programs)

		Function & Associated Tasks	Knowledge
R15	**Delivery of annual reports and notices of corporate action (*e.g.,* splits, tenders, proxies, repurchases)**	F3 (T3.1 – T3.8) F4 (T4.1 – T4.5)	K3.2.7

- FINRA 2251 (Forwarding of Proxy and Other Issuer-related Materials)
- Securities Exchange Act of 1934, Section 14 (Proxies)

		Function & Associated Tasks	Knowledge
R16	**Books and records (*e.g.,* retention of customer and firm-related records)**	F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8)	K3.2.8, K5

		F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	

- CBOE 15.1 (Maintenance, Retention and Furnishing of Books, Records and Other Information)
- CBOE Chapter XV- Rules 15.1 - 15.12 (Records, Reports and Audits)
- FINRA 4510 (Books and Records Requirements)
- NASDAQ OMX PHLX 760 (Maintenance, Retention and Furnishing of Books, Records and Other Information)
- Securities Exchange Act of 1934, Rule 17a-3 (Records to Be Made by Certain Exchange Members, Brokers and Dealers)
- Securities Exchange Act of 1934, Rule 17a-4 (Records to Be Preserved by Certain Exchange Members, Brokers and Dealers)

		Function & Associated Tasks	Knowledge
R17	**Margin accounts**	F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K3.3, K4.6

- CBOE Chapter XII- Rule 12.1 - 12.12 (Margins)
- FINRA 2264 (Margin Disclosure Statement)
- FINRA 4210 (Margin Requirements)
- NASDAQ OMX PHLX 722 (Margin Accounts)
- Federal Reserve Board Regulation T (Credit by Broker-Dealers)
- Securities Exchange Act of 1934, Rule 8c-1 (Hypothecation of Customers' Securities)
- Securities Exchange Act of 1934, Section 11(d) (Trading by Exchange Members, Brokers and Dealers – "Prohibition on extension of credit by broker-dealer")

		Function & Associated Tasks	Knowledge
R18	**Suitable recommendations**	F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K2– K15

- CBOE 9.9 (Suitability of Recommendations)
- FINRA 2090 (Know Your Customer)
- FINRA 2111 (Suitability)
- FINRA 2114 (Recommendations to Customers in OTC Equity Securities)
- FINRA 2330 (Members' Responsibilities Regarding Deferred Variable Annuities)
- FINRA 2360 (Options) **(K12)**
- NASDAQ OMX PHLX 746 (Diligence as to Accounts)

R19	**Costs and fees associated with investments (*e.g.,* breakpoints, markups, commissions, net transactions, share classes, fee-based accounts, 12b-1 fees , surrender charges, mortality and expense charges in variable products)**	**Function & Associated Tasks**	**Knowledge**
		F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K4.6

- FINRA 2010 (Standards of Commercial Honor and Principals of Trade)
- FINRA 2124 (Net Transactions with Customers)
- NASD IM-2210-2 (Communications with the Public About Variable Life Insurance and Variable Annuities)
- FINRA 2330 (Members' Responsibilities Regarding Deferred Variable Annuities)
- FINRA 2342 ("Breakpoint" Sales)
- Investment Company Act of 1940, Rule 12b-1 (Distribution of Shares by Registered Open-End Management Investment Company)
- NASD 2430 (Charges for Services Performed)
- NASD 2440 (Fair Prices and Commissions)
- NASD IM-2440-1 (Mark-Up Policy)
- NASD IM-2440-2 (Additional Mark-Up Policy For Transactions in Debt Securities, Except Municipal Securities)
- Securities Act of 1934, Section 28(e) (Exchange, Broker and Dealer Commissions; Brokerage and Research Services)

R20	**Prohibited activities (*e.g.,* spreading market rumors, front running, churning, commingling, unauthorized trading, guarantees against losses, unsuitable recommendations)**	**Function & Associated Tasks**	**Knowledge**
		F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K4.1, K6, K7

- CBOE 9.18 (Prohibition Against Guarantees and Sharing in Accounts)
- CBOE 9.19 (Assuming Losses)
- FINRA 2020 (Use of Manipulative, Deceptive or Other Fraudulent Devices)
- FINRA 2150 (Improper Use of Customers' Securities or Funds; Prohibitions Against Guarantees and Sharing)
- FINRA 5240 (Anti-Intimidation/Coordination)
- FINRA 5250 (Payments for Market Making)
- FINRA 5320 (Prohibition Against Trading Ahead of Customer Orders)
- FINRA 5280 (Trading Ahead of Research Reports)
- FINRA 6140 (Other Trading Practices)
- NASD IM-2110-3 (Front Running Policy)
- NYSE 435 (Miscellaneous Prohibitions)
- Securities Exchange Act of 1934, Section 9(a)(1) – (a)(6) (Prohibition against manipulation of security prices)
- Securities Exchange Act of 1934, Rule 10b-1 (Prohibition of use of manipulative or deceptive devices or contrivances with respect to certain securities exempted from registration)

- Securities Exchange Act of 1934, Rule 10b-3 (Employment of manipulative and deceptive devices by brokers or dealers)
- Securities Exchange Act of 1934, Rule 14e-3 (Transactions in securities on the basis of material, nonpublic information in the context of tender offers)
- Securities Exchange Act of 1934, Rule 14e-4 (Prohibited transactions in connection with partial tender offers)
- Securities Exchange Act of 1934, Rule 15c1-2 (Fraud and misrepresentation)
- Securities Exchange Act of 1934, Rule 15c1-3 (Misrepresentation by brokers, dealers and municipal securities dealers as to registration)

		Function & Associated Tasks	Knowledge
R21	**Regulation of insider activities and use of material, non-public information (primary markets, secondary markets, customer, registered representative)**	F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K4.1, K6.2, K7, K8

- Insider Trading and Securities Fraud Enforcement Act of 1988, Section 3 (Civil penalties of controlling persons for illegal insider trading by controlled persons)
- Securities Exchange Act of 1934, Rule 10b-5 (Employment of Manipulative and Deceptive Devices)
- Securities Exchange Act of 1934, Rule 10b5-1 (Trading on the Basis of "Material Nonpublic" Information in Insider Trading Cases)
- Securities Exchange Act of 1934, Rule 10b5-2 (Duties of Trust or Confidence in Misappropriation Insider Trading)

		Function & Associated Tasks	Knowledge
R22	**Protections afforded under the Securities Investor Protection Corporation (SIPC) and Federal Deposit Insurance Corporation (FDIC)**	F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K4.7

- FINRA 2266 (SIPC Information)
- Securities Investor Protection Act of 1970

		Function & Associated Tasks	Knowledge
R23	**Tax consequences**	F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5)	K4.8, K9 – K15

		F5 (T5.1 – T5.7)	

- Internal Revenue Code, Sec. 219 (Retirement savings)
- Internal Revenue Code, Sec. 301 (Distributions of property)
- Internal Revenue Code, Sec. 316 (Dividend defined)
- Internal Revenue Code, Sec. 415 (Limitations on benefits and contributions under qualified plans)
- Internal Revenue Code, Sec. 529 (Qualified tuition programs)
- Internal Revenue Code, Sec. 530 (Coverdell education savings)
- Internal Revenue Code, Sec. 856 (Definition of real estate investment trust)
- Internal Revenue Code, Sec. 858 (Dividends paid by real estate investment trust after close of tax year)
- Internal Revenue Code, Sec. 1035 (Certain exchanges of insurance policies)
- Internal Revenue Code, Sec. 1091 (Loss from wash sales of stock or securities)
- Internal Revenue Code, Sec. 1233 (Gains and losses from short sales)
- Internal Revenue Code, Sec. 1256 (Contracts marked to market)
- Internal Revenue Code, Sec. 2503 (Taxable gifts)
- OCC Brochure, "Taxes and Investing"
- Tax Reform Acts 1984, 1986, 1990, 1993

Candidates should be familiar with current tax laws related to investments, transaction types and account types covered in this content outline.

		Function & Associated Tasks	Knowledge
R24	**Types of securities quotes, types of orders, information required on an order ticket**	F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K5.1, K5.2, K5.3

- CBOE 6.24 (Required Order Information)
- CBOE 6.53 (Certain Types of Orders Defined)
- FINRA 2360 (Options Orders)
- FINRA 2010 (Standards of Commercial Honor and Principals of Trade) (K 4.6)
- FINRA 5210 (Publication of Transactions and Quotations Marking the close/Marking the opening)
- FINRA 5220 (Offers and Stated Prices)
- FINRA 5290 (Order Entry and Execution Practices)
- FINRA 5330 (Adjustment of Open Orders)
- NASD 3110(b) (Books and Records–Marking of Customer Order Tickets)
- NYSE 13 (Definition of Orders)
- SEC Regulation NMS

		Function & Associated Tasks	Knowledge
R25	**Best execution requirements**	F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K5.7

- FINRA 5310 (Best Execution and Inter-positioning)
- SEC Regulation NMS **(K5.1, K5.2)**

R26	Short sale requirements (*e.g.,* order marking, locate, borrow and delivery) (Short sale Strategies (Securities lending	Function & Associated Tasks	Knowledge
		F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K5.4, K5.5, K5.6

- Federal Reserve Board Regulation T (Credit by Broker-Dealers)
- FINRA 4320 (Short sale delivery requirements)
- NASD 3110(b) (Books and Records–Marking of Customer Order Tickets) **(K5.3) (K5.4)**
- NYSE 13 (Definition of Orders) **(K5.2) (5.3)**
- SEC, Regulation SHO
- Securities Exchange Act of 1934, Rule 8c-1 (Hypothecation of Customers' Securities)

R27	Erroneous reports, errors, cancels and re-bills	Function & Associated Tasks	Knowledge
		F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K5.9

- CBOE 6.52 (Price Binding Despite Erroneous Report)
- FINRA 4515 (Approval and Documentation of Changes in Account Name or Designation)
- FINRA 11892 (Clearly Erroneous Transactions in Exchange-Listed Securities)
- FINRA 11893 (Clearly Erroneous Transactions in OTC Equity Securities)
- Securities Exchange Act of 1934, Rule 17a-4 (Records to Be Preserved by Certain Exchange Members, Brokers and Dealers)

R28	Customer confirmations and statements	Function & Associated Tasks	Knowledge
		F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K5.10

- CBOE 9.11 (Confirmation to Customers)
- CBOE 9.12 (Statements of Accounts to Customers)
- FINRA 2232 (Customer Confirmations)
- FINRA 2266 (SIPC Information) **(K4.8)**
- NASD 2340 (Customer Account Statements)
- NYSE 409 (Statements of Accounts to Customers)
- NASDAQ OMX PHLX 1028 (Confirmations) *Options*
- NASDAQ OMX PHLX 1032 (Statements of Accounts) *Options*
- Securities Exchange Act of 1934, Rule 10b-10 (Confirmation of Transactions)

R29	Delivery requirements	Function & Associated Tasks	Knowledge
		F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K5.11

- CBOE Chapter XI- Rules 11.1 - 11.4 (Exercises and Deliveries)
- FINRA 11000 Series (Uniform Practice Code)
- NYSE 63 ("When Issued" – "When Distributed")
- NYSE 64 (Bonds, Rights and 100-Share Unit Stocks)
- NYSE 130 Series (Comparison and Exchange of Contracts)
- NYSE 133 (Comparison–Non-cleared Transactions)
- NYSE 135 (Differences and Omissions–Cleared Transactions ("DK's"))
- NYSE 136 (Comparison–Transactions Excluded from a Clearance)
- Securities Exchange Act of 1934, Rule 15c6-1 (Settlement Cycle)
- NYSE 782 (Delivery and Payment) *Options*

R30	Trade reporting requirements (*e.g.,* OATS, TRF, TRACE)	Function & Associated Tasks	Knowledge
		F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K5.12

- FINRA 6000 Series (Quotation and Transaction Reporting Facilities)
- FINRA 6700 Series (Trade Reporting and Compliance Engine)
- FINRA 7000 Series (Clearing, Transactions and Order Data Requirements, and Facility Charges)

R31	Professional conduct and ethical considerations	Function & Associated Tasks	Knowledge
		F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K6, K7, K8

- Investment Company Act of 1940, Section 35 (Unlawful Representations and Names)
- Investment Company Act of 1940, Section 36 (Breach of Fiduciary Duty)
- FINRA 2010 (Standards of Commercial Honor and Principles of Trade)
- FINRA 2020 (Use of Manipulative, Deceptive or Other Fraudulent Devices)
- FINRA 2060 (Use of Information Obtained in Fiduciary Capacity)
- Regulation S-P (Privacy of Consumer Financial Information and Safeguarding Personal Information) **(K6.3)**

R32	Required disclosures by an RR (outside business activities, personal investment accounts, private securities transactions, conflicts of interest)	Function & Associated Tasks	Knowledge
		F1 (T1.1 – T1.5) F3 (T3.1 – T3.8)	K6.1

		F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	

- CBOE 9.25 (Borrowing From or Lending to Customers)
- FINRA 3240 (Borrowing From or Lending to Customers)
- FINRA 3270 (Outside Business Activities of Registered Persons)
- FINRA 4530 (Reporting Requirements)
- NASD 3040 (Private Securities Transactions of an Associated Person)
- NASD 3050 (Transactions for or by Associated Persons)

		Function & Associated Tasks	Knowledge
R33	**Requirements for addressing customer complaints and consequences of improper handling of complaints**	F1 (T1.1 – T1.5) F3 (T3.1 – T3.8) F5 (T5.1 – T5.7)	K6.4

- CBOE 9.23 (Customer Complaints)
- FINRA 4513 (Records of Written Customer Complaints)
- FINRA 4530 (Reporting requirements)
- NYSE 401A (Customer Complaints)
- NYSE 732 (Customer Complaints) *Options*
- NASDAQ OMX PHLX 1070 (Customer Complaints) *Options*

		Function & Associated Tasks	Knowledge
R34	**Arbitration, mediation and litigation**	F1 (T1.1 – T1.5) F3 (T3.1 – T3.8) F5 (T5.1 – T5.7)	K6.6

- FINRA 10000 Series (Code of Arbitration Procedure)
- FINRA 12000 Series (Code of Arbitration Procedure For Customer Disputes)
- FINRA 13000 Series (Code of Arbitration Procedure For Industry Disputes)
- FINRA 14000 Series (Code of Mediation Procedure)

		Function & Associated Tasks	Knowledge
R35	**Business continuity and disaster recovery plans**	F1 (T1.1 – T1.5) F3 (T3.1 – T3.8)	K6.7

- FINRA 4370 (Business Continuity Plans and Emergency Contact Information)

		Function & Associated Tasks	Knowledge
R36	**The primary marketplace**		

		F1 (T1.1 – T1.5) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K4.5, K7

- FINRA 2262 (Disclosure of Control Relationship with Issuer)
- FINRA 2269 (Disclosure of Participation or Interest in Primary or Secondary Distribution)
- FINRA 5110 (Corporate Financing Rule–Underwriting Terms and Arrangements)
- FINRA 5121 (Public Offerings of Securities With Conflicts of Interest)
- FINRA 5130 (Restrictions on the Purchase and Sale of Initial Equity Public Offerings)
- FINRA 5131 (New Issue Allocations and Distributions)
- FINRA 5141 (Sale of Securities in a Fixed Price Offering)
- FINRA 5160 (Disclosure of Price and Concessions in Selling Agreements)
- FINRA 5190 (Notification Requirements for Offering Participants)
- NASD 2410 (Net Prices to Persons Not in Investment Banking or Securities Business)
- NASD 2420 (Dealing with Non-Members)
- Securities Act of 1933, Section 5 (Prohibitions Relating to Interstate Commerce and the Mails)
- Securities Act of 1933, Section 7 (Information Required in a Registration Statement)
- Securities Act of 1933, Section 8 (Taking Effect of Registration Statements and Amendments Thereto)
- Securities Act of 1933, Section 10 (Information Required in Prospectus)
- Securities Act of 1933, Schedule A (Schedule of Information Required in Registration Statement)
- Securities Act of 1933, Schedule B (Schedule of Information Required in Registration Statement)
- Securities Act of 1933, Regulation A (Conditional Small Issues Exemption)
- Securities Act of 1933, Regulation D (Rules Governing the Limited Offer and Sale of Securities Without Registration Under the Securities Act of 1933)
- Securities Act of 1933, Rule 144 (Persons Deemed Not to Be Engaged in a Distribution and Therefore Not Underwriters)
- Securities Act of 1933, Rule 144A (Private Re-sales of Securities to Institutions)
- Securities Act of 1933, Rule 145 (Reclassification of Securities, Mergers, Consolidations and Acquisitions of Assets)
- Securities Act of 1933, Rule 147 ("Part of an Issue," "Person Resident," and "Doing Business Within" for Purposes of Section 3(a)(11))
- Securities Act of 1933, Rule 164 (Post-Filing Free Writing Prospectuses in Connection with Certain Registered Offerings)
- Securities Act of 1933, Rule 215 (Accredited Investor)
- Securities Act of 1933, Rule 405 (Definition of Terms)
- Securities Act of 1933, Rule 415 (Delayed or Continuous Offering and Sale of Securities)
- Securities Act of 1933, Rule 427 (Contents of Prospectus Used After Nine Months)
- Securities Act of 1933, Rule 430 (Prospectus for Use Prior to Effective Date)
- Securities Act of 1933, Rule 430A (Prospectus in a Registration Statement At The Time of Effectiveness)
- Securities Act of 1933, Rule 430B (Prospectus in a Registration Statement After Effective Date)

- Securities Act of 1933, Rule 433 (Conditions to Permissible Post-filing Free Writing Prospectuses)
- Securities Exchange Act of 1934, 15c2-8 (Delivery of Prospectus)
- SEC, Regulation M
- State Laws, Blue Sky and Registration of Broker-Dealers (General Knowledge)

		Function & Associated Tasks	Knowledge
R37	**Equity Securities**	F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K4.5, K5.11, K5.12, K8.2, K9

- Securities Exchange Act of 1934, Rule 3a11-1 (Definition of the Term "Equity Security")
- Securities Exchange Act of 1934, Section 3(a)(38) (Definition and Applications–"Market Maker")
- SEC, Regulation M
- SEC, Regulation NMS
- Securities Exchange Act of 1934, 10b-18 (Purchases of Certain Equity Securities by the Issuer and Others)
- NYSE Listing requirements– general factors, numerical values not tested
- NASDAQ Listing requirements– general factors, numerical values not tested

Auction market (K8.2.2)

- NYSE 13 (Definitions of Orders)
- NYSE 54 (Dealings on the Floor- Persons)
- NYSE 61 (Recognized quotations)
- NYSE 65 (Less Than 100-Share–Unit Stocks)
- NYSE 70 ("Below Best Bid–Above Best Offer")
- NYSE 71 (Precedence of Highest Bid and Lowest Offer)
- NYSE 72 (Priority and Precedence of Bids and Offers and Allocation of Executions)
- NYSE 73 ("Seller's Option")
- NYSE 74 (Publicity of Bids and Offers)
- NYSE 75 (Disputes as to Bids and Offers)
- NYSE 76 ("Crossing" Orders)
- NYSE 77 (Prohibited Dealings and Activities)
- NYSE 79A (Miscellaneous Requirements on Stock Market Procedures)
- NYSE 80B (Trading Halts Due to Extraordinary Market Volatility)
- NYSE 92 (Limitations on Members' Trading Because of Customers' Limit Orders)
- NYSE 104 (Dealings and Responsibilities of DMMs)
- NYSE 115A (Orders at opening or unusual situations)
- NYSE 123A (Miscellaneous Requirements)
- NYSE 123C (The Closing Procedures)
- NYSE 123D (Openings and halts in trading)

- NYSE 127 (Block Crosses Outside of the Prevailing NYSE Quotation)
- NASDAQ OMX PHLX 100 Series (Dealings Upon the Exchange)

Automatic Execution Systems (K8.2.2)

- NYSE 1000 (Automatic Execution of Limit Orders Against Orders Reflected in NYSE Published Quotation)
- NYSE 1001 (Execution of Automatically Executing Orders)
- NYSE 1002 (Availability of Automatic Execution Feature)
- NYSE 1003 (Application of Tick Tests)
- NYSE 1004 (Election of Stop Orders and Percentage Orders)

Markets Regulated by FINRA (NASDAQ, OTC, ECNs)

- FINRA 4551 (Requirements for Alternative Trading Systems to Record and Transmit Order and Execution Information for Security Futures)
- FINRA 5210 (Publication of Transactions and Quotations)
- FINRA 5220 (Offers at Stated Prices)
- FINRA 5260 (Prohibition on Transactions, Publication of Quotations, or Publication of Indications of Interest During Trading Halts)
- FINRA 5290 (Order Entry and Execution Practices)
- FINRA 5310 (Best Execution and Inter-positioning)
- FINRA 6100 Series (Quoting and Trading in NMS stocks)
- FINRA 6110 (Trading Otherwise than on an Exchange)
- FINRA 6120 (Trading Halts)
- FINRA 6130 (Transactions Related to Initial Public Offerings)
- FINRA 6121 (Trading Halts Due to Extraordinary Market Volatility)
- FINRA 6140 (Other Trading Practices)
- FINRA 6400 Series (Quoting and Trading in OTC Equity Securities)
- FINRA 6500 Series (OTC Bulletin Board® Service)
- FINRA 6600 Series (OTC Reporting Facility)
- NASDAQ 4600 Series (Requirements for Nasdaq Market Makers and Other Nasdaq Market Center Participants)
- NASDAQ 4750 Series (Nasdaq Market Center–Execution Services)
- Securities Exchange Act of 1934, Rule 15c2-7 (Identification of Quotations)
- Securities Exchange Act of 1934, Rule 15c2-11 (Initiation or Resumption of Quotations without Specified Information)
- SEC, Regulation ATS (Alternative Trading Systems)

Penny Stock Regulations (K4.6, K9)

- Securities Exchange Act of 1934, Rule 3a51-1 (Definition of "Penny Stock")
- Securities Exchange Act of 1934, Rule 15g-1 (Exemptions for Certain Transactions)
- Securities Exchange Act of 1934, Rule 15g-2 (Risk Disclosure Document Relating to the Penny Stock Market)
- Securities Exchange Act of 1934, Rule 15g-3 (Broker or Dealer Disclosure of Quotations and Other Information Relating to the Penny Stock Market)
- Securities Exchange Act of 1934, Rule 15g-4 (Disclosure of Compensation to Brokers or Dealers)

- Securities Exchange Act of 1934, Rule 15g-5 (Disclosure of Compensation of Associated Persons in Connection With Penny Stock Transactions)
- Securities Exchange Act of 1934, Rule 15g-6 (Account Statements for Penny Stock Customers
- Securities Exchange Act of 1934, Rule 15g-9 (Sales Practice Requirements for Certain Low-Priced Securities)

		Function & Associated Tasks	Knowledge
R38	**Debt Instruments**	F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K4.5, K8.6, K10

- Treasury Department Regulations Governing the Issuance, Sale and Settlement of Government Securities (31 CFR)
- Trust Indenture Act of 1939

		Function & Associated Tasks	Knowledge
R39	**Packaged Securities and other managed products (General)**	F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K4.5, K8, K11

- FINRA 2213 (Use of Rankings in Investment Companies Advertisements and Sales Literature)
- FINRA 2342 ('Breakpoint" Sales)
- Investment Company Act of 1940, Section 2(a) (Definitions - "Advisory board")
- Investment Company Act of 1940, Section 3(a) (Definitions - "Investment company")
- Investment Company Act of 1940, Section 4 (Classification of Investment Companies)
- Investment Company Act of 1940, Section 5 (Sub-classification of Management Companies)
- Investment Company Act of 1940, Section 10 (Affiliations or Interest of Directors, Officers, and Employees)
- Investment Company Act of 1940, Section 12(a) (Functions and Activities of Investment Companies)
- Investment Company Act of 1940, Section 13(a) (Changes in Investment Policy)
- Investment Company Act of 1940, Section 15(a) (Contracts of Advisors and Underwriters)
- Investment Company Act of 1940, Section 16(a) (Board of Directors – "Election of directors")
- Investment Company Act of 1940, Section 17(a) (Transactions of Certain Affiliated Persons and Underwriters)
- Investment Company Act of 1940, Section 18 (Capital Structure of Investment Companies)
- Investment Company Act of 1940, Section 19 (Payments or Distributions)

- Investment Company Act of 1940, Section 22 (Distribution, Redemption, and Repurchase of Securities; Regulations by Securities Associations)
- Investment Company Act of 1940, Section 23 (Closed-End Companies)
- Investment Company Act of 1940, Section 30 (Reports and Financial Statements of Investment Companies and Affiliated Persons)
- Investment Company Act of 1940, Section 35 (Unlawful Representations and Names)
- Investment Company Act of 1940, Section 36 (Breach of Fiduciary Duty)
- Investment Company Act of 1940, Section 37 (Larceny and Embezzlement)
- NASD 2830 (Investment Company Securities)

Types of closed-end funds (ETFs) (K11.2)

- NYSE Amex 1000 (Portfolio Depositary Receipts)
- NYSE Amex 1000A (Index Fund Shares)
- NYSE Amex 1200 (Trading of Trust Issued Receipts-Rules of General Applicability)
- NYSE Amex 1400 (Trading of Paired Trust Shares- Rules of General Applicability)
- NYSE Amex 1500 (Trading of Partnership Units)

Variable life insurance/ Annuity contracts (K11.4)

- FINRA 2320 (Variable Contracts of an Insurance Company)
- FINRA 2330 (Members' Responsibilities Regarding Deferred Variable Annuities)

Real Estate Investment Trusts (REITs) (K11.5)

- REIT Modernization Act of 1999

Direct Participation Programs (DPPs)

- FINRA 2310 (Direct Participation Programs)

R40	Options	Function & Associated Tasks	Knowledge
		F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K1.2.1.1, K5.3, K8.3, K12

- CBOE 1.1 (Definitions)
- CBOE 4.1 (Just and Equitable Principles of Trade)
- CBOE 4.11 (Position Limits)
- CBOE 5.7 (Adjustments)
- CBOE 5.8 (Long–Term Equity Option Series (LEAPS®))
- CBOE 6.53 (Certain Types of Orders Defined) **(K5.3)**
- CBOE 11.1 (Exercise of Option Contracts)
- CBOE 11.2 (Allocation of Exercise Notices
- CBOE 12.3 (Margin Requirements)
- CBOE 12.10 (Margin Required is Minimum)
- CBOE 23.3 (Position Limits) *Interest Rate Options*

- CBOE 23.4 (Exercise Limits) *Interest Rate Options*
- CBOE 24.4 (Position Limits for Broad-Based Index Options)
- CBOE 24.4A (Position Limits for Industry Index Options)
- CBOE 24.5 (Exercise Limits) *Index Options*
- CBOE 24.18 (Exercise of American-style Index Options)
- FINRA 2220 (Options Communications) **(K1.2.1.1)**
- FINRA 2360 (Options)
- FINRA 2350 Series (Trading in Index Warrants, Currency Index Warrants, and Currency Warrants)
- FINRA 4210 (Margin Requirements)
- Internal Revenue Code, Section 1256 (Contracts marked to market)
- NASDAQ OMX PHLX 1000 (Applicability, Definitions and References) *Options*
- NASDAQ OMX PHLX 1001 (Position Limits) *Options*
- NASDAQ OMX PHLX 1002 (Exercise Limits) *Options*
- NASDAQ OMX PHLX 1003 (Reporting Of Options Positions) *Options*
- NASDAQ OMX PHLX 1004 (Liquidation Of Positions) *Options*
- NASDAQ OMX PHLX 1005 (Limit On Uncovered Short Positions) *Options*
- NASDAQ OMX PHLX 1006 (Other Restrictions on Exchange Options Transactions and Exercises) *Options*
- NASDAQ OMX PHLX 1007 (Designation Of Securities) *Options*
- NASDAQ OMX PHLX 1008 (Rights And Obligations Of Holders And Writers) *Options*
- NASDAQ OMX PHLX 1024 (Conduct of Accounts for Options Trading) *Options*
- NASDAQ OMX PHLX 1030 (Transactions With Issuers) *Options*
- NASDAQ OMX PHLX 1031 (Restricted Stocks) *Options*
- NASDAQ OMX PHLX 1064 (Crossing, Facilitation and Solicited Orders) *Options*
- NASDAQ OMX PHLX 1000A Series (Rules Applicable to Trading of Options on Indices)
- NYSE 700 (Applicability, Definitions and References) *Options*
- NYSE 701 (Option Contracts to Be Traded) *Options*
- NYSE 702 (Rights and Obligations of Holders and Writers) *Options*
- NYSE 703 (Series of Options Open for Trading) *Options*
- NYSE 704 (Position Limits) *Options*
- NYSE 705 (Exercise Limits) *Options*
- NYSE 706 (Reporting of Options Positions) *Options*
- NYSE 707 (Liquidation of Positions) *Options*
- NYSE 708 (Limit on Uncovered Short Positions) *Options*
- NYSE 709 (Other Restrictions on Exchange Option Transactions and Exercises) *Options*
- NYSE 715 (Approval of Underlying Groups) *Options*
- NYSE 716 (Withdrawal of Approval of Underlying Groups) *Options*
- NYSE 717 (Trading Rotations, Halts and Suspensions) *Options*
- NYSE 720 (Registration of Options Principals) *Options*
- NYSE 750 (Rules of General Applicability) *Options*

- NYSE 750A (Options Specialist Reallocation) *Options*
- NYSE 751 (Premium Bids and Offers) *Options*
- NYSE 752 (Minimum Fractional Changes)
- NYSE 753 (Acceptance, Priority and Precedence of Options Bids and Offers) *Options*
- NYSE 754 (Units of Trading) *Options*
- NYSE 755 (Floor Reports of Exchange Option Transactions) *Options*
- NYSE 756 (Transactions off the Floor) *Options*
- NYSE 757 (Securities Accounts and Orders of Competitive Options Traders and Specialists) *Options*
- NYSE 758 (Competitive Options Traders) *Options*
- NYSE 759 (Accommodation Transactions) *Options*
- NYSE 760 (Overnight Comparison of Exchange Options Transactions) *Options*
- NYSE 761 (Omnibus Comparison and Clearance Rule) *Options*
- NYSE 762 (Filing of Trade Information) *Options*
- NYSE 763 (Contract Lists and Un-compared Trade List) *Options*
- NYSE 764 (Verification of Contract Lists and Reconciliation of Un-compared Trades) *Options*
- NYSE 765 (Un-reconciled Trade Reports) *Options*
- NYSE 766 (Reporting of Compared Trades to Options Clearing Corporation) *Options*
- NYSE 767 (Maintaining Office and Filing Signatures) *Options*
- NYSE 770 (Resolution of Un-compared Trade) *Options*
- NYSE 771 (Failure to Pay Premium) *Options*
- NYSE 772 (Option Contracts of Suspended Members) *Options*
- NYSE 780 (Exercise of Option Contracts) *Options*
- NYSE 781 (Delivery and Payment) *Options*
- NYSE 790 (Stock Transfer Tax) *Options*
- NYSE 792 (Days and Hours of Options Trading) *Options*
- OCC Brochure, "Taxes and Investing"
- Options Disclosure Document, “Characteristics and Risks of Standardized Options

		Function & Associated Tasks	Knowledge
R41	**General supervision and supervisory approvals**	F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K1, K3, K5, K7, K8– K15

- NASD 3010 (Supervision)

- NASD 3012 (Supervisory Control System)
- NYSE 342 (Offices–Approval, Supervision and Control)

SAMPLE QUESTIONS

The following sample questions are not necessarily reflective of the topics covered on the examination or the difficulty level of the examination questions.

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

Example: 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

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

Example: 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

Most/Least/Best: This case of the multiple-choice question requires selecting 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.

Example: 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

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

Example: 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

Complex Multiple-choice ("Roman Numeral" Format): This type of question is used in two ways. In the following example, the task is to determine the correct sequence of a set of events or the correct ranking of a set of items from high to low.

Example: 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

A second way in which the Roman numeral format is used is when more than one of the options may be a correct response.

Example: Which TWO of the following are TRUE of all 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 firm's recommendations.
IV. It may portray past performances of a member firm's recommendations.

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

(D) II and IV

REFERENCES

Listed below are government and 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 Regulatory Notices concerning amendments to rules and/or the announcement of new rules that may be pertinent to the examination. Copies of federal securities laws and SEC rules may be purchased through the network of federal government printing offices. However, some of this information may be available on the SROs' and pertinent federal government's (*e.g.,* the SEC) websites. It is recommended that candidates refer to the content outline as part of their preparation to take the examination. Candidates are responsible for planning their course of study in preparation for the examination. FINRA produces only the content outline and is not involved or endorses any particular course of study.

Chicago Board Options Exchange
LaSalle at Van Buren
Chicago, IL 60605
www.cboe.com

Financial Industry Regulatory Authority (FINRA)
1735 K Street
Washington DC, 20006
www.finra.org

Internal Revenue Service
www.irs.gov

NASDAQ OMX PHLX
1900 Market Street
Philadelphia, PA 19103
www.nasdaqomx.com

New York Stock Exchange (NYSE)
11 Wall Street
New York, NY 10005
www.nyse.com

Options Clearing Corporation
www.theocc.com

The Options Industry Council
One North Wacker Drive, Suite 500
Chicago, IL 60606
www.888options.com

Securities and Exchange Commission
Office of Investor Education and Advocacy
1-800-SEC-0330
www.sec.gov

United States Treasury
www.treasury.gov

Board of Governors of the
Federal Reserve System
Constitution Avenue at 20th Street, NW
Washington, DC 20551

www.federalreserve.gov **www.cecouncil.com**

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The Financial Industry Regulatory Authority United Kingdom Securities Representative Qualification Examination Content Outline (Series 17) is available in PDF format on the Financial Industry Regulatory Authority's website:

www.finra.org