

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="45"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2011"/> - * <input type="text" value="041"/> Amendment No. (req. for Amendments *) <input type="text"/>
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Proposed Rule Change by Financial Industry Regulatory Authority  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

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

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input checked="" type="checkbox"/>
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**Description**  
Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked \*).

Proposed Rule Change to Adopt the Selection Specifications and Study Outline for the Operations Professional ("Series 99") Examination Program

**Contact Information**  
Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name \*  Last Name \*   
 Title \*   
 E-mail \*   
 Telephone \*  Fax

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

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

Date   
 By  Senior Vice President and Deputy General Counsel  
 (Name \*) (Title \*)

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

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information (required)**

Add Remove View

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

**Exhibit 1 - Notice of Proposed Rule Change (required)**

Add Remove View

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

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

Add Remove View

Exhibit Sent As Paper Document

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

**Exhibit 3 - Form, Report, or Questionnaire**

Add Remove View

Exhibit Sent As Paper Document

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

**Exhibit 4 - Marked Copies**

Add Remove View

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

**Exhibit 5 - Proposed Rule Text**

Add Remove View

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

**Partial Amendment**

Add Remove View

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

**1. Text of Proposed Rule Change**

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) the selection specifications and content outline for the Operations Professional (“Series 99”) examination program.<sup>2</sup>

The Series 99 examination program is proposed in connection with FINRA Rule 1230(b)(6), a new representative registration category and qualification examination requirement for certain operations personnel. FINRA is not proposing any textual changes to its By-Laws, Schedules to the By-Laws or rules.

A description of the Series 99 examination is included in the attached content outline. Additional information on the examination is included in the Series 99 selection specifications, which FINRA has submitted under separate cover with a request for confidential treatment to the Commission’s Secretary pursuant to Rule 24b-2 under the Act.<sup>3</sup>

(b) Not applicable.

(c) Not applicable.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> Based upon instruction from the Commission staff, FINRA is submitting SR-FINRA-2011-041 for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder, and is not filing the question bank for Commission review. See Letter from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, dated July 24, 2000. The question bank is available for Commission review.

<sup>3</sup> 17 CFR 240.24b-2.

**2. Procedures of the Self-Regulatory Organization**

At its meeting on April 14, 2010, the FINRA Board of Governors authorized the filing of the proposed rule change with the SEC. No other action by FINRA is necessary for the filing of the proposed rule change.

FINRA has filed the proposed rule change for immediate effectiveness.

The implementation date of the proposed rule change and corresponding FINRA Rule 1230(b)(6) will be October 17, 2011.<sup>4</sup>

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

(a) Purpose

On June 16, 2011, the Commission approved FINRA Rule 1230(b)(6), which establishes a registration category and qualification examination requirement for certain operations personnel – Operations Professionals.<sup>5</sup> FINRA is expanding its registration provisions to require registration of certain individuals (“covered persons”) who are engaged in, responsible for or supervising certain member operations functions (“covered functions”) to enhance the regulatory structure surrounding these areas.<sup>6</sup> FINRA Rule 1230(b)(6) is intended, among other things, to increase covered persons’ awareness and

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<sup>4</sup> See Regulatory Notice 11-33 (July 2011).

<sup>5</sup> See Securities Exchange Act Release No. 64687 (June 16, 2011), 76 FR 36586 (June 22, 2011) (Order Approving File No. SR-FINRA-2011-013). In addition to adopting FINRA Rule 1230(b)(6), the rule change adopted NASD Rule 1120 (Continuing Education Requirements) as new FINRA Rule 1250 (Continuing Education Requirements) with certain changes, including expanding the scope of “covered registered persons” subject to the Firm Element to include persons registered as Operations Professionals. See Regulatory Notice 11-33 (July 2011).

<sup>6</sup> See Regulatory Notice 11-33 (July 2011) for information regarding the implementation period for Operations Professionals subject to FINRA Rule 1230(b)(6).

knowledge that they are operating in a regulated environment designed to protect investors' interests and the integrity of the operations of a broker-dealer.

Pursuant to Section 15A(g)(3)(B) of the Act,<sup>7</sup> FINRA is authorized to prescribe standards of training, experience, and competence for persons associated with FINRA members. The Series 99 examination program has been developed to provide reasonable assurance that covered persons understand their professional responsibilities, including key regulatory and control themes, as well as the importance of identifying and escalating red flags that may harm a firm, its customers, the integrity of the marketplace or the public. The examination will test applicants on general securities industry knowledge and its associated regulations and rules.<sup>8</sup>

The Series 99 examination consists of 100 multiple-choice questions.<sup>9</sup> Candidates will be allowed 150 minutes to complete the examination. Candidates will receive an informational breakdown of their performance on each section of the

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<sup>7</sup> 15 U.S.C. 78q-3(g)(3)(B).

<sup>8</sup> FINRA Rule 1230(b)(6)(D) sets forth an exception to the Operations Professional qualification examination requirement for persons who currently hold certain registrations (each an "eligible registration") or have held one during the two years immediately prior to registering as an Operations Professional. The exception also applies to persons who do not hold an eligible registration, but prefer an alternative to taking the Operations Professional examination. Such persons may register in an eligible registration category (subject to passing the corresponding qualification examination or obtaining a waiver) and use such registration to qualify for Operations Professional registration.

<sup>9</sup> To ensure that new exam 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 pre-test questions are randomly distributed throughout the examination.

examination, along with their overall score and pass/fail status at the completion of the testing session.<sup>10</sup>

A content outline has been prepared to assist member firms in preparing candidates for the Series 99 examination and is available at [www.finra.org/brokerqualifications/registeredrep](http://www.finra.org/brokerqualifications/registeredrep). The content outline describes the following three topical sections comprising the examination: (1) Basic Knowledge Associated with the Securities Industry (32 questions); (2) Basic Knowledge Associated with Broker-Dealer Operations (48 questions); and (3) Professional Conduct and Ethical Considerations (20 questions).

The selection specifications for the Series 99 examination, which FINRA has submitted under separate cover with a request for confidential treatment to the Commission's Secretary pursuant to Rule 24b-2 under the Act,<sup>11</sup> describe additional confidential information regarding the examination.

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<sup>10</sup> Candidates for the Series 99 examination will be able to schedule and take the examination starting on October 17, 2011. Because this is a new examination for a new registration category, FINRA will be assessing the effectiveness of the examination by, in part, evaluating the candidates' performance during the first 60 days of the administration of the examination. Therefore, candidates who take the examination within the first 60 days (between October 17, 2011 and December 16, 2011) will not receive their test results on the day that they take the examination. Instead, such candidates' firms will be notified of test results (*i.e.*, the candidate's score and whether the candidate has passed or failed the examination) on or shortly after December 16, 2011. The test results will be posted to the Central Registration Depository system ("CRD<sup>®</sup> system") at that time. Candidates who fail the examination during the initial 60-day rollout will be provided an opportunity to retake the examination at no additional cost.

<sup>11</sup> 17 CFR 240.24b-2.

As noted in Item 2 of this filing, FINRA has filed the proposed rule change for immediate effectiveness. The implementation date of the proposed rule change and corresponding FINRA Rule 1230(b)(6) will be October 17, 2011.

(b) Statutory Basis

FINRA believes that the proposed Series 99 examination program is consistent with Section 15A(b)(6) of the Act,<sup>12</sup> which requires, among other things, that FINRA rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest and Section 15A(g)(3) of the Act,<sup>13</sup> which authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. FINRA believes the proposed rule change to expand FINRA's registration and qualification requirements to Operations Professionals will help ensure that investor protection mechanisms are in place in all areas of a member's business that could harm the member, a customer, the integrity of the marketplace or the public.

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

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

Written comments were neither solicited nor received.

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<sup>12</sup> 15 U.S.C. 78o-3(b)(6).

<sup>13</sup> 15 U.S.C. 78o-3(g)(3).

**6. Extension of Time Period for Commission Action**

Not applicable.

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

The proposed rule change is effective upon filing pursuant to Section 19(b)(3)(A) of the Act<sup>14</sup> and paragraph (f)(6) of Rule 19b-4 thereunder,<sup>15</sup> in that the proposed rule change does not significantly affect the protection of investors or the public interest; does not impose any significant burden on competition; and does not become operative for 30 days after filing or such shorter time as the Commission may designate.

In accordance with Rule 19b-4(f)(6),<sup>16</sup> FINRA submitted written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing, or such shorter time as the Commission may designate, as specified in Rule 19b-4(f)(6)(iii) under the Act.<sup>17</sup>

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

Not applicable.

**9. Exhibits**

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

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<sup>14</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>15</sup> 17 CFR 240.19b-4(f)(6).

<sup>16</sup> 17 CFR 240.19b-4(f)(6).

<sup>17</sup> 17 CFR 240.19b-4(f)(6)(iii).



Exhibit 3a. Content Outline for the Series 99 Examination.

Exhibit 3b. Selection Specifications for the Series 99 Examination. FINRA has requested confidential treatment for the Series 99 selection specifications, and thus the specifications are omitted from this filing. The Series 99 selection specifications have been filed separately with the Commission pursuant to Rule 24b-2 under the Act.<sup>18</sup>

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

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<sup>18</sup>

17 CFR 240.24b-2.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-FINRA-2011-041)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Adopt the Selection Specifications and Study Outline for the Operations Professional (“Series 99”) Examination Program

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

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

FINRA is proposing to adopt the selection specifications and content outline for the Operations Professional (“Series 99”) examination program.<sup>4</sup>

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 17 CFR 240.19b-4(f)(6).

<sup>4</sup> Based upon instruction from the Commission staff, FINRA is submitting SR-FINRA-2011-041 for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder, and is not filing the question bank for Commission review. See Letter from Belinda Blaine, Associate Director,

The Series 99 examination program is proposed in connection with FINRA Rule 1230(b)(6), a new representative registration category and qualification examination requirement for certain operations personnel. FINRA is not proposing any textual changes to its By-Laws, Schedules to the By-Laws or rules.

A description of the Series 99 examination is included in the attached content outline. Additional information on the examination is included in the Series 99 selection specifications, which FINRA has submitted under separate cover with a request for confidential treatment to the Commission's Secretary pursuant to Rule 24b-2 under the Act.<sup>5</sup>

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

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

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

1. Purpose

On June 16, 2011, the Commission approved FINRA Rule 1230(b)(6), which establishes a registration category and qualification examination requirement for certain

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Division of Market Regulation, SEC, to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, dated July 24, 2000. The question bank is available for Commission review.

<sup>5</sup> 17 CFR 240.24b-2.

operations personnel – Operations Professionals.<sup>6</sup> FINRA is expanding its registration provisions to require registration of certain individuals (“covered persons”) who are engaged in, responsible for or supervising certain member operations functions (“covered functions”) to enhance the regulatory structure surrounding these areas.<sup>7</sup> FINRA Rule 1230(b)(6) is intended, among other things, to increase covered persons’ awareness and knowledge that they are operating in a regulated environment designed to protect investors’ interests and the integrity of the operations of a broker-dealer.

Pursuant to Section 15A(g)(3)(B) of the Act,<sup>8</sup> FINRA is authorized to prescribe standards of training, experience, and competence for persons associated with FINRA members. The Series 99 examination program has been developed to provide reasonable assurance that covered persons understand their professional responsibilities, including key regulatory and control themes, as well as the importance of identifying and escalating red flags that may harm a firm, its customers, the integrity of the marketplace or the public. The examination will test applicants on general securities industry knowledge and its associated regulations and rules.<sup>9</sup>

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<sup>6</sup> See Securities Exchange Act Release No. 64687 (June 16, 2011), 76 FR 36586 (June 22, 2011) (Order Approving File No. SR-FINRA-2011-013). In addition to adopting FINRA Rule 1230(b)(6), the rule change adopted NASD Rule 1120 (Continuing Education Requirements) as new FINRA Rule 1250 (Continuing Education Requirements) with certain changes, including expanding the scope of “covered registered persons” subject to the Firm Element to include persons registered as Operations Professionals. See Regulatory Notice 11-33 (July 2011).

<sup>7</sup> See Regulatory Notice 11-33 (July 2011) for information regarding the implementation period for Operations Professionals subject to FINRA Rule 1230(b)(6).

<sup>8</sup> 15 U.S.C. 78o-3(g)(3)(B).

<sup>9</sup> FINRA Rule 1230(b)(6)(D) sets forth an exception to the Operations Professional qualification examination requirement for persons who currently hold certain

The Series 99 examination consists of 100 multiple-choice questions.<sup>10</sup>

Candidates will be allowed 150 minutes to complete the examination. Candidates will receive an informational breakdown of their performance on each section of the examination, along with their overall score and pass/fail status at the completion of the testing session.<sup>11</sup>

A content outline has been prepared to assist member firms in preparing candidates for the Series 99 examination and is available at [www.finra.org/brokerqualifications/registeredrep](http://www.finra.org/brokerqualifications/registeredrep). The content outline describes the following three topical sections comprising the examination: (1) Basic Knowledge Associated with the Securities Industry (32 questions); (2) Basic Knowledge Associated

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registrations (each an “eligible registration”) or have held one during the two years immediately prior to registering as an Operations Professional. The exception also applies to persons who do not hold an eligible registration, but prefer an alternative to taking the Operations Professional examination. Such persons may register in an eligible registration category (subject to passing the corresponding qualification examination or obtaining a waiver) and use such registration to qualify for Operations Professional registration.

<sup>10</sup> To ensure that new exam 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 pre-test questions are randomly distributed throughout the examination.

<sup>11</sup> Candidates for the Series 99 examination will be able to schedule and take the examination starting on October 17, 2011. Because this is a new examination for a new registration category, FINRA will be assessing the effectiveness of the examination by in part, evaluating the candidates’ performance during the first 60 days of the administration of the examination. Therefore, candidates who take the examination within the first 60 days (between October 17, 2011 and December 16, 2011) will not receive their test results on the day that they take the examination. Instead, such candidates’ firms will be notified of test results (*i.e.*, the candidate’s score and whether the candidate has passed or failed the examination) on or shortly after December 16, 2011. The test results will be posted to the Central Registration Depository system (“CRD<sup>®</sup> system”) at that time. Candidates who fail the examination during the initial 60-day rollout will be provided an opportunity to retake the examination at no additional cost.

with Broker-Dealer Operations (48 questions); and (3) Professional Conduct and Ethical Considerations (20 questions).

The selection specifications for the Series 99 examination, which FINRA has submitted under separate cover with a request for confidential treatment to the Commission's Secretary pursuant to Rule 24b-2 under the Act,<sup>12</sup> describe additional confidential information regarding the examination.

FINRA has filed the proposed rule change for immediate effectiveness. The implementation date of the proposed rule change and corresponding FINRA Rule 1230(b)(6) will be October 17, 2011.

## 2. Statutory Basis

FINRA believes that the proposed Series 99 examination program is consistent with Section 15A(b)(6) of the Act,<sup>13</sup> which requires, among other things, that FINRA rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest and Section 15A(g)(3) of the Act,<sup>14</sup> which authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. FINRA believes the proposed rule change to expand FINRA's registration and qualification requirements to Operations Professionals will help ensure that investor protection mechanisms are in place in all areas of a member's business that could harm the member, a customer, the integrity of the marketplace or the public.

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<sup>12</sup> 17 CFR 240.24b-2.

<sup>13</sup> 15 U.S.C. 78o-3(b)(6).

<sup>14</sup> 15 U.S.C. 78o-3(g)(3).

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

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

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

Written comments were neither solicited nor received.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>15</sup> and Rule 19b-4(f)(6) thereunder.<sup>16</sup>

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

IV. Solicitation of Comments

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<sup>15</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>16</sup> 17 CFR 240.19b-4(f)(6).

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

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-FINRA-2011-041 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2011-041. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3



p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2011-041 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>17</sup>

Elizabeth M. Murphy

Secretary

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<sup>17</sup> 17 CFR 200.30-3(a)(12).



**Operations Professional  
Qualification Examination  
(Test Series 99)**

**Content Outline**

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## **INTRODUCTION**

This content outline provides a comprehensive guide to the topics covered on the Financial Industry Regulatory Authority's (FINRA) Operations Professional Qualification Examination (Series 99). The outline is intended to familiarize candidates with the range of subjects covered on the examination, as well as the depth of knowledge required. In addition, a list of rules and regulations references that provide background for some of the definitions and concepts being tested is provided. Sample questions are also included to acquaint candidates with the principal formats of multiple-choice questions used on the examination and the types of subject matter included in the questions. 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.

## **PURPOSE OF THE OPERATIONS PROFESSIONAL EXAMINATION**

The purpose of the Operations Professional Qualification Examination is to provide reasonable assurance that certain operations personnel associated with a FINRA member, "covered persons" as defined by FINRA Rule 1230, understand their professional responsibilities, including key regulatory and control themes, as well as the importance of identifying and escalating regulatory red flags that may harm a firm, its customers, the integrity of the marketplace and/or the public.

The Operations Professional Qualification Examination is designed to assess a candidate's broad understanding and basic knowledge of:

- a broker-dealer's business at a fundamental level;
- the operations functions that support a broker-dealer's business;
- the regulations that are designed to achieve investor protection and market integrity;
- the regulations that drive operations processes and procedures conducted at a broker-dealer; and
- regulatory red flag issues and the ability to identify and escalate these issues to the appropriate persons within the member firm, and/or a regulatory body, if necessary.

## **DEPTH OF KNOWLEDGE**

Given the diversity of job functions covered under the Operations Professional registration category, the examination will test candidates' knowledge at a basic level of understanding and application. For each section and subsection on the content outline, the candidate will be tested on the basic knowledge of the subject matter. This will include definitions of key terms, the basic characteristics of certain products and general concepts associated with certain standard business practices and rules. For example:

- under Section 1.2.1, a candidate will be expected to know the definition and basic characteristics of equity securities, but will not be expected to know the same level of detail about equity securities as a product specialist or a representative selling equity securities to customers;
- under Section 2.3.3, a candidate will be expected to know the basic differences between restricted and common stock positions but will not be expected to know the process for removing restrictive legends from a security.

## ELIGIBILITY REQUIREMENTS

The candidate must be sponsored by a FINRA member firm to be eligible to take the Series 99 Examination. For more information on eligibility requirements, please see FINRA Rule 1230(b)(6), which can be viewed through the following web link:

[http://finra.complinet.com/en/display/display.html?rbid=2403&record\\_id=13967&element\\_id=10208&](http://finra.complinet.com/en/display/display.html?rbid=2403&record_id=13967&element_id=10208&)

## APPLICATION PROCEDURES

The member firm that sponsors the candidate must file a Form U4, Uniform Application for Securities Industry Registration or Transfer (Form U4) in the Central Registration Depository (Web CRD®), and request the Operations Professional position (OS) on the Form U4.

## ORGANIZATION OF THE CONTENT OUTLINE

The Operations Professional Content Outline includes three major content areas and an appendix of rules and regulations references that will be useful in gaining an understanding of the general concepts included in the content outline. An underlying component that is assessed in all three content areas is the ability to identify and appropriately address certain activities or practices that constitute a regulatory red flag and may harm a firm, its customers, the integrity of the marketplace and/or the public. Given this objective, ethical and best practice-based questions are associated with all three content areas. The content outline is organized as follows:

- **Section 1: Basic Knowledge Associated with the Securities Industry** includes essential product and market knowledge for an operations professional, including definitions and characteristics of major product categories and basic knowledge of a broker-dealer's business and the securities industry
- **Section 2: Basic Knowledge Associated with Broker-Dealer Operations** includes broad-based knowledge regarding the covered operations functions that support a broker-dealer's business
- **Section 3: Professional Conduct and Ethical Considerations** includes knowledge of associated person conduct rules, such as registration requirements, supervision and control, duties and conflicts, and data integrity
- **Appendix:** This section of the document includes: (1) **Rules and Regulations References** that provide a resource for learning and understanding the definition of terms, knowledge and concepts contained in Sections 1, 2 and 3, and (2) **Sample Question Types and Sample Questions**

## STRUCTURE OF THE EXAMINATION

The examination consists of 100 multiple-choice questions, which are distributed among the three major content areas. The allocation of test questions for each major content area is listed in the table below.

**Number of Questions by Major Content Area**

<b>Section</b>	<b>Major Content Area</b>	<b>Number of Questions</b>
1	Basic Knowledge Associated with the Securities Industry	32
2	Basic Knowledge Associated with Broker-Dealer Operations	48
3	Professional Conduct and Ethical Considerations	20
Total		100

## DEVELOPMENT AND MAINTENANCE OF THE CONTENT OUTLINE AND EXAMINATION

The content outline, test questions and the distribution of test questions were developed and validated by a committee of industry representatives. The committee was comprised of industry professionals with extensive experience and oversight of the covered functions at FINRA member firms.

To ensure and sustain the relevance of the examination, a committee of industry representatives writes, reviews and validates all test questions under the guidance of FINRA staff. 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. Test questions vary in difficulty and complexity. Each question will have only one correct or best answer.

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. Test 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 Operations Professional. Test questions are updated when necessary to reflect current definitions and basic concepts related to industry practices and regulations. If industry practices, rules and/or regulations pertinent to the examination are amended or added, FINRA will republish the content outline at or around the time the industry practice changes or the amended rules and/or regulations become effective.

## **THE ADMINISTRATION OF THE EXAMINATION**

The examination is administered via computer. A tutorial on how to take the examination is presented prior to taking the examination. Each candidate's examination includes ten additional, unidentified pretest questions that do not contribute toward the candidate's score. The ten questions are randomly distributed throughout the examination. Therefore, each candidate's examination consists of a total of 110 questions (100 scored and 10 unscored). Each scored test question is worth one point. There is no penalty for guessing. Therefore, candidates should try to answer all questions. The appointment time for the examination will be 3 hours with 2.5 hours provided to complete the examination.

Scratch paper and basic electronic calculators will be provided to candidates by the test center administrator and must be returned to the test center administrator at the end of the testing session. Some test questions involve simple calculations such as addition, subtraction, multiplication and division (Please refer to the Appendix for examples of test questions involving a simple calculation). Only calculators provided by the test center administrators are allowed for use during the examination.

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**

The passing score for the examination is the minimum number of test questions that a candidate has to answer correctly to pass the examination. A committee of industry representatives 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 performance of candidates taking the examinations. The pass point for the examination taken by the candidate will be indicated on the candidate's score report.

## **CANDIDATES' TEST RESULTS**

Candidates will receive a score report of their test results both on screen and in paper format at the end of their test session. The score report will indicate pass/fail status, the total score and a score profile indicating performance based on each major content area 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 in which they performed poorly when preparing to take the examination again. For security reasons, the examination and/or individual test questions are not available for review after taking the examination.

## **SAMPLE TEST QUESTIONS**

Sample multiple-choice test questions are presented in the Appendix on pages B-1 – B-9. The sample questions are included to provide examples of the basic types of multiple-choice test questions used in the examination. They also provide an illustration of the typical difficulty level of the actual test questions and the subject matter covered on the examination.

# THE OPERATIONS PROFESSIONAL CONTENT OUTLINE

## 1. Basic Knowledge Associated with the Securities Industry

### 1.1 Purpose of the Marketplace

- Regulatory and self-regulatory organizations (SROs)
- Types of markets
- Depositories and clearing facilities

### 1.2 Characteristics of Securities and Products

- Public securities offering versus private securities offering
- Initial public offering (IPO) versus secondary offering
- Exempt versus non-exempt securities
- Registered versus unregistered securities
- Priority of debtors' claims in bankruptcies
- Securities Investor Protection Corporation (SIPC) versus Federal Deposit Insurance Corporation (FDIC)

#### **1.2.1 Characteristics of the following products:**

- Equities
- Debt/fixed income
- Derivatives
- Packaged securities/alternative investments

### 1.3 Basic Knowledge of the Characteristics of Broker-Dealers

- Broker-dealer versus registered investment advisor (RIA)
  - Suitability obligation
  - Commissions/mark-ups versus fee-based
  - Customer statement versus performance report

#### **1.3.1 Regulatory requirements of broker-dealers**

- Financial and Operations Principal (FINOP)
- Financial and Operational Combined Uniform Single (FOCUS) report
- General ledger
- Net capital and the reserve formula calculation

#### **1.3.2 Types of broker-dealer businesses**

- Executing broker-dealer versus clearing prime broker
- Introducing broker-dealer versus clearing broker-dealer
- Clearing broker-dealer versus clearing facility
- Institutional clearing and settlement arrangements
- Commission management/soft dollars



## **2. Basic Knowledge Associated with Broker-Dealer Operations**

### **2.1 Basic Knowledge of Account Opening and Maintenance**

#### **2.1.1 Types of retail, institutional and prime brokerage customer accounts**

- Types of customer account registrations (e.g., individual, corporate)

#### **2.1.2 Types of individual and employer-sponsored retirement accounts**

- Contribution limits and required minimum distributions (RMD)
- Transfer versus rollover

#### **2.1.3 Account opening**

- Entities authorized to open and transact business in the account
- New account paperwork and appropriate approvals
- Standing settlement instructions (SSIs)

#### **2.1.4 Anti-money laundering (AML) reviews**

- AML compliance program
- Required customer information and documentation
  - Customer Identification Program (CIP) requirements
  - “Know Your Customer”(KYC)
- Office of Foreign Asset Control (OFAC) and the Specially Designated Nationals and Blocked Persons (SDNs) list
- Financial Crimes Enforcement Network (FinCEN)
- Suspicious activity reports (SARs)

#### **2.1.5 Maintenance of accounts**

- Escheatment process
- Updating customer account records
- Restricting account activity or freezing accounts
- Accounts for associated persons of member firms

#### **2.1.6 Types of disclosures**

- Product specific disclosures (e.g., illiquid securities)
- Account specific disclosures (e.g., options)

### **2.2 Basic Knowledge of Cashiering and Account Transfers**

#### **2.2.1 Movement of funds and securities**

- Methods of fund transfer
- Methods of giving instructions (e.g., letter of authorization)
- Transfer processes for various account types
- Medallion signature guarantee program
- Currency Transaction Reports (CTRs)
- Reinvestments and sweeps

### **2.2.2 Transfers or partial transfers of accounts between broker-dealers**

- Automated Customer Account Transfer Service (ACATS) versus non-ACATS transfers
- Residual and residual credit processing

### **2.2.3 Handling checks**

- Characteristics of negotiable checks
- Check issuance
- Maintenance of a check blotter

### **2.2.4 Prohibited activities related to cashiering and account transfers**

- Structuring, layering and other money laundering activities
- Check kiting or altering checks
- Holding checks for extended periods
- Not processing (or holding) account transfers for an extended period

## **2.3 Basic Knowledge of Custody and Control of Securities**

### **2.3.1 Custody and control of securities**

- Safekeeping versus segregation
- Custody and control
- Street name
- Directly held mutual fund shares
- Securing customer assets
- Periodic physical count of securities (“box count”)
- Maintenance of a stock record and verifying securities

### **2.3.2 Securities transfers**

- Registered versus bearer certificates
- Good delivery, transfer agent and stock/bond power
- Validation of a certificate
- Maintenance of a securities blotter
- Handling lost certificates
- Direct Registration System (DRS) and Deposit/Withdrawal At Custodian (DWAC)
- Types of securities that are depository eligible

### **2.3.3 Stock legends**

- Impact of a legend on the negotiability of a certificate
- Control and restricted securities
  - Holding periods for the removal of legends

## **2.4. Basic Knowledge of Trade Reporting and Trade Corrections**

- Trading orders and strategies: long and short, buy and sell, naked and covered, bearish and bullish
- Trade reporting systems
- Best execution, trading capacity and quotation
- Regular market hours versus extended hours
- Trader corrections “as/of” and past settlement date

- Error accounts
- Knowledge of prohibited activities related to trading, including front-running, churning or excessive trading, market manipulation, excessive mark-ups, prohibited breakpoint sales, and improper sharing in profits and losses with customers

## **2.5 Basic Knowledge of Corporate Actions**

### **2.5.1 Types of corporate actions**

- Making adjustments for securities subject to corporate actions
- Processing customer instructions and special situations related to corporate actions
- Delivery of notices
- Corporate action deadlines

### **2.5.2 Proxies and proxy voting**

- Delivery of annual and interim issuer reports

## **2.6 Basic Knowledge of Margin and Stock Loan/Securities Lending**

- Margin, hypothecation and re-hypothecation
- Marginable versus non-marginable securities
- Different margin requirements for different securities
- Types of accounts that are permitted to trade on margin
- Documentation and disclosure requirements
- Federal and FINRA margin requirements, margin calls
- Stock lending
- Short sale requirements, including locating and borrowing securities
- Day trading and buying power

## **2.7 Basic Knowledge of Settlement**

- Comparison of trades
- Same day versus regular way settlement
- Standard settlement time frames for various products
- Settlement service providers and methods of settlement
  - Repo/resale trades and settlements
- Continuous Net Settlement (CNS)
- Don't Know (DK) trade
- Requirements to buy-in or closeout a fail
- Confirmation of aged securities fails

## **2.8 Basic Knowledge of Account Statements and Confirmations**

### **2.8.1 Customer account statements**

- Types of information that appear on an account statement
- Time frame for providing statements

### **2.8.2 Confirmations**

- Types of information that appear on a confirmation
- Confirmation delivery requirements, including electronic confirmations
- Non-trade confirmations/third party activity notices

- Prospectus delivery requirements

### **2.8.3 Tax reporting**

- Cost basis
- Types of optional and required tax withholding

### **2.8.4 Prohibited activities related to pricing securities on account statements and confirmations**

- Falsifying or withholding documents
- Holding mail beyond the permissible time frames

## **2.9 Basic Knowledge of Books and Records**

- Reconciliations
- Timeline of posting entries
- Retention requirements for firm documents, including requirements for electronic storage
- Prohibited activities related to maintenance of books and records (e.g., falsifying records and improper maintenance/retention of records)

### **3. Professional Conduct and Ethical Considerations**

#### **3.1. Employee Conduct**

##### **3.1.1 Registration, continuing education and termination of associated persons**

- FINRA, SRO and state registration requirements
- Reporting of certain events on the Form U4 and Form U5
- Consequences of filing misleading information or omitting information
- Failing to register an associated person

##### **3.1.2 Code of conduct**

- Outside business activities and outside securities accounts
- Prohibition against insider trading
- Selling away
- Restrictions for associated persons purchasing IPOs
- Use of manipulative, deceptive or other fraudulent devices
- Improper use of customers' securities or funds and prohibitions against guarantees and sharing in customer accounts
- Prohibition against paying commissions to unregistered persons

#### **3.2 Relationships and Dealings with Customers, Vendors and Associated Persons of the Firm**

- Methods of communications
- Non-public personal information (NPI)
- Dollar/value limits for gifts and gratuities and reporting requirements
- Business entertainment in relation to other FINRA member firms
- Reporting of political contributions and consequences for exceeding dollar contribution thresholds

#### **3.3 Customer Privacy**

- Confidentiality of customer information
- Exchange and control of information between departments and outside the firm
- Disclosures to customers
- Objecting beneficial owner (OBO) versus non-objecting beneficial owner (NOBO)
- Privacy rules

#### **3.4 Importance of Escalating Complaints and/or Potential Red Flags**

- Recognizing a complaint and/or potential red flag
- Methods of escalation

#### **3.5 Broker-Dealer Supervision and Control**

##### **3.5.1 Key controls and the separation/segregation of duties**

- Segregation of functions and supervision among departments of the broker-dealer
- Information barriers
- Controlling access to buildings, office spaces, files and systems
  - Entitlement policies
  - Restrictions on access to information

**3.5.2 Written Supervisory Procedures (WSPs)**

- Compliance with WSPs
- Updating
- Annual Certification of Compliance and Supervisory Processes

**3.5.3 Business Continuity Plan (BCP)**

- Disclosure to customers

## Appendix

### Rules and Regulations References

This section of the document provides a list of rules and regulations that are associated with the subject matter described on the content outline. The list is provided to serve as a source for some general concepts that will be tested on the examination, although not every section of the content outline has an associated rule in this document. Each topical rule group is referenced to associated section(s) of the content outline. For example, the rules under “Broker-Dealers (Section 1.3)” are associated with subject matter that is covered on Section 1.3 – Basic Knowledge of the Characteristic of Broker-Dealers.

The listing of rules and regulations are intended to function as a reference tool to aid candidates in studying to take the examination. The test questions will not require candidates to identify specific rule numbers associated with the topics covered on the outline. Instead, the candidate should know the definition, general characteristics and/or concepts associated with a particular rule or regulation. For example, an examination question will **NOT** ask the candidate to identify the specific FINRA rule number associated with AML (FINRA Rule 3310). In addition, the candidate will **NOT** be expected to have an in-depth knowledge of the subcomponents of the rules or regulations.

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

#### **Broker-Dealers (Section 1.3)**

- FINRA Rule 4311 – Carrying Agreements
- Securities Exchange Act of 1934 (SEA) Rule 15c3-1 – Net Capital Requirements for Brokers or Dealers

#### **Anti-Money Laundering (Section 2.1.4)**

- FINRA Rule 3310 – Anti-Money Laundering Compliance Program
- NYSE Rule 405 – Diligence as to Accounts
- USA PATRIOT Act, Section 326 – Verification of Identification

#### **Disclosure Requirements (Section 2.1.6)**

- FINRA Rule 2260 Series – Disclosures

#### **Cashiering and Account Transfers (Section 2.2.2)**

- FINRA Rule 2140 – Interfering With the Transfer of Customer Accounts in the Context of Employment Disputes
- FINRA Rule 11870 – Customer Account Transfer Contracts

#### **Custody and Control of Securities (Section 2.3.1)**

- FINRA Rule 4522 – Periodic Security Counts, Verifications and Comparisons
- NASD Rule 2330 – Customers’ Securities or Funds
- NYSE Rule 402 – Customer Protection – Reserves and Custody of Securities
- SEA Rule 15c3-3 – Customer Protection – Reserves and Custody of Securities

**Securities Transfers and Stock Legends (Sections 2.3.2 and 2.3.3)**

- FINRA Rule 11300 Series – Delivery of Securities
- FINRA Rule 11500 Series – Delivery of Securities with Restrictions
- SEA Rule 17f-1(c)(2) – Missing or Lost Securities

**Trade Reporting and Trade Corrections (Section 2.4)**

- FINRA Rule 2010 – Standards of Commercial Honor and Principles of Trade
- FINRA Rule 2342 – “Breakpoint” Sales
- FINRA Rule 5210 – Publication of Transactions and Quotations
- FINRA Rule 5220 – Offers at Stated Prices
- FINRA Rule 5320 – Prohibition Against Trading Ahead of Customer Orders
- FINRA Rule 5230 – Payments Involving Publications that Influence the Market Price of a Security
- FINRA Rule 5250 – Payments for Market Making
- FINRA Rule 5290 – Order Entry and Execution Practices
- NASD IM-2110-3 – Front Running Policy
- NASD IM-2310-2 – Fair Dealing with Customers
- NASD Rule 2320 – Best Execution and Interpositioning

**Margin, Stock Loan and Securities Lending (Section 2.6)**

- FINRA Rule 4200 Series – Margin

**Settlement (Section 2.7)**

- FINRA Rule 11200 Series – Comparisons or Confirmations and “Don’t Know Notices”
- FINRA Rule 11600 Series – Delivery of Bonds and Other Evidences of Indebtedness
- FINRA Rule 11700 Series – Reclamations and Rejections
- FINRA Rule 11800 Series – Close-out Procedures
- SEC Regulation SHO, Rule 204 – Close-out Requirement
- SEA Rule 15c3-3 – Customer Protection – Reserves and Custody of Securities

**Books and Records (Section 2.9)**

- FINRA Rule 4520 – Financial Records and Reporting Requirements
- NASD Rule 3110(a) – Books and Records - Requirements
- NYSE Rule 440 – Books and Records
- SEA Rule 17a-3 – Records to be Made by Certain Exchange Members, Brokers and Dealers
- SEA Rule 17a-4 – Records to be Preserved by Certain Exchange Members, Brokers and Dealers

**Registration and Continuing Education (Section 3.1.1)**

- FINRA By-Laws Article IV Section 6 – Retention of Jurisdiction
- FINRA Rule 1122 – Filing of Misleading Information as to Membership or Registration
- FINRA Rule 4530 – Reporting Requirements
- FINRA Rule 1000 Series – Member Application and Associated Person Registration
- NASD Rule 1000 Series – Membership, Registration and Qualification Requirements



**Code of Conduct (Section 3.1.2)**

- FINRA Rule 2020 – Use of Manipulative, Deceptive or Other Fraudulent Devices
- FINRA Rule 2150 – Improper Use of Customers’ Securities or Funds; Prohibition Against Guarantees and Sharing in Accounts
- FINRA Rule 3240 – Borrowing From or Lending To Customers
- FINRA Rule 3270 – Outside Business Activities of Registered Persons
- FINRA Rule 5130 – Restrictions on the Purchase and Sale of Initial Equity Public Offerings
- FINRA Rule 5240 – Anti-Intimidation/Coordination
- FINRA Rule 5280 – Trading Ahead of Research Reports
- NASD Rule 2400 Series – Commissions, Mark-ups and Charges
- NASD Rule 3040 – Private Securities Transactions of an Associated Person
- NASD Rule 3050 – Transactions for or by Associated Persons
- NYSE Rule 407 – Transactions – Employees of Members, Member Organizations and the Exchange
- SEA Rule 10b-5 – Employment of Manipulative and Deceptive Devices
- SEA Rule 10b5-1 – Trading “On the Basis of” Material Nonpublic Information in Insider Trading Cases
- SEA Rule 10b5-2 – Duties of Trust or Confidence in Misappropriation Insider Trading Cases
- SEA Section 15(a) – Registration and Regulation of Brokers and Dealers

**Communication (Section 3.2)**

- FINRA Rule 3220 – Influencing or Rewarding the Employees of Others
- MSRB Rule G-37 – Political Contributions and Prohibitions on Municipal Securities Business
- NASD Rule 2200 Series – Communications with Customers and the Public
- NYSE Rule 472 – Communications with the Public

**Customer Privacy (Section 3.3)**

- FINRA Rule 2060 – Use of Information Obtained in Fiduciary Capacity
- SEC Regulation S-P – Privacy of Consumer Financial Information and Safeguarding Personal Information

**Complaints (Section 3.4)**

- NASD Rule 3110(d) – Books and Records – Record of Written Complaint
- NASD Rule 3110(e) – Books and Records – Complaint Defined
- FINRA Rule 4530 – Reporting Requirements
- NYSE Rule 401A – Customer Complaints

**Broker-Dealer Supervision and Control (Section 3.5)**

- FINRA Rule 3130 – Annual Certification of Compliance and Supervisory Processes
- FINRA Rule 4370 – Business Continuity Plans and Emergency Contact Information
- NASD Rule 3010 – Supervision
- NASD Rule 3012 – Supervisory Control System
- NYSE Rule 342 – Offices – Approval, Supervision and Control

The rules and regulations listed in this appendix may be found on the following government and self-regulatory organizations' websites:

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

**Municipal Securities Rulemaking Board (MSRB):** [www.msrb.org](http://www.msrb.org)

**Securities and Exchange Commission (SEC):** [www.sec.gov](http://www.sec.gov)

## SAMPLE QUESTION TYPES

The following sample questions are reflective of the test question formats a candidate may see on the examination. Note that the correct answer is followed by three asterisks.

**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 1:** Which of the following is TRUE of a bond?

- (A) It represents an ownership interest
- (B) It pays dividends to holders
- (C) In an insolvency, holders have the lowest priority claim
- (D) It is a debt instrument \*\*\*

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

**Example 2:** The stated value of an equity, which is set by the issuing company, is known as

- (A) market value
- (B) trade value
- (C) par value\*\*\*
- (D) net asset value

**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 3:** All of the following are characteristics of rights EXCEPT:

- (A) They are issued to existing stockholders in proportion to the number of shares the stockholder already own
- (B) They are considered long-term instruments\*\*\*
- (C) They allow the owner to purchase shares of stock at less than market price
- (D) They represent a specific number of shares of stock

## SAMPLE QUESTIONS

Below are 30 sample questions that are reflective of the variety of content and the difficulty level of the test questions that a candidate may receive on this examination. These questions are provided solely for this purpose. **It is important to note that being able to answer these questions correctly is not an indication of how a candidate will perform on the actual examination.** Note that the correct answers are available on page B-9.

1: Which of the following investments is a security?

- (A) Gold
- (B) Fixed annuity
- (C) Real estate
- (D) Municipal bond

2: Under federal securities laws, what are the three basic categories of investment companies?

- (A) Mutual funds, basket programs and limited partnerships
- (B) Mutual funds, closed-end funds and options
- (C) Closed-end funds, options and basket programs
- (D) Mutual funds, closed-end funds and unit investment trusts

3: All of the following investments describe a closed-end mutual fund EXCEPT:

- (A) An investment that pools many investors money for a specific investment purpose
- (B) An investment that constantly offers new shares
- (C) An investment with a fixed number of outstanding shares
- (D) An investment that is traded on an exchange or over-the-counter market

4: A firm is considered fully covered if it holds which of the following positions in the same account as 10 short March 15 put options in XYZ?

- (A) Long 1000 shares of XYZ
- (B) Long 1500 shares of XYZ
- (C) Short 1000 shares of XYZ
- (D) Short 1500 shares of XYZ

- 5: A registered representative (RR) receives an order from a customer to buy 50,000 shares of XYZ stock. The RR buys 500 shares for his own account and then places a market order for 50,000 shares for the customer. What prohibited practice has the RR engaged in?
- (A) Churning
  - (B) Front running
  - (C) Insider trading
  - (D) Free-riding
- 6: A customer owns shares of XYZ stock that are held in an account with the transfer agent. The customer wants to transfer the stock to her account with a broker-dealer. Which of the following methods should the operations professional use to transfer the stock?
- (A) Special Payment Order (SPO)
  - (B) Automated Clearing House (ACH)
  - (C) Direct Registration System (DRS)
  - (D) Automated Customer Account Transfer Service (ACATS)
- 7: Which of the following events would NOT require an adjustment to the total cost basis of a stock?
- (A) Spin off
  - (B) Return of capital
  - (C) Stock dividend
  - (D) Stock split
- 8: An investor owns 200 shares of XYZ Corp. at \$50 per share. If XYZ announces a 2-for-1 stock split, the investor's XYZ position after the split will be
- (A) 100 shares at \$25
  - (B) 100 shares at \$100
  - (C) 400 shares at \$25
  - (D) 400 shares at \$100
- 9: At what age must a customer begin to take required minimum distributions from a traditional IRA?
- (A) 59 ½
  - (B) 60
  - (C) 65
  - (D) 70 ½

- 10:** A customer has written several personal checks payable to the registered representative (RR) handling his account. The RR instructs the operations professional to deposit the checks into the RR's personal account at the firm. Which of the following is the BEST action for the operations professional to take?
- (A) Deposit the checks into the RR's personal account
  - (B) Return the checks to the customer
  - (C) Follow the firm's escalation procedures
  - (D) Deposit the checks into the customer's account
- 11:** Which of the following is NOT reported on a consolidated IRS form 1099?
- (A) Dividends
  - (B) Return of capital
  - (C) Proceeds from sales
  - (D) Cost incurred from purchases
- 12:** A customer purchased 300 shares of XYZ at \$40 in his individual account. The customer dies and on the date of the customer's death, the price of the position is \$52. The position is willed to the customer's son and subsequently sold at \$54. What is the per share cost basis of the position?
- (A) \$26
  - (B) \$40
  - (C) \$52
  - (D) \$54
- 13:** Which of the following represents a debt issuance?
- (A) Right
  - (B) Stock
  - (C) Bond
  - (D) Warrant
- 14:** Assuming no bank holidays, a U.S. Treasury note purchased in the secondary market on Monday, October 3, would settle regular-way on
- (A) Monday, October 3
  - (B) Tuesday, October 4
  - (C) Wednesday, October 5
  - (D) Thursday, October 6

**15:** Which entity governs Regulation T?

- (A) Securities and Exchange Commission
- (B) Federal Reserve Board
- (C) New York Stock Exchange
- (D) Financial Industry Regulatory Authority

**16:** When does a trade settle?

- (A) Upon execution
- (B) At the time cash is exchanged for securities
- (C) Upon confirmation between contra parties
- (D) At the time the confirmation is received by the customer

**17:** Which of the following requests made by a customer concerning his statements is a potential red flag?

- (A) Hold the customer's mail because he will be traveling abroad
- (B) Change the customer's mailing address to the branch office address
- (C) Send duplicate statements to third party
- (D) Mail all the customer's account statements in one envelope

**18:** An operations professional has been asked to be a limited partner for a new private real estate investment trust (REIT). Prior to accepting the offer, which of the following should be the operations professional's FIRST action?

- (A) Complete the investment paperwork and provide a copy to his firm
- (B) Provide his firm with a written notice and receive approval from his firm
- (C) Disclose any potential conflicts of interest to his supervisor
- (D) Provide his firm with the projected investment objectives

**19:** The terms "DK" or "Don't Know" apply to which of the following?

- (A) ACATS trades
- (B) Stock record breaks
- (C) Failing securities
- (D) Uncompared CNS trades

**20:** The purpose of the Office of Foreign Assets Control (OFAC) is to

- (A) Impose margin requirements for foreign nationals
- (B) Impose economic sanctions against hostile targets
- (C) Monitor flows of foreign currencies into the US capital markets
- (D) Monitor foreign investors into the US equity markets

**21:** The ex-dividend date for a cash dividend is:

- (A) The second business day preceding the record date
- (B) The fifth business day preceding the record date
- (C) Two business days after the record date
- (D) Five business days after the record date

**22:** Which of the following is a valid reason for an ACATS transfer to be rejected by the delivering firm?

- (A) Customer's date of birth is incorrect
- (B) A medallion signature guarantee is not provided
- (C) The delivering firm requires verbal confirmation from the customer
- (D) The account title is not identical at the delivering and receiving firms

**23:** A firm receives a written complaint from a customer of misappropriation of funds and securities in the customer's account. The complaint should be reported to the:

- (A) Securities and Exchange Commission (SEC)
- (B) Financial Industry Regulatory Authority (FINRA)
- (C) Securities Industry and Financial Markets Association (SIFMA)
- (D) North American Securities Administrators Association (NASAA)

**24:** Which of the following is required to be maintained on the blotter for indicating the receipt of physical securities from customers?

- (A) Date received
- (B) Date security was purchased
- (C) Dated date of the certificate
- (D) Maturity date of the security



**25:** Which of the following situations should be escalated to the firm's compliance department?

- (A) A check is altered with the customer's initials and the customer's change is witnessed by an employee of the firm
- (B) A customer complaint is received but the firm does not respond to the complaint within 48 hours of receipt of the complaint
- (C) A check from a customer is deposited into another customer's account and the customer depositing the check signed a letter authorizing this action
- (D) The firm does not have a process for logging checks received from its customers

**26:** While performing a daily reconciliation activity an operations professional discovers that several withdrawals were made from the firm's special reserves bank account and deposited into an employee's account. Which of the following is the MOST appropriate action for the operations professional?

- (A) Monitor the accounts to ensure the money is deposited back into the firm's account
- (B) Escalate the potential red flag to a manager immediately
- (C) Report the employee to human resources immediately
- (D) Note the reconciliation report for auditing purposes

**27:** A self-regulatory organization (SRO) is responsible for

- (A) the oversight of member firms and enforcing its rules
- (B) regulating that a fair number of consumers make a profit
- (C) regulating documentation standards across all broker-dealers
- (D) the oversight of market indexes

**28:** Under industry regulations, an initial purchase of \$5,000 of common stock in a margin account requires a cash deposit of

- (A) \$5,000
- (B) \$2,500
- (C) \$2,000
- (D) \$1,250

**29:** Information barriers are used to prevent which of the following prohibited activities?

- (A) Insider trading
- (B) Market timing
- (C) Excessive mark-ups
- (D) Parking securities

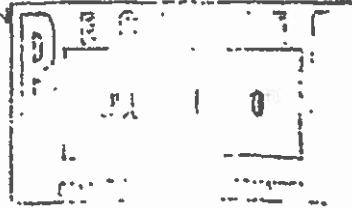
**30:** UTMA accounts are opened under the social security number of the

- (A) Minor
- (B) Custodian
- (C) Donor
- (D) Parent

Sample Question	Answer Key
1	D
2	D
3	B
4	C
5	B
6	C
7	D
8	C
9	D
10	C
11	D
12	C
13	C
14	B
15	B
16	B
17	B
18	B
19	D
20	B
21	A
22	B
23	B
24	A
25	D
26	B
27	A
28	B
29	A
30	A



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20548



July 24, 2000

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

Re: Procedure for Filings Relating to Qualification Examinations

Dear Mr. <sup>Alden</sup>Adkins:

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

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

Alden S. Adkins

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

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

Sincerely,



Belinda Blaine  
Associate Director