



# **General Securities Sales Supervisor Qualification Examination (Series 9/10)**

## **Content Outline**

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## INTRODUCTION

The Series 9/10 exam is the General Securities Sales Supervisor Qualification Examination. The exam is developed and maintained by the Financial Industry Regulatory Authority (FINRA). This content outline provides a comprehensive guide to the topics covered on the Series 9/10 exam. The outline is intended to familiarize exam candidates with the range of subjects covered on the exam, as well as the depth of knowledge required. Sample items are also included to acquaint candidates with the types of multiple-choice items used on the exam. It is recommended that candidates refer to the content outline as part of their preparation to take the exam. Candidates are responsible for planning their course of study in preparation for the exam.

## PURPOSE OF THE EXAM

The Series 9/10 exam is designed to assess the competency of General Securities Sales Supervisors. It is intended to safeguard the investing public by helping to ensure that General Securities Sales Supervisors are competent to perform their jobs. Given this purpose, the Series 9/10 exam seeks to measure the degree to which each candidate possesses the knowledge, skills and abilities needed to perform the critical functions of a General Securities Sales Supervisor. For more information about the permissible activities of a General Securities Sales Supervisor, please see FINRA Rule 1220(a), which is viewable in the FINRA Rule Manual through the following link: [www.finra.org](http://www.finra.org).

## ELIGIBILITY REQUIREMENTS

The candidate must be associated with and sponsored by a FINRA member firm or other applicable self-regulatory organization (SRO) member firm to be eligible to take the Series 9/10 exam. In order to register in this category, candidates must first qualify as a General Securities Representative (Series 7). For more information on eligibility requirements, please see FINRA Rule 1220(a), which is viewable in the FINRA Rule Manual through the following link: [www.finra.org](http://www.finra.org) or other applicable SRO rules

## APPLICATION PROCEDURES

The FINRA member firm or other applicable SRO member firm that sponsors the applicant must file a Uniform Application for Securities Industry Registration or Transfer (Form U4) in the Central Registration Depository (CRD®) and request the General Securities Sales Supervisor position on the Form U4.

## STRUCTURE OF THE EXAM

The exam consists of 200 multiple-choice items (55 on the Series 9 and 145 on the Series 10), which are distributed among the four major content areas on the Series 9 and the four major content areas on the Series 10, listed in the table below.

**Job Functions and Number of Items by Job Function**

Part	Job Functions		Number of Items
Part 1: Series 10	Function 1	Supervise Associated Persons and Personnel Management Activities	28
	Function 2	Supervise the Opening and Maintenance of Customer Accounts	49
	Function 3	Supervise Sales Practices and General Trading Activities	52
	Function 4	Supervise Communications with the Public	16

<b>Part 2: Series 9</b>	<b>Function 1</b>	<b>Supervise the Opening and Maintenance of Customer Options Accounts</b>	<b>18</b>
	<b>Function 2</b>	<b>Supervise Sales Practices and General Options Trading Activities</b>	<b>19</b>
	<b>Function 3</b>	<b>Supervise Options Communications</b>	<b>5</b>
	<b>Function 4</b>	<b>Supervise Associated Persons and Personnel Management Activities</b>	<b>13</b>
	<b>Total</b>		<b>200</b>

## **DEVELOPMENT AND MAINTENANCE OF THE CONTENT OUTLINE AND EXAM**

The Series 9/10 content outline was developed based on the results of a job analysis study of General Securities Sales Supervisors. The job analysis process included collecting data about the job functions, tasks and required knowledge of General Securities Sales Supervisors from a wide variety of firms using numerous data collection techniques.

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

The bank of items changes frequently as a result of amendments to, or the introduction of, government and SRO rules and regulations, changes in industry practice, and the introduction of new products. Exam items and their statistical performance are analyzed routinely by FINRA staff and the Committee to ensure relevance to the functions of a General Securities Sales Supervisor. **Candidates are responsible for keeping abreast of changes made to the applicable rules and regulations as the exam is updated when new rules are introduced and when the rules are amended.**

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

## **ADMINISTRATION OF THE EXAM**

The exam is administered via computer. A tutorial on how to take the exam via computer is provided prior to the exam. Each candidate's exam includes 15 additional, unidentified pretest items that do not contribute toward the candidate's score. The 15 items are randomly distributed throughout the exam with 5 pretest items appearing on the Series 9 and 10 pretest items on the Series 10. Therefore, each candidate's Series 9 exam consists of a total of 60 items (55 scored and 5 unscored), and each candidate's Series 10 exam consists of a total of 155 items (145 scored and 10 unscored). There is no penalty for guessing. Therefore, candidates should attempt to answer all items. Candidates will be allowed 1 hour and 30 minutes to complete the Series 9 exam and 4 hours to complete the Series 10 exam.

The Series 9 and Series 10 exams may be taken in any order at any time within the 120-day enrollment period. The test administrator will provide white boards/dry erase markers and basic electronic calculators to candidates, who must return these materials to the test center administrator at the end of the testing session. Some exam items may involve calculations. Only calculators provided by the test center administrators are allowed for use during the exam.

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

## **HOW THE EXAM IS SCORED**

Following a well-established process known as standard setting, FINRA determines the passing score for the examination based on a number of factors including industry trends, historical exam performance and evaluations of the content difficulty by a committee of industry professionals with the designated registration. For the Series 9 exam, the passing score is 70% and for the Series 10 exam, the passing score is 70%. This passing score reflects the competency needed to hold the designated registration.

## **EQUATING OF TEST SCORES**

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

## PART 1: SERIES 10 CONTENT OUTLINE

### FUNCTION 1: Supervise Associated Persons and Personnel Management Activities

#### 1.1 Verify the qualifications of newly hired associated persons

##### KNOWLEDGE OF:

- Pre-hire investigations
- Form U4
- Form U5
- CRD
- Statutory disqualification
- Fingerprinting
- Appropriate registrations (e.g., State, FINRA)

##### FINRA Rules

- 3110—Supervision
- 4530—Reporting Requirements

##### FINRA By-Laws

- Article I—Definitions
  - Paragraph (rr): “Person associated with a member” or “associated person of a member”
- Article III—Qualifications of Members and Associated Persons
  - Section 1—Persons Eligible to Become Members and Associated Persons of Members
  - Section 2—Authority of Board to Adopt Qualification Requirements
  - Section 3—Ineligibility of Certain Persons for Membership or Association
  - Section 4—Definition of Disqualification
- Article V—Registered Representatives and Associated Persons
  - Section 1—Qualification Requirements
  - Section 2—Application for Registration
  - Section 3—Notification by Member to the Corporation and Associated Person of Termination; Amendments to Notification
  - Section 4—Retention of Jurisdiction

##### MSRB Rules

- G-4—Statutory Disqualifications
- G-5—Disciplinary Actions by Appropriate Regulatory Agencies; Remedial Notices by Registered Securities Associations

##### Securities Exchange Act of 1934

- Section 3(a)(39)—Definition of “Statutory Disqualification”
- Rule 17f-2—Fingerprinting of Securities Industry Personnel
- Rule 19h-1—Notice by a Self-Regulatory Organization of Proposed Admission to or Continuance in Membership or Participation or Association with a Member of Any Person Subject to a Statutory Disqualification, and Applications to the Commission for Relief Therefrom

#### 1.2 Review and maintain associated persons’ registrations and disclosures

##### KNOWLEDGE OF:

- Form U4 and U5 updates and disclosures
- Appropriate registration (e.g., state, FINRA, insurance licensing and appointments, investment advisory)
- Outside business activities (e.g., secondary employment, officer/directorships)
- Personal accounts
- Private securities transactions
- Fiduciary appointments
- Political contributions/activities
- Disciplinary/criminal actions
- Noncash compensation (e.g., gifts and gratuities, third-party vendor compensation)

#### FINRA Rules

- 1210—Registration Requirements
- 1220—Registration Categories
- 1230—Associated Persons Exempt from Registration
- 1240—Continuing Education Requirements
- 2263—Arbitration Disclosure to Associated Persons Signing or Acknowledging Form U4
- 2320(g)—Variable Contracts of an Insurance Company: Member Compensation
- 2341(l)—Investment Company Securities: Member Compensation
- 3110—Supervision
- 3210—Accounts at Other Broker-Dealers and Financial Institutions
- 3220—Influencing or Rewarding Employees of Others
- 3270—Outside Business Activities of Registered Persons
- 3280—Private Securities Transactions of an Associated Person
- 5110(e)—Corporate Financing Rule-Underwriting Terms and Arrangements: Valuation of Non-Cash Compensation

#### MSRB Rules

- G-2—Standards of Professional Qualification
- G-3—Professional Qualification Requirements
  - G-3(a)(i): Municipal Securities Representative, Municipal Securities Sales Limited Representative and Limited Representative-Investment Company and Variable Contracts Products: Definitions
  - G-3(a)(ii)—Municipal Securities Representative, Municipal Securities Sales Limited Representative and Limited Representative-Investment Company and Variable Contracts Products: Qualification Requirements
  - G-3(b)(i)—Municipal Securities Principal; Municipal Fund Securities Limited Principal: Definition
  - G-3(b)(iv)(A)—Municipal Securities Principal; Municipal Fund Securities Limited Principal: Municipal Fund Securities Limited Principal: Definition
  - G-3(c)(i)—Municipal Securities Sales Principal: Definition
  - G-3(c)(ii)—Municipal Securities Sales Principal: Qualification Requirements
  - G-3(f)—Professional Qualification Requirements: Confidentiality of Qualification Examinations
  - G-3(i)—Professional Qualification Requirements: Continuing Education Requirements
- G-5—Disciplinary Actions by Appropriate Regulatory Agencies; Remedial Notices by Registered Securities Associations
- G-20—Gifts, Gratuities and Non-Cash Compensation
- G-24—Use of Ownership Information Obtained in Fiduciary or Agency Capacity
- G-28—Transactions with Employees and Partners of Other Municipal Securities

Professional  
G-37—Political Contributions and Prohibitions on Municipal Securities Business

### 1.3 Supervise associated persons and take corrective actions as appropriate

#### KNOWLEDGE OF:

- Arbitration
- Suspension and expulsion
- Disciplinary action
- Appropriate documentation

#### FINRA By-Laws

Article XII—Disciplinary Proceedings

#### FINRA Code of Arbitration Procedure

12000 Series—Code of Arbitration Procedure for Customer Disputes

13000 Series—Code of Arbitration Procedure for Industry Disputes

#### FINRA Procedural Rules

8000—Investigations and sanctions

8210—Provision of Information and Testimony and Inspection and Copying of Books

8310—Sanctions for Violation of the Rules

8320—Payment of Fines, Other Monetary Sanctions, or Costs; Summary Action for Failure to Pay

#### FINRA Rules

2263—Arbitration Disclosure to Associated Persons Signing or Acknowledging Form U4

3110—Supervision

3170—Tape Recording of Registered Persons by Certain Firms

#### MSRB Rules

G-27(c)(ii)—Supervision: Provisions Concerning Tape Recording of Conversations

G-27(d)—Supervision: Internal Inspections

G-27(f)—Supervision: Supervisory Control System

#### Securities Exchange Act of 1934

Rule 19h-1—Notice by a Self-Regulatory Organization of Proposed Admission to or Continuance in Membership or Participation or Association with a Member of Any Person Subject to a Statutory Disqualification, and Applications to the Commission for Relief Therefrom

### 1.4 Maintain marketplace and associated product and regulatory knowledge

#### KNOWLEDGE OF:

- New product training
- Annual compliance meeting
- Firm and regulatory CE requirements
- Product and services training

#### FINRA Rules

1240—Continuing Education Requirements

2010—Standards of Commercial Honor and Principles of Trade



3110—Supervision

MSRB Rule

G-3(i)—Professional Qualification Requirements: Continuing Education Requirements

## 1.5 Conduct branch office inspections and manage the delegation of duties

### KNOWLEDGE OF:

- Appropriate registrations
- Supervision of OSJs, branch offices and unregistered locations
- Supervision of supervisory personnel
- Bank/broker-dealer regulatory requirements
- Relationships with vendors, clearing firms, back office, IT, facilities
- Appropriate signage
- Supervisory coverage (e.g., branch coverage due to resignation)

FINRA Rules

3110—Supervision

3120—Supervisory Control System

3160—Networking Arrangements Between Members and Financial Institutions

MSRB Rule

G-27(d)—Supervision: Internal Inspections

Securities Investor Protection Act and SIPC Rules Thereunder

## FUNCTION 2: Supervise the Opening and Maintenance of Customer Accounts

### 2.1 Review new account documentation to determine if approval meets applicable standards

#### KNOWLEDGE OF:

- Required account information and documentation
- Completeness and best interest / suitability (e.g., risk tolerance, financial situation and needs, time horizon)
- Know your customer (KYC) obligations
- Customer identification program (CIP) requirements
- Anti-money laundering (AML) standards
- Bank secrecy reporting requirements
- Account types and special considerations (e.g., IRA, Trust, Discretionary)
- Account disclosures
- Account documentation and record retention

FINRA Rules

2060—Use of Information Obtained in Fiduciary Capacity

2090—Know Your Customer

2111—Suitability

2130—Approval Procedures for Day-Trading Accounts

2140—Interfering with the Transfer of Customer Accounts in the Context of Employment Disputes

2270—Day-Trading Risk Disclosure Statement

3250—Designation of Accounts

3110—Supervision  
3260—Discretionary Accounts  
3310—Anti-Money Laundering Compliance Program  
4510 Series —Books and Records Requirements  
11870—Customer Account Transfer Contracts

#### MSRB Rules

D-12—“Municipal Fund Security”  
G-8(a)(xi)—Books and Records to be Made by Brokers, Dealers, Municipal Securities Dealers, and Municipal Advisors: Description of Books and Records Required to be Made: Customer Account Information  
G-15(a)—Confirmation, Clearance, Settlement and Other Uniform Practice Requirements with Respect to Transactions with Customers: Customer Confirmations  
G-19—Suitability of Recommendations and Transactions  
G-24—Use of Ownership Information Obtained in Fiduciary or Agency Capacity  
G-26—Customer Account Transfers  
G-27(c)(i)(G)(1)—Supervision: Written Supervisory Procedures: General Provisions (Opening of Accounts)  
G-28—Transactions with Employees and Partners of Other Municipal Securities Professionals  
G-32(a)—Disclosure in Connection with Primary Offerings: Customer Disclosure Requirements  
G-41—Anti-Money Laundering Compliance Program  
G-47—Time of Trade Disclosure  
G-48—Transactions with Sophisticated Municipal Market Professionals

#### Securities Exchange Act of 1934

15c1-7—Discretionary Accounts  
15l-1—Regulation Best Interest  
17a-14—Form CRS, for Preparation, Filing and Delivery of Form CRS

#### USA PATRIOT Act

Section 326—Verification of Identification

## **2.2 Review customer account transactions, distributions and account transfers for appropriateness**

### **KNOWLEDGE OF:**

- Best interest obligations and suitability requirements
- Investment objectives and strategies
- Frequency and size of transaction
- Concentration in particular securities/sectors
- Discretionary transactions (*e.g.*, discretionary accounts, time and place discretion)
- Funds and securities received and delivered (*e.g.*, deposits, physical stock, restricted securities, ACATS, journals, DVP/RVP)
- Disbursements (*e.g.*, third party, OFAC, suspicious activity reports)
- Tax implications of transactions
- Cost basis

#### FINRA Rules

2111—Suitability  
2140—Interfering with the Transferring of Customer Accounts in the Context of Employment Disputes

2310—Direct Participation Programs  
2320(b)—Variable Contracts of an Insurance Company: Definitions  
3260(d)—Discretionary Accounts: Exceptions

11870—Customer Account Transfer Contracts  
11550—Assignments and Powers of Substitution; Delivery of Registered Securities  
11860—COD Orders

#### MSRB Rules

D-10—“Discretionary Account”  
G-8—Books and Records to be Made by Brokers, Dealers, Municipal Securities Dealers, and Municipal Advisors  
G-12—Uniform Practice  
G-19—Suitability of Recommendations and Transactions  
G-22(b)—Control Relationships: Discretionary Accounts  
G-26—Customer Account Transfers  
G-30—Prices and Commissions  
G-48—Transactions with Sophisticated Municipal Market Professionals

#### Securities Act of 1933

Rule 144—Persons Deemed Not to Be Engaged in a Distribution and Therefore Not Underwriters  
Rule 144A—Private Resales of Securities to Institutions

#### Securities Exchange Act of 1934

15l-1—Regulation Best Interest  
17a-14—Form CRS, for preparation, filing and delivery of Form CRS

### **2.3 Review margin accounts to confirm proper handling and timely adherence to margin requirements**

#### **KNOWLEDGE OF:**

- Regulation T (*e.g.*, SMA, margin calls, extensions, loans)
- Initial/maintenance minimum margin requirements
- Portfolio margining
- Day trading
- Margin eligible securities
- Extension of credit

#### FINRA Rules

4210—Margin Requirements  
11860—COD Orders  
11740—Marking to the Market

Federal Reserve Board Regulation T- Credit by Brokers and Dealers (“Regulation T”)

#### Securities Exchange Act of 1934

Rule 15c2-1—Hypothecation of customer securities

### **2.4 Oversee administrative maintenance of customers’ accounts**

#### **KNOWLEDGE OF:**

- Reconfirmation of customer information
- Address change requirements (e.g., foreign countries, POAs, P.O. Boxes address requests)
- Name/designation changes
- Privacy of customer information (e.g., Regulation S-P)
- Control and custody of customer funds and securities
- Statement of financial condition
- Confirmations and statements
- Record retention of documentation

#### FINRA Rules

- 2231—Customer Account Statements
- 2232—Customer Confirmations
- 2261—Disclosure of Financial Condition
- 3110—Supervision
- 3150—Holding of Customer Mail
- 4510 Series—Books and Records Requirements
- 11550—Assignments and Powers of Substitutions; Delivery of Registered Securities
- 11574—Certificate in Name of Deceased Person, Trustee, etc.

#### MSRB Rules

- G-8—Books and Records to be Made by Brokers, Dealers, Municipal Securities Dealers, and Municipal Advisors
- G-9—Preservation of Records
- G-15—Confirmation, Clearance, Settlement and Other Uniform Practice Requirements with Respect to Transactions with Customers
- G-32—Disclosures In Connection With Primary Offerings

#### NYSE Rule

- 409—Statements of Accounts to Customers

#### Securities Exchange Act of 1934

- Rule 15c3-3(h)—Customer Protection—Reserves and Custody of Securities
- Rule 17a-3—Records to be Made by Certain Exchange Members, Brokers and Dealers
- Rule 17a-4—Records to be Preserved by Certain Exchange Members, Brokers and Dealers
- Rule 17a-5—Reports to be Made by Certain Brokers and Dealers
- SEC Regulation S-P—Privacy of Consumer Financial Information and Safeguarding Personal Information

## **FUNCTION 3: Supervise Sales Practices and General Trading Activities**

### **3.1 Identify and review customer complaints and take appropriate actions**

#### **KNOWLEDGE OF:**

- Acknowledgement/reporting requirements
- Retention requirements

#### FINRA Rules

- 3110(b)(5) —Supervision: Written Procedures: Review of Customer Complaints
- 4513—Records of Written Customer Complaints
- 4530—Reporting Requirements

#### MSRB Rules

G-8(a)—Books and Records to be Made by Brokers, Municipal Securities Dealers, and Municipal Advisors: Description of Books and Records Required to be Made

G-8(a)(xii)—Books and Records to be Made by Brokers, Municipal Securities Dealers, and Municipal Advisors: Description of Books and Records Required to be Made: Customer Complaints

G-9(a)—Preservation of Records: Records to be Preserved for Six Years

G-10—Delivery of Investor Brochure

G-27(c)(i)(B)—Supervision: Written Supervisory Procedures: General Provisions (Procedures for Handling Customer Complaints)

### 3.2 **Oversee the correction of trade errors**

#### **KNOWLEDGE OF:**

- Cancel and rebills
- Error accounts
- Inappropriate practices (e.g., parking, unauthorized trades, unapproved discretion)

#### FINRA Rules

2010—Standards of Commercial Honor and Principles of Trade

2020—Use of Manipulative, Deceptive or Other Fraudulent Devices

5320—Prohibition Against Trading Ahead of Customer Orders

11890—Clearly Erroneous Transactions

### 3.3 **Review daily trade activity for completeness of records or exceptions (e.g., orders, routing, and execution)**

#### **KNOWLEDGE OF:**

- Prohibited activities
- Patterns and trends (e.g., unusual price movements, marking the close)
- Short sales/Regulation SHO
- Solicited/unsolicited order violations
- Trading in special accounts (e.g., managed)
- Complex product trades
- Trading categories (e.g., IPOs, block, complex product, restricted securities)
- Excessive commissions and markups
- Conflicts of interest
- Trading halts
- Market access

#### FINRA Rules

2010—Standards of Commercial Honor and Principles of Trade

2020—Use of Manipulative, Deceptive or Other Fraudulent Devices

2040 – Payments to Unregistered Persons

2121—Fair Prices and Commissions

2122—Charges for Services Performed

2341—Investment Company Securities

2342—“Breakpoint” Sales

3110—Supervision

3210—Accounts at Other Broker-Dealers and Financial Institutions

- 3260(a)—Discretionary Accounts: Excessive transactions
- 4330—Customer Protection—Permissible Use of Customers' Securities
- 5210—Publication of Transactions and Quotations
- 5220—Offers at Stated Prices
- 5230—Payments Involving Publications that Influence the Market Price of a Security
- 5240—Anti-Intimidation/Coordination
- 5270—Front Running of Block Transactions
- 5280—Trading Ahead of Research Reports
- 5310—Best Execution and Interpositioning
- 5320—Prohibition Against Trading Ahead of Customer Orders
- 6120—Trading Halts
- 6121—Trading Halts Due to Extraordinary Market Volatility
- 6140—Other Trading Practices
- 6190—Compliance with Regulation NMS Plan to Address Extraordinary Market Volatility
- 6240—Prohibition from Locking or Crossing Quotations in NMS Stocks
- 6380A—Transaction Reporting
- 11810—Buy-in Procedures and Requirements

#### Insider Trading and Securities Fraud Enforcement Act of 1988

- Section 3—Civil Penalties of Controlling Persons for Illegal Insider Trading by Controlled Persons

#### Investment Advisers Act of 1940

- Rule 205—Investment Advisory Contracts

#### MSRB Rules

- D-9—"Customer"
- G-13—Quotations Relating to Municipal Securities
- G-14—Reports of Sales or Purchases
- G-17—Conduct of Municipal Securities and Municipal Advisory Activities
- G-19—Suitability of Recommendations and Transactions
- G-25(b)—Improper Use of Assets: Guaranties
- G-25(c)—Improper Use of Assets: Sharing Account
- G-28—Transactions with Employees and Partners of Other Municipal Securities Professionals
- G-30—Prices and Commissions
- G-31—Reciprocal Dealings with Municipal Securities Investment Companies

#### Securities Act of 1933

- Rule 144—Persons Deemed Not to be Engaged in a Distribution and Therefore Not Underwriters
- Rule 144A—Private Resale of Securities to Institutions
- Rule 145—Reclassification of Securities, Mergers, Consolidations and Acquisitions of Assets
- SEC Regulation S—Rules Governing Offers and Sales Made Outside the United States without Registration Under the Securities Act of 1933

#### Securities Exchange Act of 1934

- Section 9—Prohibition Against Manipulation of Security Prices
  - Section 9(a)(1) (Misleading appearance of active trading)
  - Section 9(a)(2) (Inducing purchase or sale by others)
  - Section 9(a)(3) (Dissemination of information as to rise or fall of securities prices)
  - Section 9(a)(4) (Making false or misleading statements)
  - Section 9(a)(5) (Dissemination of information for consideration)

Section 9(a)(6) (Pegging, fixing or stabilizing prices)

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

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

Rule 10b-5—Employment of Manipulative and Deceptive Devices

Rule 10b5-1—Trading “On the Basis Of” Material Nonpublic Information in Insider Trading Cases

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

Rule 10b-10—Confirmation of Transactions

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

Rule 11d1-1— Exemption of Certain Securities From Section 11(d)(1)

Rule 14e-3—Transactions in Securities on the Basis of Material, Nonpublic Information in the Context of Tender Offers

Rule 14e-4—Prohibited Transactions in Connection with Partial Tender Offers

Section 15(g)—Registration and Regulation of Brokers and Dealers (Written policies and procedures relating to misuse of material, non-public information)

Rule 15c1-2—Fraud and Misrepresentation

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

Rule 15c3-5—Risk Management Controls for Brokers or Dealers with Market Access

SEC Regulation NMS—Regulation of the National Market System

Rule 600—NMS Security Designation and Definitions

Rule 602—Dissemination of Quotations in NMS Securities

Rule 604—Display of Customer Limit Orders

Rule 605—Disclosure of Order Execution Information

Rule 606—Disclosure of Order Routing Information

Rule 607—Customer Account Statements

Rule 610—Access to Quotations

Rule 611—Order Protection Rule

Rule 612—Minimum Pricing Increments

SEC Regulation SHO—Regulation of Short Sales

**3.4 Review trading activity in employees’ internal and external accounts**

**KNOWLEDGE OF:**

- Restricted securities list
- Borrowing from and lending to customers
- Sharing in accounts
- Prohibited activities (e.g., front running, piggy-backing, pegging the market, pump and dump, IPO purchases)

FINRA Rules

2150—Improper Use of Customers’ Securities or Funds; Prohibition Against Guarantees and Sharing in Accounts

3210—Accounts at Other Broker-Dealers and Financial Institutions

3240—Borrowing From or Lending To Customers

5130—Restrictions on the Purchase and Sale of Initial Equity Public Offerings

5270—Front Running of Block Transactions

6130—Transactions Related to Initial Public Offerings  
6140—Other Trading Practices

MSRB Rule  
G-25—Improper Use of Assets

### 3.5 Supervise sales practices of products

#### KNOWLEDGE OF:

- Variable annuities
- Fixed income products
- Equities (*e.g.*, low price securities, thinly traded securities)
- Alternative investments
- Banking products (*e.g.*, FDIC insurance, disclosures)
- Managed products
- Hedge funds
- Switching of packaged products (*e.g.*, UITs, ETFs, mutual funds, closed-end funds)
- Structured products
- Municipal securities (*e.g.*, 529 college savings plans, general obligation bonds)
- Direct participation programs

#### FINRA Rules

2111.05(a)—Suitability: Components of Suitability Obligations  
2310—Direct Participation Programs  
2320—Variable Contracts of an Insurance Company  
2341(b)—Investment Company Securities: Definitions  
3110—Supervision  
3120—Supervisory Control System  
5130—Restrictions on the Purchase and Sale of Initial Equity Public Offerings  
5131—New Issue Allocations and Distributions

#### MSRB Rules

G-19—Suitability of Recommendations and Transactions  
G-21—Advertising  
G-32—Disclosure In Connection With Primary Offerings

#### Securities Exchange Act of 1934

Section 3—Definitions and Application of Title  
Section 3(a)(10)—Definition of Security  
Section 3(a)(11)—Definition of Equity Security  
Rule 3a11-1—Definition of the Term “Equity Security”  
Section 3(a)(12)—Definition of Exempted Security  
Rule 3b-5—Non-Exempt Securities Issued Under Governmental Obligations  
Section 15(c)(2) —Registration and Regulation of Brokers and Dealers  
Rule 15c2-8—Delivery of Prospectus

#### Securities Act of 1933

Section 3(b)—Exempted Securities: Additional Exemptions  
Section 4(2) Transactions by an Issuer Not Involving Any Public Offerings



Section 4(6) Transactions Involving Offers or Sale by an Issuer Solely to One or More Accredited Investors Up To the Section 3(b) Maximum

Rule 144—Persons Deemed Not to Be Engaged in a Distribution and Therefore Not Underwriters  
SEC Regulation A—Conditional Small Issues Exemption

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

Rule 501—Definitions and Terms Used in Regulation D

Rule 502—General Conditions To be Met

Rule 503—Filing of Notice of Sales

Rule 504—Exemption for Limited Offerings and Sales of Securities Not Exceeding \$5,000,000

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

#### Investment Company Act of 1940

Section 2—Definitions

Section 3—Definition of Investment Company

Section 4—Classification of Investment Companies

Section 5—Sub-Classification of Management Companies

Section 8—Registration of Investment Companies

Section 11—Offers to Exchange Securities

Section 12—Functions and Activities of Investment Companies

Rule 12b-1—Distribution of Shares by Registered Open-End Management Investment Company

Section 13—Changes in Investment Policy

Section 19—Payments or Distributions

Rule 19a-1—Written Statement to Accompany Dividend Payments by Management Companies

Rule 19b-1—Frequency of Distribution of Capital Gains

Section 22—Distribution, Redemption, and Repurchase of Securities; Regulations by Securities Associations

Section 22(c)—Distribution, Redemption, and Repurchase of Securities (Conflicting rules of Commission and Associations)

Rule 22c-1—Pricing of Redeemable Securities for Distribution, Redemption and Repurchase

Section 22(d)—Distribution, Redemption, and Repurchase of Securities (Persons To and Through Whom Redeemable Securities May be Sold)

Rule 22d-1—Exemption from Section 22(d) to Permit Sales of Redeemable Securities at Prices Which Reflect Sales Loads Set Pursuant to a Schedule

Rule 22d-2—Exemption from Section 22(d) For Certain Registered Separate Accounts

Section 22(e)—Distribution, Redemption, and Repurchase of Securities (Suspension of Right of Redemption or Postponement of Date of Payment)

Rule 22e-1—Exemption from Section 22(e) During Annuity Payment Period of Variable Annuity Contracts Participating in Certain Registered Separate Accounts

Section 23—Closed-End Companies

Section 35—Unlawful Representations and Names

Section 37—Larceny and Embezzlement

#### Trust Indenture Act of 1939

Section 305—Securities Required To Be Registered Under Securities Act

Section 306—Securities Not Registered Under Securities Act

Section 307—Qualification of Indentures Covering Securities Not Required To Be Registered

Section 309—When Qualification Becomes Effective; Effect of Qualification

## **FUNCTION 4: Supervise Communications with the Public**

### **4.1 Oversee telemarketing practices**

#### **KNOWLEDGE OF:**

- Do-not-call list
- Time of day restrictions

FINRA Rule  
3230—Telemarketing

MSRB Rule  
G-39—Telemarketing

### **4.2 Review retail communications and determine appropriate approval**

#### **KNOWLEDGE OF:**

- Definition of retail communication
- Types of retail communication (*e.g.*, social media)
- Content standards (*e.g.*, fair and balanced; identify red flags (guarantees, misleading statements, performance); professional certifications and designations)
- Required approvals and filings (*e.g.*, principal, SRO)
- Product specific requirements for communications with the public
- Appropriate disclosures
- Requirements for public appearances (*e.g.*, seminar activities, appearances on public forums)

FINRA Rules  
2210—Communications with the Public  
2250 Series—Proxy Materials  
2260 Series—Disclosures

MSRB Rules  
G-21(a)—Advertising: General Provisions  
G-21(b)—Advertising: Professional Advertisements  
G-21(c)—Advertising: Product Advertisements  
G-21(e)—Advertising: Municipal Fund Security  
G-27(e)—Supervision: Review of Correspondence

NYSE Rule  
472—Communications with the Public

Securities Act of 1933  
Rule 135a—Generic Advertising

Securities Investor Protection Act and SIPC Rules Thereunder

### **4.3 Review incoming and outgoing correspondence including approval where required**

**KNOWLEDGE OF:**

- Definition of correspondence
- Content standards
- Appropriate disclosures, disclaimers, accuracy
- Electronic communications to customers and prospects

FINRA Rules

2210—Communications with the Public  
2250—Proxy Materials  
2260—Disclosures

MSRB Rules

G-21(a)—Advertising: General Provisions  
G-21(b)—Advertising: Professional Advertisements  
G-21(c)—Advertising: Product Advertisements  
G-21(e)—Advertising: Municipal Fund Security  
G-27(e)—Supervision: Review of Correspondence

NYSE Rule

472—Communications With The Public

Securities Act of 1933

135a—Generic Advertising

**4.4 Review institutional communication and determine appropriate approval**

**KNOWLEDGE OF:**

- Definition of institutional communication
- Types of institutional communication (e.g., electronic)
- Content standards
- Appropriate disclosures

FINRA Rules

2210—Communications with the Public  
2250—Proxy Materials  
2260—Disclosures

MSRB Rules

G-21(a)—Advertising: General Provisions  
G-21(b)—Advertising: Professional Advertisements  
G-21(c)—Advertising: Product Advertisements  
G-21(e)—Advertising: Municipal Fund Security  
G-27(e)—Supervision: Review of Correspondence

NYSE Rule

472—Communications With The Public

Securities Act of 1933

Rule 135a—Generic Advertising

## PART 2: SERIES 9 CONTENT OUTLINE

### FUNCTION 1—Supervise the Opening and Maintenance of Customer Options Accounts

#### 1.1 Review new account documentation to determine if approval is appropriate

##### KNOWLEDGE OF:

- Different classifications of customers (e.g., institutional, retail)
- Account types and special considerations (e.g., IRA, Trust, Discretionary/Fiduciary)
- Anti-money laundering (AML) standards
- Customer identification program (CIP) requirements
- Due Diligence and Know Your Customer (KYC) requirements
- Options disclosure document delivery
- Special statement for uncovered writers and approval requirements
- Minimum net equity requirement for approval of uncovered options accounts
- Customer verification
- Discretionary account acceptance review by the designated registered options principal
- Exception approval by the designated registered options principals
- Record retention of account documentation

##### Cboe Rules

- 8.12 —Anti-Money Laundering Compliance Program
- 9.1—Opening of Accounts
- 9.2(a)—Supervision of Accounts: Duty to Supervise
- 9.4(a)— Discretionary Accounts: Authorization and Approval Required
- 9.4— Discretionary Accounts
- 9.8—Addressing of Communications to Customers
- 9.9—Delivery of Current Options Disclosure Documents
- 10.3—Margin Requirements
- 10.4(b)—Portfolio Margin—Eligible Participants
- 10.7—Guaranteed Accounts
- Chapter 7 —Records, Reports and Audits (Rules 15.1 -15.12)

##### FINRA Rules

- 2090—Know Your Customer
- 2111—Suitability
- 2360(b)(7)—Options: Requirements: Limit on Uncovered Short Positions
- 2360(b)(11)— Options: Requirements: Delivery of Current Disclosure Document
- 2360(b)(16)— Options: Requirements: Opening of Accounts
- 2360(b)(18)— Options: Requirements: Discretionary Accounts
- 2360(b)(20)— Options: Requirements: Supervision of Accounts
- 3310—Anti-Money Laundering Compliance Program
- 4210—Margin Requirements
- 4510 Series—Books and Records Requirements

##### NYSE Rule

- 408—Discretionary Power in Customers' Accounts

Securities Exchange Act of 1934  
Rule 15c1-7—Discretionary Accounts  
SEC Regulation S-P—Privacy of Consumer Financial Information and Safeguarding Personal Information

USA PATRIOT Act  
Section 326—Verification of Identification

**1.2 Review recommended customer options trading activities to determine if strategies meet applicable standards**

**KNOWLEDGE OF:**

- Sales activities of registered persons
- Best interest obligations and suitability requirements
- Investment strategies

Cboe Rules  
9.2 —Supervision of Accounts  
9.3 —Suitability of Recommendations

FINRA Rules  
2111—Suitability  
2360—Options

Securities Exchange Act of 1934  
15l-1—Regulation Best Interest  
17a-14—Form CRS, for Preparation, Filing and Delivery of Form CRS

**1.3 Review margin accounts to confirm proper handling and timely adherence to margin requirements**

**KNOWLEDGE OF:**

- Margin implications associated with various strategies
- Margin eligible securities
- Initial/maintenance minimum margin requirements
- Special margin requirements for pattern day traders

Cboe Rules  
7.8—Risk Analysis of Portfolio Margin Accounts  
10.3—Margin Requirements  
10.4—Portfolio Margin  
10.9—Margin Required Is Minimum

FINRA Rule  
4210—Margin Requirements

Securities Exchange Act of 1934  
Section 7—Margin Requirements  
Section 8—Restrictions on Borrowing by Members, Brokers and Dealers

## **FUNCTION 2—Supervise Sales Practices and General Options Trading Activities**

### **2.1 Identify and review customer complaints and take appropriate actions**

#### **KNOWLEDGE OF:**

- Acknowledgement/reporting requirements
- Record retention and segregation requirements
- Regulatory reporting of customer complaints

#### Cboe Rule

9.17—Customer Complaints

#### FINRA Rules

2360(b)(17)—Options: Requirements: Maintenance of records

3110—Supervision

4513—Records of Written Customer Complaints

4530—Reporting Requirements

### **2.2 Oversee the correction of options trade errors**

#### **KNOWLEDGE OF:**

- Cancel and rebills
- Error accounts

#### Cboe Rules

5.11—Price Binding Despite Erroneous Report

6.5—Nullification and Adjustment of Options Transactions including Obvious Errors

9.13—Assuming Losses

#### FINRA Rule

11890—Clearly Erroneous Transactions

### **2.3 Review daily trade activity for completeness of records or exceptions (e.g., orders, routing, and execution)**

#### **KNOWLEDGE OF:**

- Large option position reporting
- Position and exercise limits
- Order origin codes
- Prohibited activities
- Discretionary trading
- Best execution
- Order marking
- Trades serving no economic purpose

Insider Trading and Securities Fraud Enforcement Act of 1988  
Section 3—Civil Penalties of Controlling Persons for Illegal Insider Trading by Controlled Persons

Cboe Rules

- 5.7—Entry of Orders and Quotes
- 6.1 —Report Transactions to the Exchange
- 6.20 ( e) —Exercise of American-Style Index Options
- 8.1—Just and Equitable Principle of Trade
- 8.6 —Manipulation
- 8.10—Prevention of the Misuse of Material, Non-public Information
- 8.30—Position Limits
- 8.31—Position Limits for Broad-Based Index Options
- 8.32—Position Limits for Industry Index Options
- 8.42—Exercise Limits
- 8.42—Exercise Limits
- 9.11—Transactions of certain customers
- 9.12—Prohibition Against Guarantees and Sharing in Accounts
- 9.13—Assuming Losses
- 9.19—Borrowing From or Lending to Customers

FINRA Rules

- 2020—Use of Manipulative, Deceptive or Other Fraudulent Devices
- 2360(b)(3)— Options: Requirements: Position Limits
- 2360(b)(4)— Options: Requirements: Exercise Limits
- 3110—Supervision
- 3120—Supervisory Control System
- 5310—Best Execution and Interpositioning

Securities Exchange Act of 1934

- Section 9—Prohibition Against Manipulation of Security Prices
- Section 9(a)(1)—Misleading Appearance of Active Trading
- Section 9(a)(2)—Inducing Purchase or Sale by Others
- Section 9(a)(3)—Dissemination of Information as to Rise or Fall of Securities Prices
- Section 9(a)(4)—Making False or Misleading Statements
- Section 9(a)(5)—Dissemination of Information for Consideration
- Section 9(a)(6)—Pegging, Fixing or Stabilizing Prices
- Section 9(e)—Liability for Unlawful Acts or Transactions
- Section 10(b)—Regulation of the Use of Manipulative and Deceptive Devices
- Rule 10b-3—Employment of Manipulative and Deceptive Devices by Brokers or Dealers
- Rule 10b-5—Employment of Manipulative or Deceptive Devices
- Rule 10b5-1—Trading on the Basis of Material Non-Public Information in Insider Trading Cases
- Rule 10b5-2—Duties of Trust or Confidence in Misappropriation Insider Trading Cases
- Rule 10b-18—Purchases of Certain Equity Securities by the Issuer and Others
- Section 15(g)—Registration and Regulation of Brokers and Dealers—Written Policies and Procedures Relating to Misuse of Material, Non-Public Information

**2.4 Monitor the general operational process of options trades**

**KNOWLEDGE OF:**

- Electronic order routing/execution

- Aggregation of accounts for reporting position limits, exercise limits, and large positions
- Exercise notices (e.g., contrary exercise advice)
- Impact of options assignments
- Corporate actions
- Options Clearing Corporation (OCC) assignment procedure and firm/market-maker/customer assignment
- Assignment allocation methods (e.g., first-in-first-out (FIFO), random)
- Customer notification of allocation method
- Delivery and payment/settlement

#### Cboe Rules

- 4.6—Adjustments
- 6.1— Report Transactions to the Exchange
- 6.20—Exercise of Option Contracts
- 6.21—Allocation of Exercise Notices
- 6.22—Delivery and Payment
- 8.30 Position Limits
- 8.42 Exercise Limits
- 8.43—Reports Related to Position Limits
- 8.46—Other Restrictions on Options Transactions and Exercises

#### FINRA Rules

- 2360(b)(3)—Options: Requirements: Position Limits
- 2360(b)(4)—Options: Requirements: Exercise Limits
- 2360(b)(5)—Options: Requirements: Reporting of Options Positions
- 2360(b)(8)—Options: Requirements: Restrictions on Option Transactions and Exercises
- 2360(b)(23)—Options: Requirements: Tendering Procedures for Exercise of Options
- 11860—COD Orders

## **FUNCTION 3—Supervise Options Communications**

### **3.1 Review options retail communications and determine appropriate approval**

#### **KNOWLEDGE OF:**

- Definition of retail communication
- Types of retail communication (e.g., social media)
- Content standards (e.g., fair and balanced; identify red flags (guarantees, misleading statements, performance); professional certifications and designations)
- Requirements for trading programs and option worksheets
- Appropriate disclosures
- Requirements for public appearances (e.g., seminar activities, appearances on public forums)

#### Cboe Rule

- 9.15—Options Communications

#### FINRA Rules



2210—Communications with the Public  
2220—Options Communications  
2241—Research Analysts and Research Reports  
2260—Disclosures

Securities Act of 1933  
Rule 135a—Generic Advertising

### **3.2 Review incoming and outgoing options correspondence including approval where required**

#### **KNOWLEDGE OF:**

- Definition of correspondence
- Content standards
- Appropriate disclosures

Cboe Rule  
9.15—Options Communications

FINRA Rules  
2210—Communications with the Public  
2220—Options Communications  
2241—Research Analysts and Research Reports  
2260—Disclosures

Securities Act of 1933  
Rule 135a—Generic Advertising

### **3.3 Review options institutional communication and determine appropriate approval**

#### **KNOWLEDGE OF:**

- Definition of institutional communication
- Types of institutional communication (*e.g.*, electronic)
- Content standards
- Appropriate disclosures

Cboe Rule  
9.15—Options Communications

FINRA Rules  
2210—Communications with the Public  
2220—Options Communications  
2241—Research Analysts and Research Reports  
2260—Disclosures

Securities Act of 1933  
Rule 135a—Generic Advertising

## **FUNCTION 4—Supervise Associated Persons and Personnel Management Activities**

### **4.1 Maintain marketplace and associated product and regulatory knowledge**

#### **KNOWLEDGE OF:**

- Terms and definitions of sophisticated options products and strategies
- Trading rotation and fast markets
- Trading practices and roles of market participants
- Trading Halts
- Different order types and trading strategies
- Calculations of profit, loss, breakeven points, and economics of positions
- Tax implications of options transactions

#### **Cboe Rules**

- 3.35—DPM Obligations
- 3.5—Market Maker Defined
- 3.50 (a)—Floor Broker Defined
- 3.53 (a) —DPM Defined
- 4.58—Priority of Bids and Offers—Allocation of Trades
- 5.1—Transaction Off the Exchange
- 5.20—Trading Halts
- 5.33 —Complex Orders
- 5.91 —Responsibilities of Floor Brokers
- 8.2—Restriction on Acting as Market Maker and Floor Broker

#### **FINRA Rules**

- 5260—Prohibition on Transactions, Publication of Quotations, or Publication of Indications of Interest During Trading Halts
- 2360(b)(24)— Options: Requirements: Options Transactions and Reports by Market Makers in Listed Securities
- 6120—Trading Halts



## SAMPLE ITEMS

The following sample items are included to provide an introduction to the basic formats of multiple-choice items used on the exam. The sample items do not reflect the difficulty level of actual exam items. Candidates who familiarize themselves with these formats may be able to improve their test-taking skills so that their performance on the exam will better reflect their knowledge of the areas tested.

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

**Example:** Which of the following items is considered retail communication?

- (A) Electronic communication distributed to institutional investors on a daily basis
- (B) Social media communication with institutional investors on a daily basis
- (C) Written communication distributed to 10 retail investors within a 30-day period
- (D) Written communication distributed to more than 25 retail investors within a 30-day period\*

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

**Example:** A qualified person must inspect an office of supervisory jurisdiction (OSJ) at least:

- (A) quarterly.
- (B) annually.\*
- (C) every two years.
- (D) every three years.

**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:** Listed equity options would **not** be adjusted for which of the following actions in the underlying security?

- (A) A 2-for-1 stock split
- (B) A 1-for-5 reverse stock split
- (C) A stock dividend of 5%
- (D) A cash dividend of \$0.50\*

## REFERENCES

Listed below are government and SRO websites that provide information about rules and regulations and other information candidates may find useful in preparing for the exam. In addition to information about rules, the SRO may publish glossaries of terms, explanations of securities products, and compliance procedures. Candidates are encouraged to refer to the SRO websites for information memos or regulatory notices concerning amendments to rules and the announcement of new rules that may relate to the exam. Candidates can purchase copies of federal securities laws and SEC rules and regulations through the network of federal government printing offices. However, some of this information may be available on the SRO and pertinent federal government (*e.g.*, the SEC) websites. It is recommended that candidates refer to the content outline as part of their preparation to take the exam. Candidates are responsible for planning their course of study in preparation for the exam. FINRA produces only the content outline and is not involved with, nor does it endorse, any particular course of study.

**Cboe**  
**[www.cboe.com](http://www.cboe.com)**

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

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

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

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

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