

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 37

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. * SR 2023 - * 004

Amendment No. (req. for Amendments *)

Filing by Financial Industry Regulatory Authority

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
---	--------------------------------------	-------------------------------------	---	---	--

Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>
--------------------------------	---	-------------------------------------

Rule

<input checked="" 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 type="checkbox"/> 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010
Section 806(e)(1) *

Section 806(e)(2) *

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 3C(b)(2) *

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

Description

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

Proposed revisions to the content outline and selection specifications for the Research Analyst (Series 86/87) exam 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 action.

First Name * Carrie Last Name * Jordan

Title * Principal Counsel

E-mail * carrie.jordan@finra.org

Telephone * (212) 858-4210 Fax

Signature

Pursuant to the requirements of the Securities Exchange of 1934, Financial Industry Regulatory Authority has duty caused this filing to be signed on its behalf by the undersigned thereunto duty authorized.

Date 02/28/2023

(Title *)

By Patrice Gliniecki

Senior Vice President and Deputy General Cou

(Name *)

Patrice Gliniecki

Digitally signed by Patrice Gliniecki
Date: 2023.02.28 15:31:15 -05'00'

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

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

Add Remove View

FINRA-2023-004 19b-4.docx

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

Exhibit 1 - Notice of Proposed Rule Change *

Add Remove View

FINRA-2023-004 Exhibit 1.docx

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

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

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

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 Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

Add Remove View

FINRA-2023-004 Exhibit 3a.pdf
FINRA-2023-004 Exhibit 3c.pdf

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 Sent As Paper Document

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 the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”),¹ the Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) revisions to the content outline and selection specifications for the Research Analyst (Series 86/87) exam program, including a reduction of the number of scored questions on the Series 86 exam. The proposed revisions update the material to incorporate the functions and associated tasks currently performed by a Research Analyst and to reflect the laws, rules, and regulations most relevant to these functions and associated tasks. FINRA is also proposing to make changes to the format of the content outline to reflect these revisions. FINRA is not proposing any textual changes to the By-Laws, Schedules to the By-Laws, or Rules of FINRA.

The revised content outline appears in Exhibit 3a. The Series 86/87 exam selection specifications have been submitted to the Commission under separate cover with a request for confidential treatment pursuant to Exchange Act Rule 24b-2.²

(b) Not applicable.

(c) Not applicable.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.24b-2; FINRA also is proposing corresponding revisions to the Series 86/87 question bank. Based on instruction from the Commission, FINRA is submitting this filing for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(1) thereunder, and FINRA is not filing the question bank for 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 Inc., dated July 24, 2000. The question bank is available for the Commission’s review.

2. Procedures of the Self-Regulatory Organization

The FINRA Board of Governors authorized the filing of the proposed rule change with the Commission. 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. FINRA will announce the implementation date of the proposed rule change in a Regulatory Notice to be published following Commission notice of the filing of the proposed rule change for immediate effectiveness.

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

(a) Purpose

Section 15A(g)(3) of the Exchange Act³ authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. In accordance with this provision, FINRA has developed exams that are designed to establish that persons associated with FINRA members have attained specified levels of competence and knowledge, consistent with applicable registration requirements under FINRA rules. FINRA periodically reviews the content of the exams to determine whether revisions are necessary or appropriate in view of changes pertaining to the subject matter covered by the exams.

FINRA Rule 1220(b)(6) (“Research Analyst”) requires an associated person whose primary job function is to provide investment research and who is primarily

³ 15 U.S.C. 78q-3(g)(3).

responsible for the preparation of the substance of an equity research report,⁴ or whose name appears on an equity research report, to be registered and qualified as a Research Analyst.⁵ An associated person registering as Research Analyst after October 1, 2018, shall, prior to or concurrent with such registration, pass the general knowledge co-requisite Securities Industry Essentials (SIE) Exam and the Series 86/87 exam, or obtain a waiver.⁶ Rather than pass both the Series 86 and Series 87 exams, an associated person may obtain a waiver from the analytical portion (Series 86 exam) upon written request (pursuant to the FINRA Rule 9600 Series) and verification that the applicant has passed:

- (i) Levels I and II of the CFA Examination; or
- (ii) if the applicant functions as a research analyst who prepares only technical research reports as defined in paragraph (b)(6) of Rule 1220, Levels I and II of the Chartered Market Technician (“CMT”) Examination; and
- (iii) has either functioned as a research analyst continuously since having passed the Level II CFA or CMT Examination or applied for registration as a Research Analyst within two years of having passed the Level II CFA or CMT Examination.⁷

FINRA has created Qualification Exam Content Committees to advise FINRA’s Testing and Continuing Education Department regarding the content of all qualification exams. Committee members are drawn from the industry and self-regulatory

⁴ See Rule 2241(a)(11).

⁵ See Rule 1220(b)(6).

⁶ See Rule 1220(b)(6)(B) (“Qualifications”).

⁷ See Rule 1220(b)(6)(B) (“Qualifications”).

organization staff.⁸ In consultation with the appropriate committee of industry representatives, FINRA recently reviewed the Series 86/87 exam program. As a result of this review, FINRA is proposing to revise the content outline to incorporate the functions and associated tasks currently performed by a Research Analyst and to reflect the laws, rules, and regulations most relevant to these functions and associated tasks. FINRA is also proposing to make changes to the format of the content outline to reflect these revisions.

Current Outline

The current content outline is divided into two parts, with each part divided further into major functions performed by a Research Analyst. The following reflects the two parts, total number of questions associated with each part, and major job functions, including the allocation of questions among the major job functions:

Part I. Series 86 (100 questions):

Function 1: Information and Data Collection (10 questions); and

Function 2: Analysis, Modeling and Valuation (90 questions).

Part II. Series 87 (50 questions):

Function 3: Preparation of Research Reports (32 questions); and

Function 4: Dissemination of Information (18 questions).

The current outline describes each function, including specific tasks and activities associated with performing that function. The current outline also includes a preface addressing the purpose, structure, administration and scoring of the exams.

⁸ More information about the Qualification Exam Content Committees can be found on FINRA's website at <https://www.finra.org/about/governance/ad-hoc-committees>.

Proposed Revisions

FINRA is proposing to divide the Series 86 exam into three major job functions and to reduce the length of the Series 86 exam from 100 questions to 85 questions. The Series 87 exam will remain divided into two functions with 50 questions total, though the number of questions will be reallocated between the two functions of the Series 87 exam. The following reflects the proposed revisions:

Part I. Series 86 (85 questions):

Function 1: Information and Data Collection (18 questions);

Function 2: Data Verification and Analysis (28 questions); and

Function 3: Valuation and Forecasting (39 questions).

Part II. Series 87 (50 questions):

Function 4: Preparation of Research Reports (36 questions); and

Function 5: Dissemination and Marketing of Information (14 questions).

Each function includes specific tasks describing activities associated with performing that function. There are two tasks (1.1 – 1.2) associated with Function 1; one task (2.1) associated with Function 2; three tasks (3.1 – 3.3) associated with Function 3; two tasks (4.1 – 4.2) associated with Function 4; and two tasks (5.1 – 5.2) associated with Function 5.⁹ For example, one such task (3.3) is “forecast the future valuation of the company and determine any recommendation by identifying key catalysts that may alter the price of a stock and identifying patterns or events (macro, political, or company-specific) that move stock prices and create investment opportunities.”¹⁰ Further, the

⁹ See Exhibit 3a, Outline Pages 3-9.

content outline lists the knowledge required to perform each function and associated tasks (e.g., characteristics of markets, factors that could impact the perceived risk of an investment, technical analysis, large shareholder exposure, activist investors, valuation considerations).¹¹ Additionally, where applicable, the content outline lists the laws, rules and regulations a candidate is expected to know to perform each function and associated tasks. These include the applicable FINRA rules (e.g., FINRA Rule 2241) and SEC rules and regulations (e.g., Regulation AC under the Exchange Act).¹² FINRA conducted a job analysis study of Research Analysts,¹³ which included the use of a survey, to develop each function and associated tasks and update the required knowledge set forth in the revised content outline. These functions and associated tasks reflect the day-to-day activities of a Research Analyst.

In reviewing the results of the survey and the changes to the tasks and knowledge required to function as a Research Analyst, FINRA believes an 85-question Series 86 exam can sufficiently sample the requisite knowledge domain. FINRA looked at the impact of shorter test forms on key psychometric properties of the test, including *decision agreement* (the probability that the 85-item version of the test and the 100-item version

¹⁰ See Exhibit 3a, Outline Page 6.

¹¹ See Exhibit 3a, Outline Pages 3-9.

¹² See Exhibit 3a, Outline Page 7.

¹³ FINRA periodically conducts job analysis studies to help ensure exams test current job functions and required knowledge of registered representatives to perform associated tasks. This is an internal process that may include conducting focus panels, consulting with the appropriate committees, or surveying registered representatives to determine current job functions and associated tasks of registered representatives so that FINRA may update exams accordingly.

yield the same pass-fail result for a given examinee). The results show that the move to 85-item test forms will have minimal impact on the effectiveness of the Series 86 exam in assessing the level of proficiency required of an entry-level Research Analyst. Therefore, the 85-question Series 86 exam can reliably assess the level of proficiency required of an entry-level Research Analyst. The time given to complete the Series 86 exam will remain at four hours and 30 minutes to continue to ensure candidate performance is not affected by time constraints.¹⁴

As noted above, FINRA is also proposing to revise the content outline to reflect the laws, rules, and regulations most relevant to the functions and associated tasks of a Research Analyst, including incorporating FINRA Rule 5280 (“Trading Ahead of Research Reports”) in the content outline.¹⁵

Finally, FINRA is proposing corresponding changes to the Series 86/87 selection specifications and question bank.

Availability of Content Outline

The current Series 86/87 exam content outline is available on FINRA’s website, at www.finra.org/brokerqualifications/exams. The revised Series 86/87 exam content outline will replace the current content outline on FINRA’s website.

¹⁴ The time given to complete the Series 87 exam will also remain the same, at one hour and 45 minutes.

¹⁵ The proposed revisions to the content outline will also reflect the removal of FINRA Rule 2220 (“Options Communications”) from the content outline because, based on discussions with the appropriate committee of industry representatives, this rule is not relevant to the functions and associated tasks currently performed by Research Analysts.

As noted in Item 2 of this filing, FINRA is filing the proposed rule change for immediate effectiveness. FINRA will announce the implementation date of the proposed rule change in a Regulatory Notice to be published following Commission notice of the filing of the proposed rule change for immediate effectiveness.

(b) Statutory Basis

FINRA believes that the proposed revisions to the Series 86/87 exam program are consistent with the provisions of Section 15A(b)(6) of the Exchange Act,¹⁶ which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and Section 15A(g)(3) of the Exchange Act,¹⁷ which authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. FINRA believes that the proposed revisions will further these purposes by updating the exam program to incorporate the functions and associated tasks currently performed by a Research Analyst and to reflect the most relevant laws, rules and regulations covered by the exams.

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

FINRA does not believe that the proposed revisions will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act. The updated exam program aligns with the functions and associated tasks currently performed by Research Analysts and tests knowledge of the most relevant laws,

¹⁶ 15 U.S.C. 78o-3(b)(6).

¹⁷ 15 U.S.C. 78o-3(g)(3).

rules, regulations and skills relevant to those functions and tasks. As such, the proposed revisions would make the exams more efficient and effective.

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.

6. Extension of Time Period for Commission Action

Not applicable.

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

The proposed revisions are effective upon filing pursuant to Section 19(b)(3) of the Exchange Act¹⁸ and paragraph (f)(1) of Rule 19b-4 thereunder,¹⁹ in that the proposed revisions constitute a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of FINRA.

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

Not applicable.

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

Not applicable.

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

Not applicable.

¹⁸ 15 U.S.C. 78s(b)(3).

¹⁹ 17 CFR 240.19b-4(f)(1).

11. Exhibits

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

Exhibit 3a. Revised Content Outline for the Series 86/87 Exam.

Exhibit 3b. Revised Selection Specifications for the Series 86/87 Exam.

FINRA has requested confidential treatment for the Series 86/87 revised selection specifications, and thus the specifications are omitted from this filing. The Series 86/87 revised selection specifications have been filed separately with the Commission pursuant to SEA Rule 24b-2.²⁰

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, Inc., dated July 24, 2000.

²⁰ 17 CFR 240.24b-2.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2023-004)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Revise the Research Analyst (Series 86/87) Examination

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on , the Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as “constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule” under Section 19(b)(3)(A)(i) of the Act³ and Rule 19b-4(f)(1) thereunder,⁴ 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.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(i).

⁴ 17 CFR 240.19b-4(f)(1).

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

FINRA is proposing revisions to the content outline and selection specifications for the Research Analyst (Series 86/87) exam program, including a reduction of the number of scored questions on the Series 86 exam. The proposed revisions update the material to incorporate the functions and associated tasks currently performed by a Research Analyst and to reflect the laws, rules, and regulations most relevant to these functions and associated tasks. FINRA is also proposing to make changes to the format of the content outline to reflect these revisions. FINRA is not proposing any textual changes to the By-Laws, Schedules to the By-Laws, or Rules of FINRA.

The revised content outline appears in Exhibit 3a. The Series 86/87 exam selection specifications have been submitted to the Commission under separate cover with a request for confidential treatment pursuant to Exchange Act Rule 24b-2.⁵

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

⁵ 17 CFR 240.24b-2; FINRA also is proposing corresponding revisions to the Series 86/87 question bank. Based on instruction from the Commission, FINRA is submitting this filing for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(1) thereunder, and FINRA is not filing the question bank for 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 Inc., dated July 24, 2000. The question bank is available for the Commission's review.

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

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

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

1. Purpose

Section 15A(g)(3) of the Exchange Act⁶ authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. In accordance with this provision, FINRA has developed exams that are designed to establish that persons associated with FINRA members have attained specified levels of competence and knowledge, consistent with applicable registration requirements under FINRA rules. FINRA periodically reviews the content of the exams to determine whether revisions are necessary or appropriate in view of changes pertaining to the subject matter covered by the exams.

FINRA Rule 1220(b)(6) ("Research Analyst") requires an associated person whose primary job function is to provide investment research and who is primarily responsible for the preparation of the substance of an equity research report,⁷ or whose name appears on an equity research report, to be registered and qualified as a Research

⁶ 15 U.S.C. 78o-3(g)(3).

⁷ See Rule 2241(a)(11).

Analyst.⁸ An associated person registering as Research Analyst after October 1, 2018, shall, prior to or concurrent with such registration, pass the general knowledge co-requisite Securities Industry Essentials (SIE) Exam and the Series 86/87 exam, or obtain a waiver.⁹ Rather than pass both the Series 86 and Series 87 exams, an associated person may obtain a waiver from the analytical portion (Series 86 exam) upon written request (pursuant to the FINRA Rule 9600 Series) and verification that the applicant has passed:

- (i) Levels I and II of the CFA Examination; or
- (ii) if the applicant functions as a research analyst who prepares only technical research reports as defined in paragraph (b)(6) of Rule 1220, Levels I and II of the Chartered Market Technician (“CMT”) Examination; and
- (iii) has either functioned as a research analyst continuously since having passed the Level II CFA or CMT Examination or applied for registration as a Research Analyst within two years of having passed the Level II CFA or CMT Examination.¹⁰

FINRA has created Qualification Exam Content Committees to advise FINRA’s Testing and Continuing Education Department regarding the content of all qualification exams. Committee members are drawn from the industry and self-regulatory organization staff.¹¹ In consultation with the appropriate committee of industry

⁸ See Rule 1220(b)(6).

⁹ See Rule 1220(b)(6)(B) (“Qualifications”).

¹⁰ See Rule 1220(b)(6)(B) (“Qualifications”).

¹¹ More information about the Qualification Exam Content Committees can be found on FINRA’s website at <https://www.finra.org/about/governance/ad-hoc-committees>.

representatives, FINRA recently reviewed the Series 86/87 exam program. As a result of this review, FINRA is proposing to revise the content outline to incorporate the functions and associated tasks currently performed by a Research Analyst and to reflect the laws, rules, and regulations most relevant to these functions and associated tasks. FINRA is also proposing to make changes to the format of the content outline to reflect these revisions.

Current Outline

The current content outline is divided into two parts, with each part divided further into major functions performed by a Research Analyst. The following reflects the two parts, total number of questions associated with each part, and major job functions, including the allocation of questions among the major job functions:

Part I. Series 86 (100 questions):

Function 1: Information and Data Collection (10 questions); and

Function 2: Analysis, Modeling and Valuation (90 questions).

Part II. Series 87 (50 questions):

Function 3: Preparation of Research Reports (32 questions); and

Function 4: Dissemination of Information (18 questions).

The current outline describes each function, including specific tasks and activities associated with performing that function. The current outline also includes a preface addressing the purpose, structure, administration and scoring of the exams.

Proposed Revisions

FINRA is proposing to divide the Series 86 exam into three major job functions and to reduce the length of the Series 86 exam from 100 questions to 85 questions. The

Series 87 exam will remain divided into two functions with 50 questions total, though the number of questions will be reallocated between the two functions of the Series 87 exam.

The following reflects the proposed revisions:

Part I. Series 86 (85 questions):

Function 1: Information and Data Collection (18 questions);

Function 2: Data Verification and Analysis (28 questions); and

Function 3: Valuation and Forecasting (39 questions).

Part II. Series 87 (50 questions):

Function 4: Preparation of Research Reports (36 questions); and

Function 5: Dissemination and Marketing of Information (14 questions).

Each function includes specific tasks describing activities associated with performing that function. There are two tasks (1.1 – 1.2) associated with Function 1; one task (2.1) associated with Function 2; three tasks (3.1 – 3.3) associated with Function 3; two tasks (4.1 – 4.2) associated with Function 4; and two tasks (5.1 – 5.2) associated with Function 5.¹² For example, one such task (3.3) is “forecast the future valuation of the company and determine any recommendation by identifying key catalysts that may alter the price of a stock and identifying patterns or events (macro, political, or company-specific) that move stock prices and create investment opportunities.”¹³ Further, the content outline lists the knowledge required to perform each function and associated tasks (e.g., characteristics of markets, factors that could impact the perceived risk of an investment, technical analysis, large shareholder exposure, activist investors, valuation

¹² See Exhibit 3a, Outline Pages 3-9.

¹³ See Exhibit 3a, Outline Page 6.

considerations).¹⁴ Additionally, where applicable, the content outline lists the laws, rules and regulations a candidate is expected to know to perform each function and associated tasks. These include the applicable FINRA rules (e.g., FINRA Rule 2241) and SEC rules and regulations (e.g., Regulation AC under the Exchange Act).¹⁵ FINRA conducted a job analysis study of Research Analysts,¹⁶ which included the use of a survey, to develop each function and associated tasks and update the required knowledge set forth in the revised content outline. These functions and associated tasks reflect the day-to-day activities of a Research Analyst.

In reviewing the results of the survey and the changes to the tasks and knowledge required to function as a Research Analyst, FINRA believes an 85-question Series 86 exam can sufficiently sample the requisite knowledge domain. FINRA looked at the impact of shorter test forms on key psychometric properties of the test, including decision agreement (the probability that the 85-item version of the test and the 100-item version yield the same pass-fail result for a given examinee). The results show that the move to 85-item test forms will have minimal impact on the effectiveness of the Series 86 exam in assessing the level of proficiency required of an entry-level Research Analyst. Therefore, the 85-question Series 86 exam can reliably assess the level of proficiency required of an

¹⁴ See Exhibit 3a, Outline Pages 3-9.

¹⁵ See Exhibit 3a, Outline Page 7.

¹⁶ FINRA periodically conducts job analysis studies to help ensure exams test current job functions and required knowledge of registered representatives to perform associated tasks. This is an internal process that may include conducting focus panels, consulting with the appropriate committees, or surveying registered representatives to determine current job functions and associated tasks of registered representatives so that FINRA may update exams accordingly.

entry-level Research Analyst. The time given to complete the Series 86 exam will remain at four hours and 30 minutes to continue to ensure candidate performance is not affected by time constraints.¹⁷

As noted above, FINRA is also proposing to revise the content outline to reflect the laws, rules, and regulations most relevant to the functions and associated tasks of a Research Analyst, including incorporating FINRA Rule 5280 (“Trading Ahead of Research Reports”) in the content outline.¹⁸

Finally, FINRA is proposing corresponding changes to the Series 86/87 selection specifications and question bank.

Availability of Content Outline

The current Series 86/87 exam content outline is available on FINRA’s website, at www.finra.org/brokerqualifications/exams. The revised Series 86/87 exam content outline will replace the current content outline on FINRA’s website.

FINRA is filing the proposed rule change for immediate effectiveness. FINRA will announce the implementation date of the proposed rule change in a Regulatory Notice to be published following Commission notice of the filing of the proposed rule change for immediate effectiveness.

¹⁷ The time given to complete the Series 87 exam will also remain the same, at one hour and 45 minutes.

¹⁸ The proposed revisions to the content outline will also reflect the removal of FINRA Rule 2220 (“Options Communications”) from the content outline because, based on discussions with the appropriate committee of industry representatives, this rule is not relevant to the functions and associated tasks currently performed by Research Analysts.

2. Statutory Basis

FINRA believes that the proposed revisions to the Series 86/87 exam program are consistent with the provisions of Section 15A(b)(6) of the Exchange Act,¹⁹ which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and Section 15A(g)(3) of the Exchange Act,²⁰ which authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. FINRA believes that the proposed revisions will further these purposes by updating the exam program to incorporate the functions and associated tasks currently performed by a Research Analyst and to reflect the most relevant laws, rules and regulations covered by the exams.

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

FINRA does not believe that the proposed revisions will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act. The updated exam program aligns with the functions and associated tasks currently performed by Research Analysts and tests knowledge of the most relevant laws, rules, regulations and skills relevant to those functions and tasks. As such, the proposed revisions would make the exams more efficient and effective.

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.

¹⁹ 15 U.S.C. 78o-3(b)(6).

²⁰ 15 U.S.C. 78o-3(g)(3).

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act²¹ and paragraph (f)(1) of Rule 19b-4 thereunder.²² 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

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

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FINRA-2023-004 on the subject line.

²¹ 15 U.S.C. 78s(b)(3)(A).

²² 17 CFR 240.19b-4(f)(1).

Paper Comments:

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

All submissions should refer to File Number SR-FINRA-2023-004. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2023-004 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.²³

Jill M. Peterson
Assistant Secretary

²³ 17 CFR 200.30-3(a)(12).



Exhibit 3a
SR-FINRA-2023-004

Research Analyst Qualification Examinations (Series 86 and 87)

CONTENT OUTLINE

Series 86/87**PURPOSE OF THE EXAMS**

The Series 86 and 87 exams are designed to assess the competency of entry-level Research Analysts. The Series 86 and 87 exams seek to measure the degree to which each candidate possesses the knowledge, skills and abilities needed to perform the critical functions of a Research Analyst. In order to obtain registration as a Research Analyst, candidates must pass both the Series 86 and 87 exams and a general knowledge co-requisite, the Securities Industry Essentials (SIE) exam. For more information about the activities requiring registration as a Research Analyst, see FINRA Rule 1220(b)(6).

STRUCTURE OF THE EXAMS

The exams comprise two parts: Part I (Series 86) and Part II (Series 87). Part I contains 85 multiple-choice items and Part II consists of 50 multiple-choice items. Each item consists of four answer choices. The allocation of exam items for each major function is as follows:

Part 1 (Series 86)			
Function	Description	Percentage of Exam Items	Number of Items
1	Information and Data Collection	21%	18
2	Data Verification and Analysis	33%	28
3	Valuation and Forecasting	46%	39
TOTAL		100%	85

Part 2 (Series 87)			
Function	Description	Percentage of Exam Items	Number of Items
4	Preparation of Research Reports	72%	36
5	Dissemination and Marketing of Information	28%	14
TOTAL		100%	50

ADMINISTRATION OF THE EXAMS

The exams are administered via computer. A tutorial on how to take the exams is provided prior to taking the exams. Each candidate's exam includes additional, unidentified pretest items that do not contribute toward the candidate's score. The pretest items are randomly distributed throughout the exam. The Series 86 exam includes 10 additional pretest items, and the Series 87 exam includes 5 additional pretest items. Therefore, each candidate's Series 86 exam consists of a total of 95 items (85 scored and 10 unscored), and each candidate's Series 87 exam consists of a total of 55 items (50 scored and 5 unscored). There is no penalty for guessing. Therefore, candidates should attempt to answer all items. Candidates will be allowed 4 hours and 30 minutes to complete the Series 86 exam, and 1 hour and 45 minutes to complete the Series 87 exam.

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

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

Please visit www.finra.org for additional details.

Function 1: Information and Data Collection — Collects Information and Data from Various Sources to Evaluate the Economy and the Industry

1.1. Gather macroeconomic data

Knowledge of:

- Current macroeconomic status
 - Economic indicators
 - Market forces
 - Fiscal Policy
 - Monetary policy
 - Government statistics (e.g., consumer confidence, disposable income, unemployment rates, inflation and interest rates, gross domestic product (GDP))
- Short- and long-term trends in:
 - Economy
 - Demographic information
 - Domestic and international issues
- Key economic drivers that impact the covered industry that may be supplemented or confirmed by conducting correlation studies of industry factors (e.g., using statistical techniques such as regression analysis)

1.2. Gather information about the industry sector

Knowledge of:

- Current industry status
 - Market size
 - Capital intensity
 - Growth rate
 - Products offered
 - Product pricing flexibility
 - Supplier dynamics
 - Supply curve
 - Customer demand
 - Regulatory issues
- Short-term and long-term trends within the industry sector
 - Secular
 - Industry
 - Cyclical
- Product demand and profitability assessment
 - Demand influences
 - Competitive climate
 - Product pricing flexibility
 - Factors affecting costs and profits
- Relationships of companies in the industry sector and peripheral sectors
 - Potential entry and exit of competing companies and/or products
 - Inter-relationships of companies within the industry sector through comparative analyses of like companies
 - Assessing risks of disruptive companies
 - Inter-relationships of peripheral sectors and companies that may affect the industry sector
 - Intra-industry competition to determine how companies are positioned competitively in their industry

Series 86/87

- Inter-industry competition to determine how companies are positioned competitively out of their industry
- The potential impact of the economy and regulatory environment on the industry sector

Function 2: Data Verification and Analysis of Individual Companies and the Industry Sector's Key Drivers

2.1 Analyze the data obtained about companies, the industry sector, competition, and supply and demand in the industry sector

Knowledge of:

- Fundamental Analysis
 - Company status based on the company's current and historical financial statements (e.g., Form 10-Ks, Form 10-Qs, income statements, balance sheets, statements of sources and uses of cash) and short- and long-term trends
 - Financial status
 - Legal and organizational structure
 - Supply chain
 - Costs
 - Revenue
 - The inter-relationships of financial statements, including relevant ratios or metrics
 - Business plan and implementation
 - Factors that influence a company's profits or growth prospects
 - Quality of management
 - Contract structures
 - Capital expenditures
 - Current capacity and capacity for growth
 - Strength of business model
 - New ideas, products or strategies
 - Product assessment
 - Customer concentration
 - Subscriber acquisition costs
 - Receivable turnover
 - Inventory turnover
 - Payables turnover
 - Depreciation methodology (LIFO vs FIFO)
 - Leases
 - Pension liability accounting
 - Tax rate calculation
 - Deferred tax accounting
 - Capital structure, debt structure and maturities
 - Working capital
 - The impact of corporate actions on individual companies
 - Mergers and acquisitions
 - Restructuring
 - Divestitures
 - Consolidations
 - A company's accounting practices for understanding the methodology variances and/or conservatism versus industry peers based on generally accepted accounting principles (GAAPs) and Financial Accounting Standards Board (FASB) principles

Series 86/87

- Adjusted financial information
- Accounting rule changes
- Differences between GAAP adjusted financials and underlying economics
- Key financial ratios and implications of adjusted financial figures
 - Margins
 - Pre-tax margin
 - Gross profit margin
 - Net profit margin
 - Return on equity (ROE)
 - Return on assets (ROA)
 - Return on invested capital (ROIC)
- Corporate governance, as detailed in proxy statements or other documents

Function 3: Valuation and Forecasting: Create a model to assess the current value of the company and forecast future valuation based on expectations derived from gathered data and analysis

3.1 Make financial projections about a company using qualitative and quantitative data

Knowledge of:

- Projections of future earnings and financial condition
 - Forecasts of key financial statements
 - Income statement
 - Sales
 - Gross profit
 - Operating profit
 - Cash flow statement
 - Sources of cash
 - Uses of cash
 - Balance sheet
 - Working capital
 - Asset productivity
 - Return on assets
 - Return on equity
 - Evaluation of assumptions and support of the theory based on the data that were analyzed
 - Ongoing monitoring and adjustments of financial models and projections

3.2 Determine the company's valuation and any recommendation

Knowledge of:

- Common metrics used to determine a company's valuation
 - Price to earnings (P/E)
 - Price-to-book (P/B) value (stated and tangible)
 - Price to free cash flow
 - P/E normalized earnings (for cyclical industries: mid-cycle or trend-line)

Series 86/87

- P/E to growth (PEG) ratio
- Debt to EBITDA
- Debt to capital ratio
- Debt to equity ratio (total and long-term)
- Dividend discount model
- Discounted cash flow
- Enterprise value (EV) to earnings before interest, taxes, depreciation and amortization (EBITDA)
- EV to sales
- Leverage ratio
- Interest coverage ratio
- Cost of capital
- Dividend yield
- Earnings yield
- Free cash flow yield
- Economic profit
- Private equity value/sum of the parts analysis

3.3 Forecast the future valuation of the company and determine any recommendation by identifying key catalysts that may alter the price of a stock and identifying patterns or events (macro, political, or company-specific) that move stock prices and create investment opportunities

Knowledge of:

- Characteristics of markets
- Factors that could impact the perceived risk of an investment
- Technical analysis
- Large shareholder exposure
- Activist investors
- Valuation considerations
 - Valuation relative to historical averages
 - Valuation relative to peer group
 - Patterns or events
 - Macro
 - Political
 - Company-specific

Series 86/87

Function 4: Preparation of Research Reports — Prepare a Variety of Reports Summarizing the Research Conducted on Industry Sectors or Subject Companies. Develop Comprehensive Statements or Opinions Based on the Interpretation of the Data Collected and Analyzed. Create Drafts of Research Reports or Notes

4.1. Adhere to regulatory requirements in preparing research reports

Knowledge of:

- Disclosure requirements
 - Ratings systems
 - Distribution of ratings issued by the firm
 - Price chart with historical information
 - Investment banking-related conflicts of interest
 - Financial interest of the research analyst or a household member in the equity securities of the subject company.
 - Firm ownership of securities and if the firm makes a market in the subject company's securities
 - Other material conflicts of interest (by the analyst or the firm) to be included in reports and in public appearances
- Appropriate approvals needed prior to disseminating reports or information
- SEC Regulation AC certification requirements
- Managing conflicts of interest and other compliance requirements
 - Restrictions on the issuance of research reports and participation in public appearances
 - Communications restrictions and disclosure requirements
 - Compensation restrictions and disclosures
 - Trading restrictions associated with publishing research
 - Record keeping and document retention procedures
 - Other applicable SRO rules or regulations

FINRA Rules

- 1220(a)(14) – Supervisory Analyst
- 2210 – Communications with the Public
- 2241 – Research Analysts and Research Reports
- 2262 – Disclosure of Control Relationship with Issuer
- 2269 – Disclosure of Participation or Interest in Primary or Secondary Distribution
- 3110 – Supervision
- 3120 – Supervisory Control System
- 5121 – Public Offerings of Securities with Conflicts of Interest
- 5141 – Sale of Securities in a Fixed Price Offering
- 5230 – Payments Involving Publications that Influence the Market Price of a Security

SEC Rules and Regulations

- 15c1-5 – Disclosure of Control
- 15c1-6 – Disclosure of Interest in Distributions
- Regulation A – Conditional Small Issues Exemption
- Regulation AC – Analyst Certification
- Regulation FD – Selective Disclosure and Insider Trading (Fair Disclosure)
- Regulation G – Non-GAAP Disclosures
- Regulation S – Rules Governing Offers and Sales Made Outside the U.S. Without Registration Under the Act of 1933

4.2. Prepare various research reports supported by evidence and analysis

Knowledge of:

- Reports announcing initiation of coverage; ratings, price target or projected earnings changes; and termination of coverage
- Earnings analysis, earnings preview, and earnings review reports
- Fundamental reports
- Topical reports on relevant issues or theme pieces
- Short notes and summaries of pertinent news
- Industry reports
- Components of reports
 - Business model analysis
 - Company overview
 - Competitive position
 - Financial position
 - Quality of management
 - Industry overview
 - Industry and company outlook (projection)
 - Dividend outlook
 - Investment thesis
 - Sensitivity of company costs and revenues
 - Quality/quantity of earnings
 - Review of recently released financial data
 - Review of recent news
 - Ratings or recommendations
 - Valuation of company stock
 - Risk of investment

FUNCTION 5: Dissemination and Marketing of Information

5.1. Present and discuss research with the various individuals and/or groups

Knowledge of:

- Retail and institutional clients (*i.e.*, buy-side analysts, portfolio managers, hedge fund managers, mutual fund managers, pension fund managers, money managers)
- Institutional sales force
- Retail sales force
- Trading departments
- Management of companies
- Press and media
- Other research teams

FINRA Rule

5280—Trading Ahead of Research Reports
1220(b)(6) – Research Analyst

Series 86/87

5.2. Disseminate information via various means

Knowledge of:

- Dissemination of research including telephone, blast voice mail, instant messaging, text messaging, email, firm's website, internal "squawk box," external news information sources, social media, video pitches and podcasts

FINRA Rule

435(5)T – Miscellaneous Prohibitions-Circulation of Rumors

SEC Rules and Regulations

Securities Act of 1933

Section 5(b)(1) & (2) – Prospectus Requirements – Delivery of Prospectus for New Issues

Section 11 – Civil Liabilities on Account of False Registration Statement

Section 12 – Civil Liabilities Arising in Connection with Prospectuses and Communication

Section 15 – Liabilities of Controlling Persons

Section 17 – Fraudulent Interstate Transactions

Securities Exchange Act of 1934

Section 9(a)(5) – Dissemination of Information for Consideration — Market Manipulation

Section 15D – Securities Analysts and Research Reports

10b-1 – Prohibition of Use of Manipulative or Deceptive Devices or

Contrivances with Respect to Certain Securities Exempted from Registration

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

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

Regulation A-R – Special Exemptions

134 – Communications Not Deemed a Prospectus

134a – Options Material Not Deemed a Prospectus

135 – Notice of Proposed Registered Offerings

137 – Publications or Distributions of Research Reports by Brokers or Dealers that are not Participating in an Issuer's Registered Distribution of Securities (*i.e.*, definition of "offers," "participates" or "participation" in Section 2(11) of the Securities Act of 1933 in relation to certain publications by persons independent of participants in a distribution)

138 – Publications or Distributions of Research Reports by Brokers or Dealers About Securities Other than Those They Are Distributing (*i.e.*, definition of "offer for sale" and "offer to sell" in Sections 2(a)(10) and 5(c) of the Securities Act of 1933 in relation to certain publications)

139 – Publications or Distributions of Research Reports by Brokers or Dealers Distributing Securities (*i.e.*, definition of "offer for sale" and "offer to sell" in Sections 2(a)(10) and 5(c) of the Securities Act of 1933 in relation to certain publications)

144 – Persons Deemed Not To Be Engaged in a Distribution and Therefore Not Underwriters

144A – Private Resales of Securities to Institutions

174 – Delivery of Prospectus by Dealers; Exemptions Under Section 4(3) of the Act

Regulation M

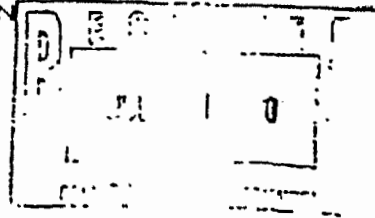
101(b)(1) – Activities by Distribution Participant: Research

101(c)(1) – Activities by Distribution Participant: Excepted Securities



DIVISION OF
MARKET REGULATION

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



July 24, 2000

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

Re: Procedure for Filings Relating to Qualification Examinations

Dear Mr. Adkins: ^{Alden}

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

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

Alden S. Adkins
Page 2

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

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

Sincerely,



Belinda Blaine
Associate Director