

Regulatory Notice

11-45

Qualification Examinations

FINRA Revises the Series 7, 17, 37 and 38 Examination Programs

Implementation Date: November 7, 2011

Executive Summary

FINRA periodically reviews the content of qualification examinations to determine whether revisions are necessary or appropriate in view of changes—including laws, rules and regulations—pertaining to the subject matter covered by the examinations.

Based on these reviews, FINRA has revised the following examination programs:

- ▶ General Securities Representative (Series 7);
- ▶ United Kingdom Securities Representative (Series 17);
- ▶ Canada Securities Representative (Series 37); and
- ▶ Canada Securities Representative (Series 38).¹

The changes are reflected in the [content outlines](#) on FINRA's website and will appear in examinations starting on November 7, 2011.

Questions regarding this *Notice* should be directed to:

- ▶ Joe McDonald, Senior Director, Testing and Continuing Education Department, at (240) 386-5065; or
- ▶ Patricia Monterosso, Lead Qualifications Analyst, Testing and Continuing Education Department, at (646) 315-8753.

September 2011

Notice Type

- ▶ Guidance

Suggested Routing

- ▶ Compliance
- ▶ Legal
- ▶ Operations
- ▶ Registration
- ▶ Training

Key Topics

- ▶ Canada Securities Representative (Series 37)
- ▶ Canada Securities Representative (Series 38)
- ▶ General Securities Representative (Series 7)
- ▶ Municipal Securities Representative (Series 52)
- ▶ Qualification Examinations
- ▶ United Kingdom Securities Representative (Series 17)

Referenced Rules & Notices

- ▶ Incorporated NYSE Rule 10
- ▶ Incorporated NYSE Rules 345.10, 345.15(2) and 345.15(3)
- ▶ Incorporated NYSE Rule Interpretation 345.15/02
- ▶ Information Notice 3/12/08
- ▶ MSRB Rule G-3
- ▶ NASD Rules 1031(a) and (b)
- ▶ NASD Rule 1032
- ▶ NASD Rules 1041 and 1042
- ▶ NYSE Information Memoranda 91-09 and 96-06
- ▶ SEA Section 15A(g)(3)



Financial Industry Regulatory Authority

Background & Discussion

Section 15A(g)(3) of the Securities Exchange Act of 1934 authorizes FINRA to prescribe standards of training, experience and competence for persons associated with FINRA member firms. In accordance with that provision, FINRA has developed examinations that are designed to establish that persons associated with FINRA member firms have attained specified levels of competence and knowledge, consistent with applicable registration requirements under FINRA Rules.

NASD Rules and the rules incorporated from NYSE² require that a “representative,” as defined in the respective rules,³ register and qualify as a General Securities Representative,⁴ subject to certain exceptions. For those representatives who are not engaged in municipal securities activities, the NASD and NYSE Rules provide that registration and qualification as a United Kingdom Securities Representative or a Canada Securities Representative is equivalent to registration and qualification as a General Securities Representative.⁵

The Series 7 examination qualifies an individual to function as a General Securities Representative. The Series 17 examination qualifies an individual to function as a United Kingdom Securities Representative. Either the Series 37 examination or the Series 38 examination qualifies an individual to function as a Canada Securities Representative. Series 17, 37 and 38 candidates must also satisfy certain foreign prerequisite training and competence requirements.⁶

Committees of industry representatives, together with FINRA staff, recently reviewed the Series 7, 17, 37 and 38 examination programs. As a result of these reviews, FINRA has revised the content outlines to reflect changes to the laws, rules and regulations covered by the examinations. Among other revisions, FINRA has revised the outlines to reflect the adoption of rules in the consolidated FINRA rulebook.

FINRA also has revised the outlines to better reflect the functions and associated tasks performed by General Securities Representatives, United Kingdom Securities Representatives and Canada Securities Representatives, and to better reflect the relationship between the different components of the outlines.

FINRA has divided the content outlines into five major job functions denoted F1 through F5:

- F1: Seeks Business for the Broker-Dealer through Customers and Potential Customers;
- F2: Evaluates Customers’ Other Security Holdings, Financial Situation and Needs, Financial Status, Tax Status, and Investment Objectives;
- F3: Opens Accounts, Transfers Assets, and Maintains Appropriate Account Records;
- F4: Provides Customers with Information on Investments and Makes Suitable Recommendations; and
- F5: Obtains and Verifies Customer’s Purchase and Sales Instructions, Enters Orders, and Follows Up.

Additionally, each job function includes certain tasks describing activities associated with performing that function. Each of the revised outlines also includes a knowledge section describing the underlying knowledge required to perform the major job functions and associated tasks, and a rule section listing the laws, rules and regulations related to the job functions, associated tasks and knowledge statements. There are cross-references within each section to the other applicable sections.

As described in greater detail below, the number of questions associated with each of the five functions, F1 through F5, differs depending on the examination. FINRA has made other revisions to the examinations, which also are described below.

Lastly, in conjunction with the changes to the content outlines, FINRA has made changes to the weighting of questions on content outline topics and to the question banks for these examinations.

Series 7

The number of questions associated with each of the five functions performed by a General Securities Representative (Series 7) are as follows:

- F1: 68 questions;
- F2: 27 questions;
- F3: 27 questions;
- F4: 70 questions; and
- F5: 58 questions.

The number of questions on the Series 7 examination remains at 250 multiple-choice questions,⁷ and candidates continue to have six hours to complete the examination. Currently, a “scaled score” of 70 percent is required to pass the Series 7 examination,⁸ while a scaled score of 72 percent will be required to pass the revised examination.

Municipal Securities Activities

Pursuant to current Municipal Securities Rulemaking Board (MSRB) Rule G-3, either the Municipal Securities Representative (Series 52) examination or the Series 7 examination qualifies an individual to function as a Municipal Securities Representative. In connection with the periodic review of examination content mentioned above, FINRA has revised the Series 7 examination to reduce the emphasis on municipal securities activities. FINRA notes that the MSRB has filed with the SEC a proposed rule change to amend MSRB Rule G-3 to provide, among other things, that, with regard to municipal securities activities, an individual qualifying as a Municipal Securities Representative by passing the Series 7 may engage only in municipal securities sales to, and purchases from, customers.⁹

Series 17

The number of questions associated with each of the five functions performed by a United Kingdom Securities Representative (Series 17) are as follows:

- F1: 20 questions;
- F2: 15 questions;
- F3: 25 questions;
- F4: 20 questions; and
- F5: 20 questions.

The number of questions on the Series 17 examination remains at 100 multiple-choice questions. However, candidates will have 150 minutes (2.5 hours) to complete the examination, whereas today they have two hours to complete the examination. Also, currently, a score of 70 percent is required to pass the Series 17 examination, while a score of 72 percent will be required to pass the revised examination.

Series 37

The number of questions associated with each of the five functions performed by a Canada Securities Representative (Series 37) are as follows:

- F1: 22 questions;
- F2: 12 questions;
- F3: 18 questions;
- F4: 16 questions; and
- F5: 22 questions.

The number of questions on the Series 37 examination remains at 90 multiple-choice questions, and candidates continue to have 150 minutes (2.5 hours) to complete the examination. Currently, a score of 70 percent is required to pass the Series 37 examination. A score of 72 percent will be required to pass the revised examination.

Series 38

The number of questions associated with each of the five functions performed by a Canada Securities Representative (Series 38) are as follows:

- F1: 7 questions;
- F2: 7 questions;
- F3: 12 questions;
- F4: 10 questions; and
- F5: 9 questions.

The number of questions on the Series 38 examination remains at 45 multiple-choice questions, and candidates continue to have 75 minutes to complete the examination. Currently, a score of 70 percent is required to pass the Series 38 examination. A score of 72 percent will be required to pass the revised examination.

Content Outlines

The revised Series 7, 17, 37 and 38 content outlines are available on FINRA's [website](#).

Endontes

1. See Securities Exchange Act Release No. 65358 (September 20, 2011), 76 FR 59751 (September 27, 2011) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change; File No. SR-FINRA-2011-045); Securities Exchange Act Release No. 65376 (September 21, 2011), 76 FR 59759 (September 27, 2011) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change; File No. SR-FINRA-2011-046); Securities Exchange Act Release No. 65374 (September 21, 2011), 76 FR 59761 (September 27, 2011) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change; File No. SR-FINRA-2011-047); and Securities Exchange Act Release No. 65375 (September 21, 2011), 76 FR 59757 (September 27, 2011) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change; File No. SR-FINRA-2011-048). These rule filings were filed with the SEC for immediate effectiveness on September 7, 2011.
2. The current FINRA rulebook consists of (1) FINRA Rules; (2) NASD Rules; and (3) rules incorporated from NYSE (Incorporated NYSE Rules) (together, the NASD Rules and Incorporated NYSE Rules are referred to as the Transitional Rulebook). While the NASD Rules generally apply to all FINRA members, the Incorporated NYSE Rules apply only to those members of FINRA that are also members of the NYSE (Dual Members). The FINRA Rules apply to all FINRA members, unless such rules have a more limited application by their terms. For more information about the rulebook consolidation process, [see Information Notice, March 12, 2008](#) (Rulebook Consolidation Process). For convenience, the Incorporated NYSE Rules are referred to as the NYSE Rules.
3. See NASD Rule 1031(b) and NYSE Rule 10.
4. See NASD Rules 1031(a) and 1032(a)(1); NYSE Rules 345.10 and 345.15(2); and NYSE Rule Interpretation 345.15/02.
5. See NASD Rules 1032(a)(2)(B) and (a)(2)(C) and NYSE *Information Memoranda* 91-09 (March 1991) and 96-06 (March 1996).

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6. Series 17 candidates must satisfy certain prerequisite training and competence requirements of the United Kingdom's Financial Services Authority (FSA) and be registered and in good standing with the FSA. Series 37 and Series 38 candidates must satisfy certain prerequisite training and competence requirements of the Canadian regulators and be registered and in good standing with the appropriate Canadian regulator. Series 38 candidates must also complete either: (1) the Options Licensing Course and the Derivatives Fundamental Course; or (2) the Canadian Options Course. Since Series 38 candidates are already subject to a Canadian options prerequisite, the Series 38 examination does not include test questions that assess knowledge of options. More information regarding the prerequisite requirements for the [Series 17](#) and [Series 37 and 38](#) examinations is available on FINRA's website.
7. Consistent with FINRA's practice of including "pre-test" questions on certain qualification examinations, which is designed to ensure that new examination questions meet acceptable testing standards prior to use for scoring purposes, each Series 7 examination includes 10 additional, unidentified pre-test questions that do not contribute towards a candidate's score. Therefore, the examination actually consists of 260 questions, 250 of which are scored. The 10 pre-test questions are randomly distributed throughout the examination.
8. The Series 7 examination questions for a given examination are randomly selected from the Series 7 question bank, which may result in slight variations in the difficulty of the examinations. The use of a scaled score accounts for these slight variations and is intended to maintain comparable passing standards across candidates.
9. See Securities Exchange Act Release No. 65393 (September 26, 2011) (Notice of Filing of Proposed Rule Change; File No. SR-MSRB-2011-17).