

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="38"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2013"/> - * <input type="text" value="028"/>	Amendment No. (req. for Amendments *) <input type="text"/>
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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"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input checked="" type="checkbox"/> 19b-4(f)(1) <input type="checkbox"/> 19b-4(f)(2) <input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(4) <input type="checkbox"/> 19b-4(f)(5) <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) <input type="checkbox"/> Section 806(e)(2) <input type="checkbox"/>	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) <input type="checkbox"/>
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Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input checked="" type="checkbox"/>
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**Description**

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

Proposed Rule Change to Revise the Series 55 Examination Program

**Contact Information**

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * <input type="text" value="Racquel"/>	Last Name * <input type="text" value="Russell"/>
Title * <input type="text" value="Associate General Counsel"/>	
E-mail * <input type="text" value="racquel.russell@finra.org"/>	
Telephone * <input type="text" value="(202) 728-8363"/>	Fax <input type="text" value="(202) 728-8264"/>

**Signature**

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

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

(Title \*)

Date <input type="text" value="06/27/2013"/>	<input type="text" value="Senior Vice President and Deputy General Counsel"/>
By <input type="text" value="Patrice M. Gliniecki"/>	<input type="text" value="Patrice Gliniecki,"/>

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

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information \***

Add Remove View

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

**Exhibit 1 - Notice of Proposed Rule Change \***

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 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance 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, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

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

Add Remove View

Exhibit Sent As Paper Document

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

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

Add Remove View

Exhibit Sent As Paper Document

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

**Exhibit 4 - Marked Copies**

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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 “SEA”),<sup>1</sup> 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 Equity Trader (Series 55) examination program.<sup>2</sup> The proposed revisions update the material to reflect changes to the laws, rules and regulations covered by the examination and to reflect the functions currently performed by an Equity Trader. FINRA is not proposing any textual changes to the By-Laws, Schedules to the By-Laws or Rules of FINRA.

The revised content outline is attached. The Series 55 selection specifications have been submitted to the Commission under separate cover with a request for confidential treatment pursuant to SEA Rule 24b-2.<sup>3</sup>

(b) Not applicable.

(c) Not applicable.

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

<sup>2</sup> FINRA also is proposing corresponding revisions to the Series 55 question bank. Based on instruction from SEC staff, 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 is not filing the question bank for review. See Letter to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000. The question bank is available for SEC review.

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

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

The proposed rule change was approved by the Board of Directors of FINRA Regulation, Inc. (f/k/a NASD Regulation, Inc.) at its meeting on January 24, 2001, which authorized the staff to propose modifications to examination programs, including content outlines, selection specifications and question banks, and to file the proposed modifications with the SEC, without obtaining further or specific authorization from the Board of Directors of FINRA Regulation, Inc. The Board of Governors of FINRA (f/k/a NASD) had an opportunity to review that action at its meeting on January 25, 2001. No other action by FINRA is necessary for the filing of the proposed rule change.

As further discussed below, FINRA is filing the proposed rule change for immediate effectiveness. FINRA proposes to implement the revised Series 55 examination program on August 12, 2013. FINRA will announce the proposed rule change and the implementation date in a Regulatory Notice.

**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 Act<sup>4</sup> authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. In accordance with that provision, FINRA has developed examinations 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 examinations to determine

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<sup>4</sup> 15 U.S.C. 78q-3(g)(3).

whether revisions are necessary or appropriate in view of changes pertaining to the subject matter covered by the examinations.

Pursuant to NASD Rule 1032(f) (Limited Representative – Equity Trader), each associated person of a member who is included within the definition of representative in NASD Rule 1031(b) (Definition of Representative) is required to register with FINRA as an Equity Trader if, with respect to transactions in equity, preferred or convertible debt securities effected otherwise than on a securities exchange, such person is engaged in proprietary trading, the execution of transactions on an agency basis or the direct supervision of such activities. There is an exception from the Equity Trader requirement for any associated person of a member whose trading activities are conducted principally on behalf of an investment company that is registered with the Commission pursuant to the Investment Company Act of 1940 and that controls, is controlled by, or is under common control with the member. The Series 55 examination qualifies an individual to function as an Equity Trader. Before registration as an Equity Trader may become effective, the individual must be registered as either a General Securities Representative (Series 7) or Corporate Securities Representative (Series 62).

In concert with a committee of industry representatives, FINRA recently undertook a review of the Series 55 examination program. As a result of this review, FINRA is proposing to make revisions to the content outline to reflect changes to the laws, rules and regulations covered by the examination and to reflect the functions currently performed by an Equity Trader.

### **Current Outline**

The current content outline is divided into four critical sections. The following are the four sections and the number of questions associated with each of the sections, denoted 1 through 4:

- 1: NASDAQ and Over-The-Counter Markets, 42 questions;
- 2: Display, Execution and Trading Systems, 12 questions;
- 3: Trade Reporting Requirements, 22 questions; and
- 4: General Industry Standards, 24 questions.

Each section also includes the applicable laws, rules and regulations associated with that section.

### **Proposed Revisions**

FINRA is proposing to divide the content outline into three major job functions that are performed by an Equity Trader. The following are the three major job functions, denoted Function 1 through Function 3, and the number of questions associated with each of the functions:

- Function 1: Trading, 45 questions;
- Function 2: Order Handling, 36 questions; and
- Function 3: Record Keeping and Regulatory Reporting, 19 questions.

Each function contains sections that describe the areas of knowledge required to perform that function, and each of these areas of knowledge contains subsections that list the laws, rules and regulations related to that particular area of knowledge.

As noted above, FINRA also is proposing to revise the content outline to reflect changes to the laws, rules and regulations covered by the examination. Among other

revisions, FINRA is proposing to revise the content outline to reflect the adoption of rules in the consolidated FINRA rulebook (e.g., NASD IM-2110-2 (Trading Ahead of Customer Limit Order) and NASD Rule 2111 (Trading Ahead of Customer Market Orders) were consolidated as FINRA Rule 5320 (Prohibition Against Trading Ahead of Customer Orders)).<sup>5</sup>

FINRA is proposing similar changes to the Series 55 selection specifications and question bank. The number of questions on the Series 55 examination will remain at 100 multiple-choice questions,<sup>6</sup> and candidates will continue to have three hours to complete the examination. Currently, a score of 70 percent is required to pass the examination. A score of 67 percent will be required to pass the revised examination.

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<sup>5</sup> 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). See also Rule Conversion Chart, available at <http://www.finra.org/Industry/Regulation/FINRARules/p085560>.

<sup>6</sup> 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, the examination includes 10 additional, unidentified pre-test questions that do not contribute towards the candidate’s score. Therefore, the examination actually consists of 110 questions, 100 of which are scored. The 10 pre-test questions are randomly distributed throughout the examination.

### **Availability of Content Outlines**

The current Series 55 content outline is available on FINRA's website, at [www.finra.org/brokerqualifications/exams](http://www.finra.org/brokerqualifications/exams). The revised Series 55 content outline will replace the current content outline on FINRA's website.

FINRA is filing the proposed rule change for immediate effectiveness. FINRA proposes to implement the revised Series 55 examination program on August 12, 2013. FINRA will announce the proposed rule change and the implementation date in a Regulatory Notice.

#### **(b) Statutory Basis**

FINRA believes that the proposed revisions to the Series 55 examination program are consistent with the provisions of Section 15A(b)(6) of the Act,<sup>7</sup> 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 Act,<sup>8</sup> 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 examination program to reflect changes to the laws, rules and regulations covered by the examination and to reflect the functions currently performed by an Equity Trader.

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<sup>7</sup> 15 U.S.C. 78q-3(b)(6).

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



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

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The updated examination will be more topical by focusing on the functions currently performed by Equity Traders, and the knowledge – including the most recent related laws, rules and regulations – required to perform the functions. Therefore, the proposed revisions potentially would reduce the training and compliance burden on firms that employ Equity Traders.

**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 rule change is effective upon filing pursuant to Section 19(b)(3)(A)(i) of the Act<sup>9</sup> and Rule 19b-4(f)(1) thereunder,<sup>10</sup> in that the proposed rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of FINRA. FINRA proposes to implement the revised Series 55 examination program on August 12, 2013. FINRA will announce the implementation date in a Regulatory Notice.

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<sup>9</sup> 15 U.S.C. 78s(b)(3)(A)(i).

<sup>10</sup> 17 CFR 240.19b-4(f)(1).

**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.

**11. Exhibits**

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

Exhibit 3a. Revised Content Outline for the Series 55 Examination.

Exhibit 3b. Revised Selection Specifications for the Series 55 Examination.

FINRA has requested confidential treatment for the Series 55 revised selection specifications, and thus the specifications are omitted from this filing. The Series 55 revised selection specifications have been filed separately with the Commission pursuant to SEA Rule 24b-2.<sup>11</sup>

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

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

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-FINRA-2013-028)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Revise the Series 55 Examination Program

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

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

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

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

<sup>4</sup> 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 filing revisions to the content outline and selection specifications for the Equity Trader (Series 55) examination program.<sup>5</sup> The proposed revisions update the material to reflect changes to the laws, rules and regulations covered by the examination and to reflect the functions currently performed by an Equity Trader. FINRA is not proposing any textual changes to the By-Laws, Schedules to the By-Laws or Rules of FINRA.

The revised content outline is attached. The Series 55 selection specifications have been submitted to the Commission under separate cover with a request for confidential treatment pursuant to SEA Rule 24b-2.<sup>6</sup>

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.

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

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<sup>5</sup> FINRA also is proposing corresponding revisions to the Series 55 question bank. Based on instruction from SEC staff, 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 is not filing the question bank for review. See Letter to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000. The question bank is available for SEC review.

<sup>6</sup> 17 CFR 240.24b-2.

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 Act<sup>7</sup> authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. In accordance with that provision, FINRA has developed examinations 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 examinations to determine whether revisions are necessary or appropriate in view of changes pertaining to the subject matter covered by the examinations.

Pursuant to NASD Rule 1032(f) (Limited Representative – Equity Trader), each associated person of a member who is included within the definition of representative in NASD Rule 1031(b) (Definition of Representative) is required to register with FINRA as an Equity Trader if, with respect to transactions in equity, preferred or convertible debt securities effected otherwise than on a securities exchange, such person is engaged in proprietary trading, the execution of transactions on an agency basis or the direct supervision of such activities. There is an exception from the Equity Trader requirement for any associated person of a member whose trading activities are conducted principally on behalf of an investment company that is registered with the Commission pursuant to the Investment Company Act of 1940 and that controls, is controlled by, or is under

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

common control with the member. The Series 55 examination qualifies an individual to function as an Equity Trader. Before registration as an Equity Trader may become effective, the individual must be registered as either a General Securities Representative (Series 7) or Corporate Securities Representative (Series 62).

In concert with a committee of industry representatives, FINRA recently undertook a review of the Series 55 examination program. As a result of this review, FINRA is proposing to make revisions to the content outline to reflect changes to the laws, rules and regulations covered by the examination and to reflect the functions currently performed by an Equity Trader.

#### Current Outline

The current content outline is divided into four critical sections. The following are the four sections and the number of questions associated with each of the sections, denoted 1 through 4:

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Each section also includes the applicable laws, rules and regulations associated with that section.

#### Proposed Revisions

FINRA is proposing to divide the content outline into three major job functions that are performed by an Equity Trader. The following are the three major job functions,

denoted Function 1 through Function 3, and the number of questions associated with each of the functions:

Function 1: Trading, 45 questions;

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As noted above, FINRA also is proposing to revise the content outline to reflect changes to the laws, rules and regulations covered by the examination. Among other revisions, FINRA is proposing to revise the content outline to reflect the adoption of rules in the consolidated FINRA rulebook (e.g., NASD IM-2110-2 (Trading Ahead of Customer Limit Order) and NASD Rule 2111 (Trading Ahead of Customer Market Orders) were consolidated as FINRA Rule 5320 (Prohibition Against Trading Ahead of Customer Orders)).<sup>8</sup>

FINRA is proposing similar changes to the Series 55 selection specifications and question bank. The number of questions on the Series 55 examination will remain at 100

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<sup>8</sup> 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). See also Rule Conversion Chart, available at <http://www.finra.org/Industry/Regulation/FINRARules/p085560>.

multiple-choice questions,<sup>9</sup> and candidates will continue to have three hours to complete the examination. Currently, a score of 70 percent is required to pass the examination. A score of 67 percent will be required to pass the revised examination.

#### Availability of Content Outlines

The current Series 55 content outline is available on FINRA's website, at [www.finra.org/brokerqualifications/exams](http://www.finra.org/brokerqualifications/exams). The revised Series 55 content outline will replace the current content outline on FINRA's website.

FINRA is filing the proposed rule change for immediate effectiveness. FINRA proposes to implement the revised Series 55 examination program on August 12, 2013. FINRA will announce the proposed rule change and the implementation date in a Regulatory Notice.

#### 2. Statutory Basis

FINRA believes that the proposed revisions to the Series 55 examination program are consistent with the provisions of Section 15A(b)(6) of the Act,<sup>10</sup> 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 Act,<sup>11</sup>

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<sup>9</sup> 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, the examination includes 10 additional, unidentified pre-test questions that do not contribute towards the candidate's score. Therefore, the examination actually consists of 110 questions, 100 of which are scored. The 10 pre-test questions are randomly distributed throughout the examination.

<sup>10</sup> 15 U.S.C. 78o-3(b)(6).

<sup>11</sup> 15 U.S.C. 78o-3(g)(3).



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 examination program to reflect changes to the laws, rules and regulations covered by the examination and to reflect the functions currently performed by an Equity Trader.

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

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The updated examination will be more topical by focusing on the functions currently performed by Equity Traders, and the knowledge – including the most recent related laws, rules and regulations – required to perform the functions. Therefore, the proposed revisions potentially would reduce the training and compliance burden on firms that employ Equity Traders.

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

Written comments were neither solicited nor received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>12</sup> and paragraph (f)(1) of Rule 19b-4 thereunder.<sup>13</sup> At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or

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<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f)(1).

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](mailto:rule-comments@sec.gov). Please include File Number SR-FINRA-2013-028 on the subject line.

##### Paper Comments:

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

All submissions should refer to File Number SR-FINRA-2013-028. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed

with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2013-028 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>14</sup>

Elizabeth M. Murphy

Secretary

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<sup>14</sup> 17 CFR 200.30-3(a)(12).



# Equity Trader Qualification Examination (Series 55)

## Content Outline

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## **INTRODUCTION**

The Series 55 Examination is the Equity Trader Qualification Examination. The examination is developed and maintained by the Financial Industry Regulatory Authority (FINRA). This Content Outline provides a comprehensive guide to the topics covered on the Equity Trader Qualification Examination (Series 55). The outline is intended to familiarize examination candidates with the range of subjects covered on the examination, as well as the depth of knowledge required. Sample questions are also included to acquaint candidates with the types of multiple-choice questions used on the examination. It is recommended that candidates refer to the content outline as part of their preparation to take the examination. Candidates are responsible for planning their course of study in preparation for the examination.

## **THE PURPOSE OF THE EXAMINATION**

The Series 55 Examination is designed to assess the competency of entry-level Equity Traders. It is intended to safeguard the investing public by helping to ensure that Equity Traders are competent to perform their jobs. Given this purpose, the Series 55 Examination seeks to measure the degree to which each candidate possesses the knowledge, skills and abilities needed to perform the critical functions of an Equity Trader. For more information about the permissible activities of an Equity Trader, please see NASD Rule 1032, which can be viewed in the FINRA Rule Manual through the following web link: [www.finra.org](http://www.finra.org).

## **ELIGIBILITY REQUIREMENTS**

The candidate must be associated with and sponsored by a FINRA member firm to be eligible to take the Series 55 Examination. In order to be registered in this registration category, candidates must first be qualified as either Limited Representative Corporate Securities (Series 62) or General Securities Representative (Series 7). For more information on eligibility requirements, please see NASD Rule 1031, which can be viewed in the FINRA Rule Manual through the following web link: [www.finra.org](http://www.finra.org)

## **APPLICATION PROCEDURES**

The FINRA member firm that sponsors the applicant must file a Uniform Application for Securities Industry Registration or Transfer (Form U4) in the Central Registration Depository (CRD<sup>®</sup>) and request the Equity Trader position (ET) on the Form U4.

## **STRUCTURE OF THE EXAMINATION**

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

### Job Functions and Number of Questions by Job Function

Job Functions		Number of Questions
Function 1	Trading	45
Function 2	Order Handling	36
Function 3	Record Keeping and Regulatory Reporting	19
Total		100

## DEVELOPMENT AND MAINTENANCE OF THE CONTENT OUTLINE AND EXAMINATION

The Series 55 Content Outline was developed based on the results of a job analysis study of Equity Traders. The job analysis process included collecting data about the job functions, tasks and required knowledge of Equity Traders from a wide variety of firms using numerous data collection techniques, including a survey.

To ensure and sustain the job relevance of the examination, under the guidance of FINRA staff, a committee of industry representatives (“the Committee”) writes, reviews and validates all test questions. Test questions are subjected to multiple reviews prior to inclusion on the examination and each question is linked directly to a component of the content outline. Test questions vary in difficulty and complexity. Each question will have only one correct or best answer.

The bank of test questions changes constantly as a result of amendments to, or the introduction of, government and self-regulatory organization (SRO) rules and regulations, changes in industry practice and the introduction of new products. It is the candidate’s responsibility to keep abreast of such changes when preparing to take the examination. Examination questions and their statistical performance are analyzed routinely by FINRA staff and the Committee to ensure that test questions continue to be relevant to the functions of Equity Traders. Examination questions are updated when necessary to reflect current industry practices and government and SRO rules and regulations. **Please Note: Candidates are responsible for keeping abreast of changes made to the applicable rules and regulations, as the examination is updated when new rules are introduced and when the rules are amended.**

## THE ADMINISTRATION OF THE EXAMINATION

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

Scratch paper and basic electronic calculators will be provided to candidates by the test administrator, and must be returned to the test center administrator at the end of the testing session. Some test questions involve calculations. Only calculators provided by the test center administrators are allowed for use during the examination.

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

## **HOW THE EXAMINATION IS SCORED**

The passing score for the examination is the minimum number of test questions that a candidate has to answer correctly in order to pass the examination. FINRA staff, in consultation with the Committee, using a standard setting procedure, establishes the passing score for the examination. The passing score is an absolute standard and it is independent of the performance of candidates taking the examination. The passing score is 67%.

## **CANDIDATES' TEST RESULTS**

On the day of the test, candidates will receive a report of their test results both on screen and in paper format at the end of their test session. The score report will indicate pass/fail status and a score profile indicating performance based on each major content area covered on the examination. It is recommended that candidates who fail the examination review the information provided on the score report, as they may want to focus on the areas that they performed poorly on when preparing to retake the examination. For security reasons, the examination and individual test questions are not available for review after taking the examination.



## THE SERIES 55 CONTENT OUTLINE

### FUNCTION 1 – TRADING

#### 1.1 Making Markets

Knowledge of:

- Prohibited activities
- Display, execution, and trading systems
- Use of pegged orders to maintain two-sided quotes

##### 1.1.1 Market Making Status

Securities Exchange Act of 1934 (SEA) Section 3 — Certain Definitions under the Act

SEA Section 3(a)(38) — Market Maker

SEA Rule 3b-8 — Qualified Block Positioner

NASDAQ Rule 4612 — Registration as a NASDAQ Market Maker

FINRA Rule 6271 and FINRA Rule 6275 — Registration as an ADF Market Maker; ADF - Withdrawal of Quotations

FINRA Rule 6480 and NASDAQ Rule 4613(a)J — Multiple MPIDs for Quoting and Trading in OTC Equity Securities; Multiple MPIDs for Quoting and Trading

FINRA Rule 5250 and NASDAQ Rule 2460 — Payments for Market Making

NASDAQ Rule 4620 — Voluntary Termination of Registration

##### 1.1.2 Market Access

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

##### 1.1.3 Clearly Erroneous Transactions

FINRA and NASDAQ Rule 11890 Series — Clearly Erroneous Transactions

NASDAQ Obvious Error Rule — Options Rules — Chapter V — Section 6

##### 1.1.4 Clearance and Settlement

FINRA Rules 6274/6350A/6350B and NASDAQ Rule 4618 — Clearance and Settlement

SEA Rule 15c6-1 — Settlement Cycle

FINRA/NASDAQ Uniform Practice Codes

Rule 11130 — When, As and If Issued/Distributed Contracts

Rule 11140 — Transactions in Securities “Ex-Dividend,” “Ex-Rights” or “Ex-Warrants”

Rule 11320 — Dates of Delivery

##### 1.1.5 Display, Execution, and Trading systems

NASDAQ Rule 4700 Series — NASDAQ Market Center — Execution Services

Rule 4751 — Definitions

Rule 4752 — Opening Process

Rule 4754 — NASDAQ Closing Cross

Rule 4755 — Order Entry Parameters  
Rule 4756 — Entry and Display of Quotes and Orders  
Rule 4757 — Book Processing  
Rule 4758 — Order Routing  
Rule 4760 — Anonymity  
FINRA Alternative Display Facility (ADF) Rule 6200 Series  
Rule 6210 — General  
Rule 6220 — Definitions  
Rule 6230 — Use of Alternative Display Facility Data Systems  
Rule 6240 — Prohibition from Locking or Crossing Quotations in NMS Stocks  
Rule 6250 — Quote and Order Access Requirements  
Rule 6260 — Review of Direct or Indirect Access Complaints  
Rule 6270 Series — Quoting and Trading in ADF-eligible Securities  
Rule 6273 — Normal Business Hours

SEC Regulation ATS

#### 1.1.6 Prohibited Activities:

SEA Section 9 – Prohibition Against Manipulation of Security Prices  
SEA Section 15(g) — Policies and Procedures to be Developed by Broker-Dealers to Prevent Misuse of Material, Non-Public Information  
SEA Rule 10b-5 — Employment of Manipulative and Deceptive Devices (by Individuals)  
SEA Rule 10b5-2 — Duties of Trust or Confidence in Misappropriation Insider Trading Cases

Insider Trading and Securities Fraud Enforcement Act of 1988

FINRA Rule 5230 — Payments Involving Publications that Influence the Market Price of a Security  
FINRA Rule 5280 — Trading Ahead of Research Reports  
FINRA Rule 5240 and NASDAQ IM-2110-5 — Anti-Intimidation/Coordination

FINRA Rule 5290 and NASDAQ Rule 3380 — Order Entry and Execution Practices  
FINRA Rule 2020 and NASDAQ Rule 2120 — Use of Manipulative, Deceptive or Other Fraudulent Devices

#### 1.2 IPOs, Secondary Offerings and Safe Harbors

Knowledge of:

- Permitted and prohibited trading activities related to IPOs and secondary offerings
- Required notifications related to IPOs and secondary offerings
- Trading within safe harbors

FINRA Rule 5131 — New Issue Allocations and Distributions  
FINRA Rule 5190(e) — Notice of Penalty Bids and Syndicate Covering Transactions in OTC Equity Securities  
FINRA Rule 6130 — Transactions Related to Initial Public Offerings  
FINRA Rule 6435 — Withdrawal of Quotations in an OTC Equity Security in Compliance with SEC Regulation M

NASDAQ Rule 4614 — Stabilizing Bids  
NASDAQ Rule 4619 — Withdrawal of Quotations and Passive Market Making  
NASDAQ Rule 4624 — Penalty Bids and Syndicate Covering Transactions

SEA Section 5 — Transactions on Unregistered Exchanges  
SEC Regulation M  
Rule 101 — Distribution Participant Restrictions  
Rule 103 — Passive Market Making in NASDAQ Stocks  
Rule 104 — Stabilizing Transactions  
Rule 105 — Short Sales

Securities Act of 1933 (Securities Act) Rule 144 — Persons Deemed Not to be Engaged in a Distribution and Therefore Not Underwriters  
Securities Act Rule 144A — Private Resales of Securities to Institutions  
Securities Act Rule 145 — Reclassification of Securities, Mergers, Consolidations and Acquisitions of Assets  
SEA Rule 10b-18 — Purchases of Certain Equity Securities by the Issuer and Others  
SEA Rule 10b5-1 — Trading “on the Basis of” Material Non-Public Information in Insider Trading Cases

### 1.3 Non-Listed and Penny Stocks

Knowledge of:

- Form 211
- Disclosure requirements

SEA Section 3(a)(51) — Definition of Penny Stock  
SEA Rule 3a51-1 — Definition of Penny Stock  
SEA Rule 15g-1 — Exemptions for Certain Transactions  
SEA Rule 15g-3 — Broker or Dealer Disclosure of Quotations and Other Information Relating to the Penny Stock Market  
SEA Rule 15g-4 — Disclosure of Compensation to Brokers or Dealers  
SEA Rule 15g-5 — Disclosure of Compensation to Associated Persons in Connection with Penny Stock Transactions

SEA Rule 15c2-11 — Initiation or Resumption of Quotations Without Specified Information

NASDAQ Rule 3110 — Books and Records — Marking of Customer Order Tickets

FINRA Rule 6400 Series — Quoting and Trading in OTC Equity Securities  
Rule 6410 — General  
Rule 6420 — Definitions  
Rule 6432 — Compliance with the Information Requirements of SEC Rule 15c2-11  
Rule 6433 — Minimum Quotation Size Requirements for OTC Equity Securities  
Rule 6434 — Minimum Pricing Increment for OTC Equity Securities  
Rule 6437 — Prohibition from Locking or Crossing Quotations in OTC Equity Securities  
Rule 6438 — Displaying Priced Quotations in Multiple Quoting Mediums

Rule 6460 — Display of Customer Limit Orders

FINRA Rule 6140 — Other Trading Practices

FINRA Rule 6500 Series — OTC Bulletin Board Service

Rule 6510 — Applicability

Rule 6520 — Operation of the Service

Rule 6530 — OTCBB-Eligible Securities

Rule 6540 — Requirements Applicable to Market Makers

#### 1.4 Disseminating Quotes and Trade Advertisements

Knowledge of:

- Quotation and trading halts
- Trade volume advertising
- Publishing indications of interest
- Volatility trading pauses

FINRA Rule 5210 and NASDAQ Rule 3310 — Publication of Transactions and Quotations

FINRA Rule 5220 and NASDAQ Rule 3320 — Offers at Stated Prices

FINRA Rule 6272 (ADF) and NASDAQ Rule 4613 — Character of Quotations

NMS Rule 610 — Access to Quotations

FINRA Rule 6120 — Trading Halts

NASDAQ Rule 4120 — Trading Halts

FINRA Rule 5260 — Prohibition on Transactions, Publication of Quotations, or Publication of Interest  
During Trading Halts

FINRA Rule 6121 — Trading Halts Due to Extraordinary Market Volatility

FINRA Rule 6190 — Compliance with Regulation NMS Plan to Address Extraordinary Market Volatility

NASDAQ Rule 4121 — Market Closings

FINRA Rule 6440 — Trading and Quotation Halt in OTC Equity Securities

NASDAQ Rule 4753 — NASDAQ Halt and Imbalance Crosses

FINRA Rules 6277/6360A/6360B and NASDAQ Rule 4621 — Suspension and Termination of  
Quotations by FINRA Action

## **FUNCTION 2 – ORDER HANDLING**

### **2.1 Handling Customer Orders**

Knowledge of:

- Obligations to customers regarding orders
- Required disclosures to customers
- Prohibited activities including manipulation, front running, interpositioning
- Permitted and prohibited activities under Regulation NMS

#### **2.1.1 Obligations to Customers Regarding Orders**

FINRA Rule 2010 and NASDAQ Rule 2110 — Standards of Commercial Honor and Principles of Trade

FINRA Rule 5310 and NASDAQ Rule 2320 — Best Execution and Interpositioning

FINRA Rule 5350 — Stop Orders

FINRA Rule 6140 — Other Trading Practices

FINRA Rule 5330 — Adjustment of Orders

NASDAQ Rule 4761 — Adjustment of Open Quotes and/or Orders

FINRA Rule 2124 — Net Transactions with Customers

NASD Rule 2440 — Fair Prices and Commissions

NASD IM-2440-1 — Mark-up Policy

FINRA Rule 2265 and NASDAQ Rule 4631 — Extended Hours Trading Risk Disclosure

NASDAQ Rule 4617 — Normal Business Hours

#### **2.1.2 Prohibited Activities**

FINRA Rule 2020 and NASDAQ Rule 2120 — Use of Manipulative, Deceptive or Other Fraudulent Devices

NASD and NASDAQ IM-2110-3 — Front Running Policy

FINRA Rule 5320 — Prohibition Against Trading Ahead of Customer Orders

NASDAQ Rule 2111 — Trading Ahead of Customer Market Orders

NASDAQ IM-2110-2 — Trading Ahead of Customer Limit Orders (Manning interpretation)

Investment Advisers Act of 1940 Section 206 — Prohibited Transactions by Investment Advisers

#### **2.1.3 Regulation NMS**

SEC Regulation NMS — Regulation of the National Market System

Rule 600 — NMS Security Designation and Definitions

Rule 604 — Display of Customer Limit Orders

Rule 611 — Order Protection Rule

Rule 612 — Minimum Price Increments

### **2.2 Handling and Executing Short Sales**

Knowledge of:

- Locates and borrows
- Price test
- Close out requirements
- Order marking

SEC Regulation SHO

Rule 200 — Definition of "Short Sale"

Rule 201— Short Sale Price Test Restriction "Circuit Breaker" / Alternative Uptick

Rule 203 — Borrowing and Delivery Requirements

Rule 204 — Close-Out Requirements

FINRA Rules 6182 and 6624 — Trade Reporting of Short Sales

## **FUNCTION 3 – RECORD KEEPING AND REGULATORY REPORTING**

### **3.1 Reporting Trades to the Designated Reporting Facility**

Knowledge of:

- The distinctions among reporting facilities
- Trade reporting requirements, including modifiers, timing, and trade acceptance

FINRA Rule 6110 — Trading Otherwise than on an Exchange

FINRA Rule 6181 — Timely Transaction Reporting

FINRA Rules 6183 and 6625 — Exemption from Trade Reporting Obligation for Certain Alternative Trading Systems

FINRA Rule 6160 — Multiple MPIDs for Trade Reporting Facility Participants

FINRA Rule 6170 — Primary and Additional MPIDs for Alternative Display Facility Participants

FINRA Rule 6280 and 7100 Series — Alternative Display Facility/TRACS

Rule 6281 — Reporting Transactions in ADF-Eligible Securities

Rule 6282 — Transactions Reported by Members to TRACS

Rule 7110 — Definitions

Rule 7120 — Participation in TRACS Trade Comparison Feature by Participants in the Alternative Display Facility

Rule 7130 — Trade Report Input

Rule 7140 — TRACS Processing

Rule 7150 — Obligation to Honor Trades

Rule 7160 — Audit Trail Requirements

FINRA Rule 6300A/7200A Series and 6300B/7200B Series — FINRA/NASDAQ Trade Reporting Facility and FINRA/NYSE Trade Reporting Facility

Rule 6310A/6300B — General

Rule 6320A/6320B — Definitions

Rule 6380A/6380B — Transaction Reporting

Rule 7210A/7210B — Definitions

Rule 7220A/7220B — Trade Reporting Participation Requirements

Rule 7230A/7230B — Trade Report Input

Rule 7240A/7240B — Trade Report Processing

Rule 7250A/7250B — Obligation to Honor Trades

Rule 7260A/7260B — Audit Trail Requirements

Rule 7270A/7270B — Violation of Reporting Rules

FINRA Rule 6550 — Transaction Reporting (OTCBB)

FINRA Rule 6600 — OTC Reporting Facility

Rule 6610 — General

Rule 6621 — Definitions

Rule 6622 — Transaction Reporting

Rule 6623 — Timely Transaction Reporting

FINRA Rule 7300 — OTC Reporting Facility

Rule 7310 — Definitions

Rule 7320 — Trade Reporting Participation Requirements

Rule 7330 — Trade Report Input

Rule 7340 — Trade Report Processing

Rule 7350 — Obligation to Honor Trades

Rule 7360 — Audit Trail Requirements

Rule 7370 — Violation of Reporting Rules

**3.2 Creating, Retaining, and Reporting Required Records of Orders and Transactions**

Knowledge of:

- Large Trader ID and related reporting and monitoring requirements
- Order execution/routing information
- OATS reporting obligations, including timing and required fields

SEA Rule 13h-1— Large Trader Reporting

SEA Rule 17a-3 — Records to be Made by Certain Exchange Members, Brokers and Dealers

FINRA Rule 4511 — Books and Records Requirements; General Requirements

FINRA Rule 5340 — Pre-Time Stamping

SEC Regulation NMS

Rule 605 — Disclosure of Order Execution Information

Rule 606 — Disclosure of Order Routing Information

FINRA Rule 7400 Series and NASDAQ Rule 6950 Series — Order Audit Trail System (OATS)

Rule 7410 — Definitions

Rule 7420 — Applicability

Rule 7430 — Synchronization of Member Business Clocks

Rule 7440 — Recording of Order Information

Rule 7450 — Order Data Transmission Requirements

Rule 7460 — Violation of Order Audit Trail System Rules



## SAMPLE QUESTIONS

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

**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:** In determining a mark-up, in the absence of other bona fide evidence of the market price of a security, which of the following is the best indicator of the prevailing market price?

- (A) The last trade
- (B) The contemporaneous cost\*
- (C) The length of time the security has been in inventory
- (D) The price of similar issues

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

**Example:** Round lot trades in NASDAQ securities must be reported:

- (A) Within 30 seconds of execution\*
- (B) Within 90 seconds of execution
- (C) Within 5 minutes of execution
- (D) Within 20 minutes of execution

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

**Example:** All of the following orders are required to comply with FINRA order protection requirements EXCEPT:

- (A) 100 shares of a NMS stock entered at 12:23 p.m., ET, for a retail customer
- (B) 500 shares of a NASDAQ Capital Market (SmallCap) stock entered at 10:06 a.m., ET, for a retail customer
- (C) 1,000 shares of a NMS stock entered at 12:23 p.m., ET, for a retail customer
- (D) 20,000 shares of an OTCBB stock entered at 6:55 a.m., ET, for an institutional customer subject to consent\*

## REFERENCES

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

**Financial Industry Regulatory Authority (FINRA)**

1735 K Street  
Washington DC, 20006  
[www.finra.org](http://www.finra.org)

**Securities and Exchange Commission**

**Office of Investor Education and Advocacy**  
1-800-SEC-0330  
[www.sec.gov](http://www.sec.gov)

**NASDAQ OMX**

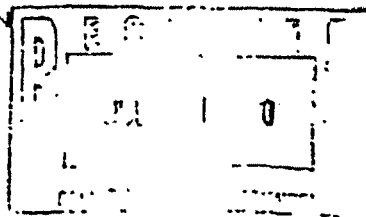
805 King Farm Boulevard  
Rockville, MD 20850  
[www.nasdaqomx.com](http://www.nasdaqomx.com)

**Securities Industry/Regulatory Council**

**On Continuing Education**  
[www.cecouncil.com](http://www.cecouncil.com)



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: <sup>Alden</sup>

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.

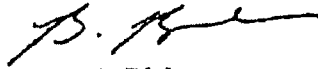
Alden S. Adkins

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