

OMB APPROVAL

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Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 48

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

File No.* SR - 2014 - * 015

Amendment No. (req. for Amendments *)

Filing by Financial Industry Regulatory Authority

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

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

Security-Based Swap Submission pursuant
 to the Securities Exchange Act of 1934

Section 806(e)(1) *

Section 806(e)(2) *

Section 3C(b)(2) *

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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 Rule Change to Revise the Series 26 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 * Kosha Last Name * Dalal
 Title * Associate Vice President and Associate General Counsel
 E-mail * Kosha.Dalal@finra.org
 Telephone * (202) 728-6903 Fax (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 04/15/2014

Senior Vice President and Deputy General Counsel

By Patrice M. Gliniecki

(Name *)

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 EFFT website.	
<div>Form 19b-4 Information *</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	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.
<div>Exhibit 1 - Notice of Proposed Rule Change *</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	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)
<div>Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	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)
<div>Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications</div> <div><div>Add</div><div>Remove</div><div>View</div></div> <div>Exhibit Sent As Paper Document <input type="checkbox"/></div>	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.
<div>Exhibit 3 - Form, Report, or Questionnaire</div> <div><div>Add</div><div>Remove</div><div>View</div></div> <div>Exhibit Sent As Paper Document <input checked="" type="checkbox"/></div>	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.
<div>Exhibit 4 - Marked Copies</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	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.
<div>Exhibit 5 - Proposed Rule Text</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	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.
<div>Partial Amendment</div> <div><div>Add</div><div>Remove</div><div>View</div></div>	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”),¹ 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 Investment Company and Variable Contracts Products Principal (Series 26) examination program.² The proposed revisions update the material to reflect changes to the laws, rules and regulations covered by the examination and to incorporate the functions and associated tasks currently performed by an Investment Company and Variable Contracts Products Principal. In addition, FINRA is proposing to make changes to the format of the content outline. 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 26 selection specifications have been submitted to the Commission under separate cover with a request for confidential treatment pursuant to SEA Rule 24b-2.³

(b) Not applicable.

(c) Not applicable.

¹ 15 U.S.C. 78s(b)(1).

² FINRA also is proposing corresponding revisions to the Series 26 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.

³ 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 26 examination program on June 16, 2014. 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 Act⁴ 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

⁴ 15 U.S.C. 78o-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 1022(d)⁵ (Limited Principal – Investment Company and Variable Contracts Products), if a principal’s activities are limited solely to redeemable securities of companies registered under the Investment Company Act of 1940 (“Investment Company Act”), securities of closed-end companies registered under the Investment Company Act during the period of original distribution, and variable contracts and insurance premium funding programs and other contracts issued by an insurance company (except contracts that are exempt securities pursuant to Section 3(a)(8) of the Securities Act of 1933), and he is registered as either a General Securities Representative or a Limited Representative – Investment Company and Variable Contracts Products, the principal may register and qualify as an Investment Company and Variable Contracts Products Principal.⁶ The Series 26 examination qualifies an individual to function as an Investment Company and Variable Contracts Products Principal.

In consultation with a committee of industry representatives, FINRA recently undertook a review of the Series 26 examination program. As a result of this review, FINRA is proposing to make revisions to the content outline to reflect changes to the

⁵ 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).

⁶ See also Incorporated NYSE Rule 345.15(3) and Incorporated NYSE Rule Interpretation 345.15/02.

laws, rules and regulations covered by the examination and to incorporate the functions and associated tasks currently performed by an Investment Company and Variable Contracts Products Principal. FINRA also is proposing to make changes to the format of the content outline.

Current Outline

The current content outline is divided into five sections. The following are the five sections and the number of questions associated with each of the sections, denoted Section 1 through Section 5:

1. Hiring and Qualifications: Determine Good Character, Business Repute, Qualifications and Experience, 11 questions;
2. Training of Representatives: Assure Representatives Have Necessary Knowledge to Perform Their Duties, 19 questions;
3. Supervision: Develop, Maintain and Adhere to Required Supervisory Structure, 24 questions;
4. Sales Practices: Assure Sales Are Made in Compliance with Firm and Securities Rules and Regulations, 32 questions; and
5. Business Processing and Recordkeeping Rules: Assure Transactions Are Executed in Accordance with Firm and Regulatory Requirements, 24 questions.

Each section also includes the applicable laws, rules and regulations associated with that section. The current outline also includes a preface (addressing, among other things, the purpose, administration and scoring of the examination), sample questions and reference materials.

Proposed Revisions

FINRA is proposing to divide the content outline into three major job functions that are performed by an Investment Company and Variable Contracts Products Principal. The following are the three major job functions, denoted Function 1 through Function 3, with the associated number of questions:

Function 1: Personnel Management Activities and Registration of the Broker-Dealer, 16 questions;

Function 2: Supervises Associated Persons and Oversees Sales Practices, 49 questions; and

Function 3: Oversees Compliance and Business Processes of the Broker-Dealer and its Offices, 45 questions.

FINRA is also proposing to adjust the number of questions assigned to each major job function to ensure that the overall examination better reflects the key tasks performed by an Investment Company and Variable Contracts Products Principal. The questions on the revised Series 26 examination will place greater emphasis on key tasks such as supervision of registered persons, sales practices and compliance.

Each function also includes specific tasks describing activities associated with performing that function. There are two tasks (1.1 – 1.2) associated with Function 1; six tasks (2.1 – 2.6) associated with Function 2; and six tasks (3.1 – 3.6) associated with Function 3.⁷ By way of example, one such task (Task 2.1) is monitors, supervises and documents the sales activities of associated persons to achieve compliance with securities industry rules and regulations and firm policies and provides feedback regarding product

⁷ See Exhibit 3a, Outline Pages 6-18.

knowledge and performance.⁸ Further, the outline lists the knowledge required to perform each function and associated tasks (e.g., standards of conduct and prohibited activities).⁹ In addition, where applicable, the 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 2090), NASD Rules (e.g., NASD Rule 2510) and SEC rules (e.g., SEA Rule 15c1-7).¹⁰ FINRA conducted a job analysis study of Investment Company and Variable Contracts Products Principals, which included the use of a survey, in developing each function and associated tasks and updating the required knowledge set forth in the revised outline. The functions and associated tasks, which appear in the revised outline for the first time, reflect the day-to-day activities of an Investment Company and Variable Contracts Products Principal.

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 Rule 2310 (Recommendations to Customers (Suitability)), NASD Rule 2212 (Telemarketing) and NASD Rule 3110 (Books and Records) were adopted as FINRA Rule 2111 (Suitability), FINRA Rule 3230 (Telemarketing) and FINRA Rule 4510 Series (Books and Records Requirements), respectively).¹¹

⁸ See Exhibit 3a, Outline Page 9.

⁹ See Exhibit 3a, Outline Page 9.

¹⁰ See Exhibit 3a, Outline Pages 11.

¹¹ See Rule Conversion Chart, available at <http://www.finra.org/Industry/Regulation/FINRARules/p085560>.

FINRA is proposing similar changes to the Series 26 selection specifications and question bank.

Finally, FINRA is proposing to make changes to the format of the content outline, including the preface, sample questions and reference materials. Among other changes, FINRA is proposing to: (1) add a table of contents;¹² (2) provide more details regarding the purpose of the examination;¹³ (3) provide more details on the application procedures;¹⁴ (4) provide more details on the development and maintenance of the content outline and examination;¹⁵ (5) explain that the passing scores are established by FINRA staff, in consultation with a committee of industry representatives, using a standard setting procedure and that the scores are an absolute standard independent of the performance of candidates taking the examination;¹⁶ and (6) note that each candidate will receive a score report at the end of the test session, which will indicate a pass or fail status and include a score profile listing the candidate's performance on each major content area covered on the examination.¹⁷

The number of questions on the Series 26 examination will remain at 110 multiple-choice questions,¹⁸ and candidates will continue to have 165 minutes to

¹² See Exhibit 3a, Outline Page 2.

¹³ See Exhibit 3a, Outline Page 3.

¹⁴ See Exhibit 3a, Outline Page 3.

¹⁵ See Exhibit 3a, Outline Page 4.

¹⁶ See Exhibit 3a, Outline Page 5.

¹⁷ See Exhibit 3a, Outline Page 5.

¹⁸ Consistent with FINRA's practice of including "pre-test" questions on certain qualification examinations, which is designed to ensure that new examination

complete the examination. Currently, a score of 70 percent is required to pass the examination. The passing score will remain the same.

Availability of Content Outlines

The current Series 26 content outline is available on FINRA's website, at www.finra.org/brokerqualifications/exams. The revised Series 26 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 26 examination program on June 16, 2014. 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 26 examination program are consistent with the provisions of Section 15A(b)(6) of the 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 Act,²⁰ which authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. FINRA believes that the proposed

questions meet acceptable testing standards prior to use for scoring purposes, the examination includes ten additional, unidentified pre-test questions that do not contribute towards the candidate's score. Therefore, the examination actually consists of 120 questions, 110 of which are scored. The ten pre-test questions are randomly distributed throughout the examination.

¹⁹ 15 U.S.C. 78o-3(b)(6).

²⁰ 15 U.S.C. 78o-3(g)(3).

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 incorporate the functions and associated tasks currently performed by an Investment Company and Variable Contracts Products Principal.

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 aligns with the functions and associated tasks currently performed by an Investment Company and Variable Contracts Products Principal and tests knowledge of the most current laws, rules, regulations and skills relevant to those functions and associated tasks. As such, the proposed revisions would make the examination 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 rule change is effective upon filing pursuant to Section 19(b)(3)(A)(i) of the Act²¹ and Rule 19b-4(f)(1) thereunder,²² in that the proposed rule change constitutes a stated policy, practice, or interpretation with respect to the meaning,

²¹ 15 U.S.C. 78s(b)(3)(A)(i).

²² 17 CFR 240.19b-4(f)(1).

administration, or enforcement of an existing rule of FINRA. FINRA proposes to implement the revised Series 26 examination program on June 16, 2014. FINRA will announce the implementation date in a Regulatory Notice.

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 26 Examination.

Exhibit 3b. Revised Selection Specifications for the Series 26 Examination.

FINRA has requested confidential treatment for the Series 26 revised selection specifications, and thus the specifications are omitted from this filing. The Series 26 revised selection specifications have been filed separately with the Commission pursuant to SEA Rule 24b-2.²³

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.

²³ 17 CFR 240.24b-2.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2014-015)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Revise the Series 26 Examination Program

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 , 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.

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 Investment Company and Variable Contracts Products Principal (Series 26)

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).

examination program.⁵ The proposed revisions update the material to reflect changes to the laws, rules and regulations covered by the examination and to incorporate the functions and associated tasks currently performed by an Investment Company and Variable Contracts Products Principal. In addition, FINRA is proposing to make changes to the format of the content outline. 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 26 selection specifications have been submitted to the Commission under separate cover with a request for confidential treatment pursuant to SEA Rule 24b-2.⁶

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 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.

⁵ FINRA also is proposing corresponding revisions to the Series 26 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.

⁶ 17 CFR 240.24b-2.

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 Act⁷ 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 1022(d)⁸ (Limited Principal – Investment Company and Variable Contracts Products), if a principal's activities are limited solely to redeemable securities of companies registered under the Investment Company Act of 1940 ("Investment Company Act"), securities of closed-end companies registered under the Investment Company Act during the period of original distribution, and variable contracts and insurance premium funding programs and other contracts issued by an insurance company (except contracts that are exempt securities pursuant to Section 3(a)(8) of the

⁷ 15 U.S.C. 78o-3(g)(3).

⁸ 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).

Securities Act of 1933), and he is registered as either a General Securities Representative or a Limited Representative – Investment Company and Variable Contracts Products, the principal may register and qualify as an Investment Company and Variable Contracts Products Principal.⁹ The Series 26 examination qualifies an individual to function as an Investment Company and Variable Contracts Products Principal.

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Current Outline

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1. Hiring and Qualifications: Determine Good Character, Business Repute, Qualifications and Experience, 11 questions;
2. Training of Representatives: Assure Representatives Have Necessary Knowledge to Perform Their Duties, 19 questions;
3. Supervision: Develop, Maintain and Adhere to Required Supervisory Structure, 24 questions;

⁹ See also Incorporated NYSE Rule 345.15(3) and Incorporated NYSE Rule Interpretation 345.15/02.

4. Sales Practices: Assure Sales Are Made in Compliance with Firm and Securities Rules and Regulations, 32 questions; and
5. Business Processing and Recordkeeping Rules: Assure Transactions Are Executed in Accordance with Firm and Regulatory Requirements 24 questions.

Each section also includes the applicable laws, rules and regulations associated with that section. The current outline also includes a preface (addressing, among other things, the purpose, administration and scoring of the examination), sample questions and reference materials.

Proposed Revisions

FINRA is proposing to divide the content outline into three major job functions that are performed by an Investment Company and Variable Contracts Products Principal. The following are the three major job functions, denoted Function 1 through Function 3, with the associated number of questions:

Function 1: Personnel Management Activities and Registration of the Broker-Dealer, 16 questions;

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FINRA is also proposing to adjust the number of questions assigned to each major job function to ensure that the overall examination better reflects the key tasks performed by an Investment Company and Variable Contracts Products Principal. The questions on

the revised Series 26 examination will place greater emphasis on key tasks such as supervision of registered persons, sales practices and compliance.

Each function also includes specific tasks describing activities associated with performing that function. There are two tasks (1.1 – 1.2) associated with Function 1; six tasks (2.1 – 2.6) associated with Function 2; and six tasks (3.1 – 3.6) associated with Function 3.¹⁰ By way of example, one such task (Task 2.1) is monitors, supervises and documents the sales activities of associated persons to achieve compliance with securities industry rules and regulations and firm policies and provides feedback regarding product knowledge and performance.¹¹ Further, the outline lists the knowledge required to perform each function and associated tasks (e.g., standards of conduct and prohibited activities).¹² In addition, where applicable, the 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 2090), NASD Rules (e.g., NASD Rule 2510) and SEC rules (e.g., SEA Rule 15c1-7).¹³ FINRA conducted a job analysis study of Investment Company and Variable Contracts Products Principals, which included the use of a survey, in developing each function and associated tasks and updating the required knowledge set forth in the revised outline. The functions and associated tasks, which appear in the revised outline for the first time, reflect the day-to-day activities of an Investment Company and Variable Contracts Products Principal.

¹⁰ See Exhibit 3a, Outline Pages 6-18.

¹¹ See Exhibit 3a, Outline Page 9.

¹² See Exhibit 3a, Outline Page 9.

¹³ See Exhibit 3a, Outline Pages 11.

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 Rule 2310 (Recommendations to Customers (Suitability)), NASD Rule 2212 (Telemarketing) and NASD Rule 3110 (Books and Records) were adopted as FINRA Rule 2111 (Suitability), FINRA Rule 3230 (Telemarketing) and FINRA Rule 4510 Series (Books and Records Requirements), respectively).¹⁴

FINRA is proposing similar changes to the Series 26 selection specifications and question bank.

Finally, FINRA is proposing to make changes to the format of the content outline, including the preface, sample questions and reference materials. Among other changes, FINRA is proposing to: (1) add a table of contents;¹⁵ (2) provide more details regarding the purpose of the examination;¹⁶ (3) provide more details on the application procedures;¹⁷ (4) provide more details on the development and maintenance of the content outline and examination;¹⁸ (5) explain that the passing scores are established by FINRA staff, in consultation with a committee of industry representatives, using a standard setting procedure and that the scores are an absolute standard independent of the

¹⁴ See Rule Conversion Chart, available at <http://www.finra.org/Industry/Regulation/FINRARules/p085560>.

¹⁵ See Exhibit 3a, Outline Page 2.

¹⁶ See Exhibit 3a, Outline Page 3.

¹⁷ See Exhibit 3a, Outline Page 3.

¹⁸ See Exhibit 3a, Outline Page 4.

performance of candidates taking the examination;¹⁹ and (6) note that each candidate will receive a score report at the end of the test session, which will indicate a pass or fail status and include a score profile listing the candidate's performance on each major content area covered on the examination.²⁰

The number of questions on the Series 26 examination will remain at 110 multiple-choice questions,²¹ and candidates will continue to have 165 minutes to complete the examination. Currently, a score of 70 percent is required to pass the examination. The passing score will remain the same.

Availability of Content Outlines

The current Series 26 content outline is available on FINRA's website, at www.finra.org/brokerqualifications/exams. The revised Series 26 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 26 examination program on June 16, 2014.

FINRA will announce the proposed rule change and the implementation date in a

Regulatory Notice.

2. Statutory Basis

¹⁹ See Exhibit 3a, Outline Page 5.

²⁰ See Exhibit 3a, Outline Page 5.

²¹ 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 ten additional, unidentified pre-test questions that do not contribute towards the candidate's score. Therefore, the examination actually consists of 120 questions, 110 of which are scored. The ten pre-test questions are randomly distributed throughout the examination.

FINRA believes that the proposed revisions to the Series 26 examination program are consistent with the provisions of Section 15A(b)(6) of the Act,²² 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,²³ 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 incorporate the functions and associated tasks currently performed by an Investment Company and Variable Contracts Products Principal.

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 aligns with the functions and associated tasks currently performed by an Investment Company and Variable Contracts Products Principal and tests knowledge of the most current laws, rules, regulations and skills relevant to those functions and associated tasks. As such, the proposed revisions would make the examination 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.

²² 15 U.S.C. 78o-3(b)(6).

²³ 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 Act²⁴ and paragraph (f)(1) of Rule 19b-4 thereunder.²⁵ 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-2014-015 on the subject line.

²⁴ 15 U.S.C. 78s(b)(3)(A).

²⁵ 17 CFR 240.19b-4(f)(1).

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-2014-015. 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-2014-015 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.²⁶

Elizabeth M. Murphy

Secretary

²⁶ 17 CFR 200.30-3(a)(12).



**Investment Company
And Variable Contracts Products
Principal Qualification Examination
(Series 26)**

Content Outline

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INTRODUCTION

The Series 26 Examination is the Investment Company and Variable Contracts Products Principal 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 Investment Company and Variable Contracts Products Principal Qualification Examination (Series 26). 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 items are also included to acquaint candidates with the types of multiple-choice items 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 26 Examination is designed to assess the competency of entry-level Investment Company and Variable Contracts Products Principals. It is intended to safeguard the investing public by helping to ensure that Investment Company and Variable Contracts Products Principals are competent to perform their jobs. Given this purpose, the Series 26 Examination seeks to measure the degree to which each candidate possesses the knowledge, skills and abilities needed to perform the critical functions of an Investment Company and Variable Contracts Products Principal. For more information about the permissible activities of an Investment Company and Variable Contracts Products Principal, please see NASD Rule 1022, which can be viewed in the FINRA Rule Manual through the following web link: 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 26 Examination. In order to be registered in this registration category, candidates must first be qualified as an Investment Company and Variable Contracts Products Representative (Series 6), or General Securities Representative (Series 7). For more information on eligibility requirements, please see NASD Rule 1021, which can be viewed in the FINRA Rule Manual through the following web link: 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®) and request the Investment Company and Variable Contracts Products Principal position (IP) on the Form U4.

STRUCTURE OF THE EXAMINATION

The examination consists of 110 multiple-choice items, which are distributed among the three major content areas listed in the table below.

Job Functions and Number of Items by Job Function		
Job Functions		Number of Items
Function 1	Personnel Management Activities and Registration of the Broker-Dealer	16
Function 2	Supervises Associated Persons and Oversees Sales Practices	49
Function 3	Oversees Compliance and Business Processes of the Broker-Dealer and its Offices	45
Total		110

DEVELOPMENT AND MAINTENANCE OF THE CONTENT OUTLINE AND EXAMINATION

The Series 26 Content Outline was developed based on the results of a job analysis study of Investment Company and Variable Contracts Products Principals. The job analysis process included collecting data about the job functions, tasks and required knowledge of Investment Company and Variable Contracts Products Principals 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 items. Test items are subjected to multiple reviews prior to inclusion on the examination, and each item is linked directly to a component of the content outline. Test items vary in difficulty and complexity. Each item will have only one correct or best answer.

The bank of test items 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 items and their statistical performance are analyzed routinely by FINRA staff and the Committee to ensure that test items continue to be relevant to the functions of Investment Company and Variable Contracts Products Principals. Examination items 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 items that do not contribute toward the candidate's score. The 10 items are randomly distributed throughout the examination. Therefore, each candidate's examination consists of a total of 120 items (110 scored and 10 unscored). Each scored test item is worth one point. There is no penalty for guessing. Therefore, candidates should attempt to answer all items. Candidates will be allowed 2 hours and 45 minutes 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 items involve calculations. Only calculators provided by the test center administrators are allowed for use during the examination.

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

HOW THE EXAMINATION IS SCORED

The passing score for the examination is the minimum number of test items 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 is independent of the performance of candidates taking the examination. The passing score is 70%.

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 items are not available for review after taking the examination.

THE SERIES 26 CONTENT OUTLINE

Function 1 – Personnel Management Activities and Registration of the Broker-Dealer

- 1.1 Conducts personnel management activities and administers the registration of the broker-dealer and associated persons in the Central Registration Depository (CRD)® System by filing, updating or amending appropriate documents**

KNOWLEDGE OF:

- SEC, SRO and state requirements, including basic information about registration requirements and exemptions
- Filing requirements of Uniform Forms: U4, U5, BD, BDW, BR
- Pre-hire requirements based on background, disciplinary, complaint or financial history and registration/affiliation
- Differences between registered investment adviser and broker-dealer, broker-dealer and non-broker-dealer, and members and non-members, including registration requirements
- Permitted activities of registered and non-registered associated persons
- Requirements for heightened supervision

FINRA By-Laws

Article I – Definitions

Article III – Qualifications of Members and Associated Persons

Article IV – Membership

Section 1 – Application for Membership

Section 3 – Executive Representative

Section 5 – Resignation of Members

Section 7 – Transfer and Termination of Membership

Section 8 – Registration of Branch Offices

Article V – Registered Representatives and Associated Persons

Section 1 – Qualification Requirements

Section 2 – Application for Registration

Section 3 – Notification by Member to the Corporation and Associated Person of Termination; Amendments to Notification

FINRA Rules

1010 – Electronic Filing Requirements for Uniform Forms

1122 – Filing of Misleading Information as to Membership or Registration

1230 – Registration Categories

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

8312 – FINRA BrokerCheck Disclosure

NASD Rules

- IM-1000-2 – Status of Persons Serving in the Armed Forces of the United States
- IM-1000-3 – Failure to Register Personnel
- IM-1000-4 – Branch Offices and Offices of Supervisory Jurisdiction
- 1010 Series – Membership Proceedings
- 1020 Series – Registration of Principals
- 1030 Series – Registration of Representatives
- 1040 Series – Registration of Assistant Representatives and Proctors
- 1060 – Persons Exempt from Registration
- 1070 – Qualification Examinations and Waiver of Requirements
- 1080 – Confidentiality of Examinations
- 3010(e) – Supervision (Qualifications Investigated)
- 3010 (f) – Supervision (Applicant's Responsibilities)
- 3010(g) – Definitions (Office of Supervisory Jurisdiction and Branch Office)

Securities Exchange Act of 1934

- Section 3(a) – Definitions and Application of Title
- Section 15 – Registration and Regulation of Brokers and Dealers
- Section 15A – Registered Securities Associations
- Section 17(f)(2) – Accounts and Records, Reports, Examinations of Exchanges, Members, and Others
- Rule 15b1-1 – Application for Registration of Brokers or Dealers
- Rule 15b1-3 – Registration of Successor to Registered Broker or Dealer
- Rule 15b2-2 – Inspection of Newly Registered Brokers and Dealers
- Rule 15b3-1 – Amendments to Application
- Rule 15b6-1 – Withdrawal From Registration
- Rule 15b7-1 – Compliance with Qualification Requirements of Self-Regulatory Organizations
- Rule 17a-3(a)(17) – Records to Be Made By Certain Exchange Members, Brokers and Dealers
- Rule 17a-4(d) – Records to Be Preserved By Certain Exchange Members, Brokers and Dealers
- Rule 17f-2 – Fingerprinting of Security Industry Personnel
- Rule 19h-1 – Notice By a Self-Regulatory Organization of Proposed Admission to or Continuance in Membership or Participation or Association With a Member of Any Person Subject to a Statutory Disqualification, and Applications to the Commission For Relief Therefrom

Investment Advisers Act of 1940

- Section 201 – Findings
- Section 202 – Definition of Investment Adviser
- Section 203 – Registration of Investment Advisers

1.2 Provides training and education on securities industry structure, rules and regulations, product characteristics, and firm policies

KNOWLEDGE OF:

- **Product types, characteristics, fees and charges**
- **Risk characteristics of investment companies and underlying products**
- **Regulatory element and firm element continuing education requirements**
- **Annual compliance meeting requirement**

FINRA Rules

- 1250 – Continuing Education Requirements
- 2111 – Suitability
- 2320 – Variable Contracts of an Insurance Company
- 2330 – Members' Responsibilities Regarding Deferred Variable Annuities
- 3130(b) – Annual Certification of Compliance and Supervisory Process (Annual Certification Requirement)

NASD Rule

- 2830 – Investment Company Securities
- 3010(a)(7) – Supervision (Supervisory System)

Securities Act of 1933

- Section 2 – Definitions; Promotion of Efficiency, Competition, and Capital Formation

Investment Company Act of 1940

- Section 2 – General Definitions
- Section 4 – Classification of Investment Companies
- Section 5 – Subclassification of Management Companies
- Section 8 – Registration of Investment Companies
- Section 11 – Offers of Exchange
- Section 12 – Functions and Activities of Investment Companies
- Section 13 – Changes in Investment Policy
- Section 22 – Distribution, Redemption, and Repurchase of Securities
- Section 35 – Unlawful Representations and Names
- Rule 22c-1 – Pricing of Redeemable Securities For Distribution, Redemption and Repurchase
- Rule 22d-1 – Exemption From Section 22(d) to Permit Sales of Redeemable Securities at Prices Which Reflect Sales Loads Set Pursuant to a Schedule
- Rule 22d-2 – Exemption From Section 22(d) for Certain Registered Separate Accounts
- Rule 22e-1 – Exemption From Section 22(e) During Annuity Payment Period of Variable Annuity Contracts Participating in Certain Registered Separate Accounts

FUNCTION 2 – Supervises Associated Persons and Oversees Sales Practices

- 2.1 Monitors, supervises and documents the sales activities of associated persons to achieve compliance with securities industry rules and regulations and firm policies and provides feedback regarding product knowledge and performance**

KNOWLEDGE OF:

- **Standards of conduct and prohibited activities**
- **Regulatory requirements to manage conflicts of interests**
- **Regulatory requirements related to personal trading**

FINRA Rules

- 2010 – Standards of Commercial Honor and Principles of Trade
- 2020 – Use of Manipulative, Deceptive or Other Fraudulent Devices
- 5270 – Front Running of Block Transactions

NASD Rules

- 3010(a) – Supervision (Supervisory Systems)
- 3010(b) – Supervision (Written Procedures)

Securities Act of 1933

- Section 12 – Civil Liabilities Arising in Connection with Prospectuses and Communications
- Section 17 – Fraudulent Interstate Transactions
- Section 23 – Unlawful Representations

Securities Exchange Act of 1934

- Section 10 – Regulation of the Use of Manipulative and Deceptive Devices
- Rule 10b-3 – Employment of Manipulative and Deceptive Devices by Brokers or Dealers
- Rule 10b-5 – Employment of Manipulative and Deceptive Devices
- Rule 10b5-1 – Trading “On the Basis Of” Material Nonpublic Information in Insider Trading Cases
- Rule 10b5-2 – Duties of Trust or Confidence in Misappropriation Insider Trading Cases
- Section 15 – Registration and Regulation of Brokers and Dealers
- Section 15(c)(1) – Use of Manipulative or Deceptive Devices; Contravention of Rules and Regulations
- Section 15(c)(2) – Fraudulent Acts or Practices and Fictitious Quotations
- Rule 15c1-1 – Definitions
- Rule 15c1-2 – Fraud and Misrepresentation
- Rule 15c1-3 – Misrepresentation by Brokers, Dealers and Municipal Securities Dealers as to Registration

Investment Company Act of 1940

- Section 37 – Larceny and Embezzlement

2.2 Monitors, reviews and approves communications with the public to achieve compliance with securities industry rules, regulations, filing requirements and firm policies

KNOWLEDGE OF:

- Advertising regulations and requirements
- Definitions and differences among retail communications, institutional communications and correspondence
- Telemarketing requirements
- Regulation of telephone solicitations (“cold calling”) including national telephone solicitation rules and the National “Do Not Call” Registry
- Regulations regarding public appearances, including sales prospecting, seminars and speaking engagements
- Prohibitions on misleading sales literature and factors affecting whether sales literature might be misleading
- Appropriate use of professional designations

FINRA Rule

- 2210 – Communications with the Public
- 2212 – Use of Investment Companies Rankings in Retail Communications
- 2213 – Requirements for the Use of Bond Mutual Fund Volatility Rating
- 2214 – Requirements for the Use of Investment Analysis Tools
- 3230 – Telemarketing
- 4511 – General Requirements (Books and Records)

NASD Rules

- IM-2210-2 – Communications with the Public About Variable Life Insurance and Variable Annuities
- 3010(b) – Supervision (Written Procedures related to the taping rule)
- 3010(d) – Supervision (Review of Correspondence)

Securities Act of 1933

- Rule 135a – Generic Advertising
- Rule 156 – Investment Company Sales Literature
- Rule 482 – Advertising By an Investment Company as Satisfying Requirements of Section 10
- Regulation D – Rules Governing the Limited Offer and Sale of Securities Without Registration Under the Securities Act of 1933

Investment Company Act of 1940

- Section 24(b) - Registration of Securities Under Securities Act of 1933
- Rule 24b-3 – Sales Literature Deemed Filed
- Rule 34b-1 – Sales Literature Deemed to be Misleading

2.3 Supervises recommendations and the handling of customers' accounts and transactions for appropriate disclosures concerning products, sales charges, risks, services, costs, fees, and delivery of disclosure and legal documents

KNOWLEDGE OF:

- Required information to establish a new account
- Mutual fund and variable product account and transaction characteristics
- Suitability requirements including reasonable-basis suitability, customer-specific suitability, quantitative suitability, investment strategies and recommendations to hold
- Regulatory requirements for the delivery of offering documents (e.g., prospectuses and SAI)
- Regulatory requirements for point-of-sale and on-going disclosures to customers

FINRA Rules

- 2060 – Use of Information Obtained in a Fiduciary Capacity
- 2090 – Know Your Customer
- 2111 – Suitability
- 2111.05 – Components of Suitability Obligations
- 2330 – Members' Responsibilities Regarding Deferred Variable Annuities

NASD Rules

- 2430 – Charges for Services Performed
- 2440 – Fair Prices and Commissions
- 2510 – Discretionary Accounts
- 3010(d) – Supervision (Review of Transactions)

Securities Act of 1933

- Section 5 – Prohibitions Relating to Interstate Commerce and the Mail
- Rule 153a – Definition of "Preceded by a Prospectus" as Used in Section 5(b)(2) of the Act, in Relation to Certain Transactions Requiring Approval of Security Holders

Securities Exchange Act of 1934

- Rule 15c1-7 – Discretionary Accounts
- Rule 15c2-8 – Delivery of Prospectus

2.4 Supervises compliance with FINRA's cash and non-cash compensation rules

KNOWLEDGE OF:

- Limits on gifts and business entertainment
- Restrictions on receipt of cash compensation
- Restrictions regarding training and educational meetings and sales contests
- Rules and regulation regarding influencing employees of others, including associated persons of other broker-dealers
- Payments for referrals
- Networking arrangements

FINRA Rules

- 2320(g) – Variable Contracts of an Insurance Company (Member Compensation)
- 3220 – Influencing or Rewarding Employees of Others
- 3160 – Networking Arrangements Between Members and Financial Institutions

NASD Rules

- 1060(b) – Persons Exempt from Registration
- 2420 – Dealing with Non-Members
- 2830(l) – Investment Company Securities (Member Compensation)

2.5 Reviews and approves or prohibits outside business and personal financial activities of associated persons

KNOWLEDGE OF:

- **Notification and approval requirements**

FINRA Rules

- 2150 – Improper Use of Customers' Securities or Funds; Prohibition Against Guarantees and Sharing in Accounts
- 3240 – Borrowing From or Lending to Customers
- 3270 – Outside Business Activities of a Registered Person

NASD Rules

- 3040 – Private Securities Transactions of an Associated Person
- 3050 – Transactions for or by an Associated Person

2.6 Takes action, as necessary, regarding the conduct of associated persons and addresses violations or potential violations of securities industry rules and regulations and firm policies and procedures

KNOWLEDGE OF:

- **Insider trading and related internal control policies and procedures**
- **Civil and criminal penalties**

FINRA By-Laws

- Article IV – Membership
 - Section 6 – Retention of Jurisdiction
- Article V – Registered Representatives and Associated Persons
 - Section 4 – Retention of Jurisdiction

FINRA Rules

- 5240 – Anti-Intimidation/Coordination
- 8000 Series – Investigations and Sanctions
- 9000 Series – Code of Procedure

9100 – Application and Purpose

9200 – Disciplinary Proceedings

9300 – Review of Disciplinary Proceeding by National Adjudicatory Council and FINRA Board;
Application for SEC Review

9600 – Procedures for Exemptions

Securities Exchange Act of 1934

Section 15(f) – Registration and Regulation of Brokers and Dealers; Prevention of Misuse of
Material, Nonpublic Information

Section 20A – Liability to Contemporaneous Traders for Insider Trading

Section 21A – Civil Penalties for Insider Trading

Section 21(d) – Investigations; Injunctions and Prosecution of Offenses

Insider Trading Sanctions Act of 1984

Insider Trading and Securities Fraud Enforcement Act of 1988

FUNCTION 3 – Oversees Compliance and Business Processes of the Broker-Dealer and its Offices

3.1 Supervises the firm's operational processes for compliance with regulatory requirements related to the opening and ongoing maintenance of customer accounts

KNOWLEDGE OF:

- Required content for new account forms and product application
- Requirement to maintain current and accurate account information
- Delivery of securities
- Cash Accounts
- Prompt payment for securities purchased, extensions of time, and frozen accounts
- Transferring accounts between broker-dealers (e.g., Automated Customer Account Transfer Service (ACATS))
- Account registration changes and internal transfers (e.g., Transfer on Death (TOD), divorce)
- Privacy requirements including controls to safeguard customers' personal information

FINRA Rules

- 2140 – Interfering With the Transfer of Customer Accounts in the Context of Employment Disputes
- 2090 – Know Your Customer
- 2232 – Customer Confirmations
- 2251 – Forwarding of Proxy and Other Issuer-Related Materials
- 4510 – Books and Records Requirements
- 4512 – Customer Account Information
- 4514 - Authorization Records for Negotiable Instruments Drawn From a Customer's Account
- 4515 – Approval and Documentation of Changes in Account Name or Designation
- 11310 – Book-Entry Settlement
- 11320 – Dates of Delivery
- 11330 – Payment
- 11870 – Customer Account Transfer Contracts

NASD Rules

- 2340 – Customer Account Statements
- 2830(m) – Prompt Payment for Investment Company Shares

Securities Exchange Act 1934

- Rule 10b-10 – Confirmation of Transactions
- Rule 15c6-1 – Settlement Cycle (i.e., exemptions for variable contracts)
- Rule 17a-3(a)(9) – Records to be Made by Certain Exchange Members, Brokers and Dealers (Customer Account Information)
- Rule 17a-3(a)(17) – Records to be Made by Certain Exchange Members, Brokers and Dealers (Customer Account Records and Updates)

Regulation S-P – Privacy of Consumer Financial Information and Safeguarding Personal Information

Federal Reserve Board Regulation T – Credit by Brokers and Dealers

3.2 Monitors, identifies and reports suspicious activities consistent with regulatory and firm requirements and verifies that documentation is retained and filed

KNOWLEDGE OF:

- Red flags and escalation requirements upon discovery of suspicious or prohibited activities
- Bank Secrecy Act (BSA) and USA PATRIOT Act
- Office of Foreign Assets Control (OFAC)
- Financial Crimes Enforcement Network (FinCEN)
- Anti-money laundering regulations
- Currency Transaction Reporting (CTR) and Suspicious Activity Report (SAR)
- Requirement to verify that accounts comply with the Customer Identification Program (CIP)

FINRA Rules

- 2267 – Investor Education and Protection
- 3250 – Designation of Accounts (new accounts)
- 3310 – Anti-Money Laundering Compliance Program

Securities Exchange Act of 1934

- Rule 17a-4(c) – Records to Be Preserved by Certain Exchange Members, Brokers and Dealers
- Rule 17a-4(e)(8) – Records to Be Preserved by Certain Exchange Members, Brokers and Dealers
- Rule 17a-8 – Financial Recordkeeping and Reporting of Currency and Foreign Transactions

Federal Trade Commission (FTC)

- Fair and Accurate Credit Transactions Act of 2003 (FACT Act)
- Section 114 – Establishment of Procedures for the Identification of Possible Instances of Identity Theft

Financial Crimes Enforcement Network (FinCEN)

- Bank Secrecy Act (BSA) Requirements

USA PATRIOT Act

- Section 314 – Cooperative Efforts to Deter Money Laundering
- Section 326 – Customer Identification Programs
- Section 352 – Anti-Money Laundering Programs

U.S. Treasury – Office of Foreign Assets Control (OFAC)

- OFAC Specially Designated National List (SDN)

3.3 Develops, implements and tests the adequacy of internal controls and monitors business activities for compliance with regulatory and reporting requirements

KNOWLEDGE OF:

- Requirement that all activities and systems have proper controls
- Appropriate testing of the firm's written supervisory procedures and controls, including the CEO Certification
- Regulatory requirements for firm's systems and technologies
- Requirements to implement and test the firm's business continuity plan (BCP)
- Exception reports and risk management
- Annual audit and testing requirements
- FOCUS filing requirements
- Requirements for handling of customer funds

FINRA Rules

- 2342 – "Breakpoint" Sales
- 3130 – Annual Certification of Compliance and Supervisory Processes
- 4370 – Business Continuity Plans and Emergency Contact Information
- 4524 – Supplemental FOCUS Information
- 4530 – Reporting Requirements
- 8110 – Availability of Manual to Customers

NASD Rules

- 1160 – Contact Information Requirements
- 3010(b) – Supervision (Written Procedures)
- IM 3010-1 – Standards for Reasonable Review
- 3012 – Supervisory Control System

Securities Exchange Act of 1934

- Rule 17a-4 – Records to be Preserved by Certain Exchange Members, Brokers and Dealers
- Rule 17a-5(e) – Reports to Be Made by Certain Brokers and Dealers

3.4 Performs required office inspections to verify compliance with regulatory requirements and firm policies and procedures

KNOWLEDGE OF:

- Books and records requirements
- Requirement to conduct periodic inspections and reviews of activities of personnel located at offices of supervisory jurisdiction (OSJ), branch offices and unregistered office locations
- Supervisory files
- Appropriate signage based on office classification

FINRA Rules

- 2261 – Disclosure of Financial Condition

- 3160 – Networking Arrangements Between Members and Financial Institutions
- 4110 – Capital Compliance
- 4510 – Books and Records Requirement
- 7440 – Recording of Order Information

NASD Rules

- 3010(c) – Supervision (Internal Inspections)
- 3010(g) – Supervision (Definitions)
- IM 3010-1 – Standards for Reasonable Review
- 3110(i) – Holding of Customer Mail
- 3140 – Approval of Change in Exempt Status Under SEC Rule 15c3-3

Securities Exchange Act of 1934

- Section 15(c)(3) – Financial Responsibility of Brokers and Dealers
- Section 17(a)(1) – General Requirements
- Rule 15b2-2 – Inspection of Newly Registered Brokers and Dealers
- Rule 15c3-3 – Customer Protection – Reserves and Custody of Securities
- Rule 15c3-3 (k) – Exemptions
- Rule 17a-3 – Records to be Made by Certain Exchange Members, Brokers and Dealers
- Rule 17a-5 – Reports to Be Made by Certain Brokers and Dealers
- Rule 17a-11 – Notification Provisions For Brokers and Dealers
- Rule 17f-1 – Requirements for Reporting and Inquiry with Respect to Missing, Lost, Counterfeit or Stolen Securities
- Rule 17f-2 (d) – Fingerprinting of Securities Industry Personnel (Record maintenance)

3.5 Proper handling, resolution and required regulatory reporting of customer complaints

KNOWLEDGE OF:

- **Disclosure reporting and filing requirements**

FINRA Arbitration Procedures

- 12000 Series – Code of Arbitration Procedure for Customer Disputes
- 13000 Series – Code of Arbitration Procedure for Industry Disputes
- 14000 Series – Code of Mediation Procedure

FINRA Rules

- 2080 – Obtaining an Order of Expungement of Customer Dispute Information from the Central Registration Depository (CRD) System
- 2268 – Requirements When Using Predispute Arbitration Agreements for Customer Accounts
- 4513 – Records of Written Customer Complaints
- 4530.08 – Customer Complaints

Securities Exchange Act of 1934

Rule 17a-3(a)(18) – Records to be Made by Certain Exchange Members, Brokers and Dealers
(Customer Complaint Records)

3.6 Supervises introduction, maintenance and reporting requirements of products/business lines and financial responsibility compliance

KNOWLEDGE OF:

- Minimum requirements, aggregate indebtedness and net capital notification provisions
- Adjustments to net worth for illiquid assets, effect on capital of proprietary positions
- SIPC coverage restrictions and limitations
- Due diligence process for products offered by the firm
- Policies, procedures and controls before introducing new products or business lines
- Delivery requirements for annual reports and notices of corporate actions (e.g., proxy statements)
- Continuance in membership applications (CMA)

FINRA Rules

2111.05 – Components of Suitability Obligations

2266 – SIPC Information

4110 – Capital Compliance

4120 – Regulatory Notification and Business Curtailment

4360 – Fidelity Bonds

NASD Rule

1017(c) – Application for Approval of Change in Ownership, Control, or Business Operations

Securities Exchange Act of 1934

Section 14 – Proxies

Rule 15c3-1 – Net Capital Requirements for Brokers and Dealers

Securities Investor Protection Act (SIPA)

Section 3 – Securities Investor Protection Corporation (SIPC)

Section 5 – Protection of Customers

Section 9 – SIPC Advances

Section 14 – Prohibited Acts

Section 15(d) – Advertising

Federal Deposit Insurance Corporation (FDIC) disclosures

SAMPLE ITEMS

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

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: An investor in an IRA may avoid early withdrawal penalties for which of the following?

- (A) Qualified private high school
- (B) Purchase of a vacation home
- (C) Disability*
- (D) Change in employment status

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

Example: Under SEC record keeping rules, trial balances must be prepared by a broker-dealer at least:

- (A) daily.
- (B) monthly.*
- (C) quarterly.
- (D) semiannually.

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: The Investment Company Act of 1940 requires prospectus disclosure of each of the following EXCEPT the:

- (A) fund's past investment performance.
- (B) waiver of sales charges applicable to qualified purchasers.
- (C) fees charged to the fund by the investment advisers.
- (D) investment experience of the officers and directors of the fund.*

REFERENCES

Listed below are government and SRO 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 SRO may publish glossaries of terms, explanations of securities products, and compliance procedures. Candidates are encouraged to refer to the SRO websites for information memos or Regulatory Notices concerning amendments to rules and the announcement of new rules that may 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 SRO and pertinent federal government (*e.g.*, the SEC) websites. It is recommended that candidates refer to the content outline as part of their preparation to take the 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 with and does not endorse any particular course of study.

**Financial Industry Regulatory Authority
(FINRA)**

1735 K Street
Washington DC, 20006
www.finra.org

**Securities Industry/Regulatory Council
On Continuing Education**
www.cecouncil.com

**Securities and Exchange Commission
Office of Investor Education and Advocacy**

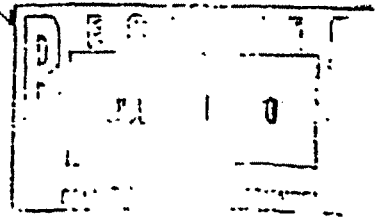
1-800-SEC-0330
www.sec.gov

Exhibit 3c
SR-FINRA-2014-015



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.

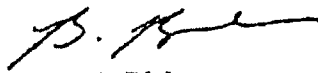
Alden S. Adkins

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,

A handwritten signature in black ink, appearing to read "B. Blaine", with a stylized flourish at the end.

Belinda Blaine
Associate Director