General Securities Principal Qualification Examination
Sales Supervisor Module
(Series 23)

Content Outline

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INTRODUCTION
The Series 23 exam is the General Securities Principal Qualification Examination—Sales Supervisor Module. The exam is developed and maintained by the Financial Industry Regulatory Authority (FINRA). This content outline provides a comprehensive guide to the topics covered on the Series 23 exam. The outline is intended to familiarize exam candidates with the range of subjects covered on the exam, as well as the depth of knowledge required. Sample items are also included to acquaint candidates with the types of multiple-choice items used on the exam. It is recommended that candidates refer to the content outline as part of their preparation to take the exam. Candidates are responsible for planning their course of study in preparation for the exam.

PURPOSE OF THE EXAM
The Series 23 exam is designed to assess the competency of entry-level General Securities Principals. It is intended to safeguard the investing public by helping to ensure that General Securities Principals are competent to perform their jobs. Given this purpose, the Series 23 exam seeks to measure the degree to which each candidate possesses the knowledge, skills and abilities needed to perform the critical functions of a General Securities Principal. For more information about the permissible activities of a General Securities Principal, please see FINRA Rule 1220(a), which is viewable in the FINRA Rule Manual through the following 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 23 exam. In order to register in this category, a candidate must be qualified as a General Sales Securities Sales Supervisor Series 8, a General Securities Sales Supervisor (Options Module) Series 9 and General Securities Sales Supervisor (General Module) Series 10, or an NYSE Branch Manager Series 12. For more information on eligibility requirements, please see FINRA Rule 1220(a), which is viewable in the FINRA Rule Manual through the following link: www.finra.org.

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 General Securities Principal position on the Form U4.
STRUCTURE OF THE EXAM
The exam consists of 100 multiple-choice items, which are distributed among the five major content areas listed in the table below.

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DEVELOPMENT AND MAINTENANCE OF THE CONTENT OUTLINE AND EXAM
The Series 23 content outline was developed based on the results of a job analysis study of General Securities Principals. The job analysis process included collecting data about the job functions, tasks and required knowledge of General Securities Principals from a wide variety of firms using numerous data collection techniques.

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

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

ADMINISTRATION OF THE EXAM
The exam is administered via computer. A tutorial on how to take the exam via computer is provided prior to the exam. Each candidate’s exam consists of a total of 100 items. There is no penalty for guessing. Therefore, candidates should attempt to answer all items. Candidates will be allowed 2 hours and 30 minutes to complete the exam.
The test administrator will provide white boards/dry erase markers and basic electronic calculators to candidates, who must return these materials to the test center administrator at the end of the testing session. Some exam items may involve calculations. Only calculators provided by the test center administrators are allowed for use during the exam.

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

**HOW THE EXAM IS SCORED**

The passing score for the exam is the minimum number of items that a candidate has to answer correctly in order to pass the exam. Using a standard-setting procedure, FINRA staff, in consultation with the Committee, establishes the passing score for the exam. The passing score is an absolute standard and is independent of the performance of candidates taking the exam. The passing score for this exam is 70%.
SERIES 23 CONTENT OUTLINE

FUNCTION 1—Supervision of Registration of the Broker-Dealer and Personnel Management Activities

1.1 Initiate or terminate the registration of the broker-dealer and physical office locations in the Central Registration Depository (CRD) System by filing, updating or amending appropriate documents

KNOWLEDGE OF:
- Difference between SEC, SRO and state requirements, including information about registration requirements and exemptions
- Form BD, Form BDW, Form BR
- Difference between Registered Investment Adviser (RIA) and Broker-Dealers (BD) and required registrations

FINRA By-Laws
Article IV—Membership
  Section 1—Application for Membership
  Section 3—Executive Representative
  Section 5—Resignation of Members
  Section 6—Retention of Jurisdiction
  Section 7—Transfer and Termination of Membership
  Section 8—Registration of Branch Offices

FINRA Rules
  3110—Supervision

Securities Exchange Act of 1934
  Section 3(a)(4)—Broker
  Section 3(a)(5)—Dealer
  Section 15—Registration and Regulation of Brokers and Dealers
  Section 15(a)(1)
    Rule 15a-6—Exemption of Certain Foreign Brokers or Dealers
  Section 15(b)(1)
    Rule 15b1-1—Application for Registration of Brokers or Dealers
  Section 15(b)(2)(A)
    Rule 15b1-3—Registration of Successor to Registered Broker or Dealer
  Section 15(b)(8)
    Rule 15b3-1—Amendments to Application
  Section 15(b)(4)—Sanctions Against Brokers or Dealers
  Section 15(b)(5)
    Rule 15b6-1—Withdrawal from Registration
  Section 15(b)(6)—Sanctions For Persons Associated with a Broker or Dealer
  Section 15(c)(1)
1.2 Conduct hiring and registration of associated persons and maintenance of registration

KNOWLEDGE OF:
- Prehire requirements based on background, disciplinary, complaint or financial history and the registration/affiliation
- Associated person registration requirements
- SEC, SRO and state requirements, including basic information about registration requirements
- Requirements for heightened supervision
- Forms U4 and U5 and required amendments
- Types of activities of associated or registered persons
- Regulatory element and firm element continuing education requirements

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

FINRA Rules
- 1010—Electronic Filing Requirements for Uniform Forms
- 1122—Filing of Misleading Information as to Membership or Registration
- 1210 —Registration Requirements
- 1220 —Registration Requirements
- 1230 —Persons Exempt from Registration
1240—Continuing Education Requirements
2263—Arbitration Disclosure to Associated Persons Signing or Acknowledging Form U4
3110(e)—Responsibility of Member to Investigate Applicants for Registration
8311—Effect of a Suspension, Revocation, Cancellation, or Bar
9500 Series—Other Proceedings

Securities Exchange Act of 1934
Section 3(a)(39)
Section 15(b)(7)
  Rule 15b7-1—Compliance with Qualification Requirements of Self-Regulatory Organizations
Section 17—Accounts and Records, Reports, Examinations of Exchanges, Members and Others
  Rule 17a-3(a)(12)
  Rule 17a-3(a)(13)
  Rule 17a-3(a)(15)
  Rule 17f-2—Fingerprinting of Security Industry Personnel
Section 15A(g)(2)
  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
FUNCTION 2—Supervision of General Broker-Dealer Activities

2.1 Develop, implement and update firm’s policies, written supervisory procedures (WSP) and controls for applicable rules and regulations; and implement appropriate monitoring and testing

KNOWLEDGE OF:
• Requirement to conduct periodic inspections and reviews of activities of personnel located at the Office of Supervisory Jurisdiction (OSJ), branch offices and associated office locations
• Appropriate testing of the firm’s procedures and controls including the CEO Certification
• Business and regulatory requirements for firm’s systems and technologies
• Requirement that all activities and systems have proper controls
• Requirements to implement and test the firm’s Business Continuity Plan (BCP)

FINRA Rules
3130—Annual Certification of Compliance and Supervisory Processes
3110—Supervision
   3110.12—Standards for Reasonable Review
3120—Supervisory Control System
4370—Business Continuity Plans and Emergency Contact Information
4517—Member Filing and Contact Information Requirements
8110—Availability of Manual to Customers

Securities Exchange Act of 1934
Section 15(b)(2)(C)
   Rule 15b2-2—Inspection of Newly Registered Brokers and Dealers
Section 17—Accounts and Records, Reports, Examinations of Exchanges, Members and Others
   Rule 17a-3(a)(22)
   Rule 17a-4(e)(7)

2.2 Supervise the conduct of associated persons

KNOWLEDGE OF:
• Regulatory requirements to manage conflicts of interests
• Regulatory requirements related to personal trading, private securities transactions and outside business and other activities

FINRA Rules
2010—Standards of Commercial Honor and Principles of Trade
2020—Use of Manipulative, Deceptive or Other Fraudulent Devices
2060—Use of Information Obtained in a Fiduciary Capacity
2150—Improper Use of Customers’ Securities or Funds; Prohibition Against Guarantees and Sharing in Accounts
2320—Variable Contracts of an Insurance Company
2341—Investment Company Securities
3110(d)—Transaction Review and Investigation
3210—Accounts At Other Broker-Dealers and Financial Institutions
3240—Borrowing From or Lending to Customer
3270—Outside Business Activities of Registered Persons
3280—Private Securities Transactions of an Associated Person
5210.01—Publication of Transactions and Quotations – Manipulative and Deceptive Quotations

Securities Exchange Act of 1934
Section 9 (a) and (e)—Prohibitions Against Manipulation of Security Prices
Section 10—Regulation of the Use of Manipulative and Deceptive Devices
  Rule 10b-1—Prohibition of Use of Manipulative or Deceptive Devices or Contrivances With Respect to Securities Exempted from Registration
  Rule 10b-3—Employment of Manipulative and Deceptive Devices by Brokers or Dealers
  Rule 10b-5—Employment of Manipulative and Deceptive Devices
  Rule 10b5-1—Trading “On the Basis Of” Material Nonpublic Information in Insider Trading Cases
  Rule 10b5-2—Duties of Trust or Confidence in Misappropriation Insider Trading Cases
  Rule 10b-17—Untimely Announcements of Record Dates
  Rule 10b-18—Purchases of Certain Equity Securities by the Issuer and Others
Section 15(c)(1)
  Rule 15c1-1—Definitions
  Rule 15c1-2—Fraud and Misrepresentation
Section 15(g)
Section 17—Accounts and Records, Reports, Examinations of Exchanges, Members and Others
  Rule 17a-3(a)(1)
Section 20A—Liability to Contemporaneous Traders for Insider Trading
Section 21—Investigations; Injunctions and Prosecution of Offenses
Section 21A—Civil Penalties for Insider Trading
Section 32—Penalties

2.3 Supervise compensation practices of member, associated persons and other parties

KNOWLEDGE OF:

- Networking arrangements
- Payments for referrals
- Cash and non-cash compensation arrangements
- Gifts

FINRA Rules
  1230—Associated Persons Exempt from Registration
  2320(g)—Member Compensation
  2040—Payments to Unregistered Persons
  3160—Networking Arrangements Between Members and Financial Institutions
  3220—Influencing or Rewarding Employees of Others

Securities Exchange Act of 1934
  Section 3(a)(4)(B)—Exception for Certain Bank Activities
Section 17— Accounts and Records, Reports, Examinations of Exchanges, Members and Others
Rule 17a-3(a)(19)

2.4 Supervise the development, evaluation and delivery of products and services offered by the broker-dealer

KNOWLEDGE OF:
- Products and their risk characteristics and appropriate accounts
- Industry initiatives, developments, new and existing rules
- Requirements to train associated persons concerning products and services
  Requirements to conduct due diligence on new products and services and continue risk assessment of existing products and services
- Ongoing risk assessment of listing products and services

FINRA Rules
1014(a)(9)—Standards for Admission
1017—Application for Approval of Change in Ownership, Control, or Business Operations
2111.05(a)—Components of Suitability Obligations
2310—Direct Participation Programs
2320—Variable Contracts of an Insurance Company
2330—Members’ Responsibilities Regarding Deferred Variable Annuities
2341—Investment Company Securities
3110—Supervision
3120—Supervisory Control System

Securities Exchange Act of 1934
Section 3—Definitions and Application of Title
Section 3(a)(10)—Security
Section 3(a)(11)—Equity Security
  Rule 3a11-1—Definition of the Term “Equity Security”
Section 3(a)(12)—Exempted Security
  Rule 3b-5—Non-Exempt Securities Issued Under Governmental Obligations

Securities Act of 1933
Section 3(b)—Additional Exemptions
Regulation A—Conditional Small Issues Exemption
Section 4(2) Transactions by an Issuer Not Involving Any Public Offerings
Section 4(6) Transactions Involving Offers or Sale by an Issuer Solely to One or More Accredited Investors Up To the Section 3(b) Maximum
  Rule 144—Persons deemed Not To Be Engaged in a Distribution and Therefore Not Underwriters

Investment Company Act of 1940
Section 2—Definitions
Section 3—Definition of Investment Company
Section 4—Classification of Investment Company
Section 5—Sub-Classification of Management Companies
Section 8—Registration of Investment Companies
Section 8(b)—Filing Requirements for Investment Companies
  Form N-1A—Registration Statement of Open-End Management Investment Companies
Section 11—Offers of Exchange
Section 12—Functions and Activities of Investment Companies
  Rule 12b-1—Distribution of Shares by Registered Open-End Management Investment Company
Section 13—Changes in Investment Policy
Section 19—Payments or Distributions
  Rule 19a-1—Written Statement to Accompany Dividend Payments by Management Companies
  Rule 19b-1—Frequency of Distribution of Capital Gains
Section 22—Distribution, Redemption, and Repurchase of Redeemable Securities
Section 22(c)—Regulation of Underwriters and Dealers by Commission
  Rule 22c-1—Pricing of Redeemable Securities for Distribution, Redemption and Repurchase
Section 22(d)—Persons To and Through Whom Redeemable Securities May be Sold
  Rule 22d-1—Exemption from Section 22(d) to Permit Sales of Redeemable Securities at Prices Which Reflect Sales Loads Set Pursuant to a Schedule
  Rule 22d-2—Exemption from Section 22(d) for Certain Registered Separate Accounts
Section 22(e)—Suspension of Rights of Redemption
  Rule 22e-1—Exemption from Section 22(e) During Annuity Payment Period of Variable Annuity Contracts Participating in Certain Registered Separate Accounts
Section 23—Distribution and Repurchase of Securities: Closed-End Companies
Section 35—Unlawful Representations and Names
Section 37—Larceny and Embezzlement

Trust Indenture Act of 1939
Section 305—Securities Required To Be Registered Under Securities Act
Section 306—Securities Not Registered Under Securities Act
Section 307—Qualification of Indentures Covering Securities Not Required To Be Registered
Section 309—When Qualification Becomes Effective; Effect of Qualification

2.5 Take disciplinary or corrective actions relating to the conduct of associated persons; address regulatory actions regarding violations or potential violations of securities industry laws, rules and regulations; and address customer and industry disputes

KNOWLEDGE OF:
- Proper handling and resolution of customer and industry disputes
- FINRA and SEC disciplinary processes
- Reporting requirements for customer complaints and other events

FINRA Rules
2080—Obtaining an Order of Expungement of Customer Dispute Information from the Central Registration Depository (CRD) System
4513—Records of Written Customer Complaints
4530—Reporting Requirements
2.6 Develop and maintain policies, procedures and controls relating to the creation and retention of books and records

KNOWLEDGE OF:
• Record retention requirements
• **Electronic records storage requirements**

FINRA Rules
3170—Tape Recording of Registered Persons by Certain Firms
4510 Series—Books and Records Requirements
  4511—General Requirements
  4570—Custodian of Books and Records

Securities Exchange Act of 1934
Section 17—Accounts and Records, Reports, Examinations of Exchanges, Members and Others
  Rule 17a-3(a)(21)
  Rules 17a-3(g) and 17a-3(h)(1)
  Rule 17a-4(b)(7)
  Rule 17a-4(f)
  Rule 17a-4(g)
  Rule 17a-4(i)
  Rule 17a-4(l)
  Rule 17a-7—Records of Nonresident Brokers and Dealers

2.7 **Supervise compliance with financial responsibility requirements and funding and cash management**

**KNOWLEDGE OF:**
• Reporting requirements of firm capital condition
• Requirements to segregate customer securities and funds
• Requirement to report short interest
• Introducing and clearing arrangements
• SEC requirements for extensions of credit and related disclosure

FINRA Rules
1021—Foreign Members
2261—Disclosure of Financial Condition
4120—Regulatory Notification and Business Curtailment
4160—Verification of Assets
4210—Margin Requirements
4220—Daily Record of Required Margin
4230—Required Submission for Extension of Time under Regulation T and SEC Rule 15c3-3
4240—Margin Requirements for Credit Default Swaps
4311—Carrying Agreements
4330—Customer Protection—Permissible Use of Customers’ Securities
4340—Callable Securities
4360—Fidelity Bonds
4540—Reporting Requirements for Clearing Firms
4560—Short-Interest Reporting
6274 and 6350A/B—Clearance and Settlement
Securities Exchange Act of 1934
Section 3(a)(12)
Rule 3a12-9—Exemption of Certain Direct Participation Program Securities From the Arranging Provisions of Sections 7(c) and 11(d)(1)

Section 1—Regulation of the Use of Manipulative and Deceptive Devices
Rule 10b-16—Disclosure of Credit Terms in Margin Transactions

Section 8—Restrictions on Borrowing by Members, Brokers and Dealers
Rule 8c-1—Hypothecation of Customers’ Securities

Section 11(d)(1)—Extension of Credit
Rule 11d1-1—Exemption of Certain Securities from Section 11(d)(1)
Rule 11d1-2—Exemption From Section 11(d)(1) For Certain Investment Company Securities Held by Broker–Dealers as Collateral in Margin Accounts
Rule 15c1-9—Use of Pro Forma Balance Sheets

Section 15(c)(2)
Rule 15c2-1—Hypothecation of Customers’ Securities
Appendix D—Satisfactory Subordination Agreements
Rule 15c2-5—Disclosure and Other Requirements When Extending or Arranging Credit in Certain Transactions

Section 15(c)(3)
Rule 15c3-1—Net Capital Requirements for Brokers or Dealers
Rule 15c3-2—Customers’ Free Credit Balances
Rule 15c3-3—Customer Protection—Reserves and Custody of Securities

Section 17—Accounts and Records, Reports, Examinations of Exchanges, Members and Others
Rule 17a-3(a)(11)
Rule 17a-3(a)(14)
Rule 17a-4(b)(2)
Rule 17a-4(b)(3)
Rule 17a-4(b)(5)
Rule 17a-4(b)(8)
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

Federal Reserve Board Regulation T—Credit by Brokers and Dealers

Securities Investor Protection Act of 1970 (SIPA)
Section 3—Securities Investor Protection Corporation (SIPC)
Section 5—Protection of Customers
Section 9—SIPC Advances
Section 14—Prohibited Acts

Sarbanes—Oxley
Section 404—Management Assessment of Internal Controls
FUNCTION 3—Supervision of Retail and Institutional Customer-Related Activities

3.1 Supervise new account opening and ongoing maintenance of existing accounts

KNOWLEDGE OF:
- Requirement to obtain specified customer information
- Requirement to verify that accounts comply with Customer Identification Program (CIP)
- Bank Secrecy Act and USA PATRIOT Act
- Office of Foreign Assets Control (OFAC)
- Financial Crimes Enforcement Network (FinCEN)
- Anti-Money Laundering regulations
- Asset transfer processes
- Required documentation for account changes
- Privacy of customer information
- Detect, prevent and mitigate identity theft

FINRA Rules
2010—Standards of Commercial Honor and Principles of Trade
2140—Interfering With the Transfer of Customer Accounts in the Context of Employment Disputes
2231—Customer Account Statements
3250—Designation of Accounts
3310—Anti-Money Laundering Compliance Program
  Supplementary Material
  .01 Independent Testing Requirements
  .02 Review of Anti-Money Laundering Compliance Person Information
4512—Customer Account Information
11870—Customer Account Transfer Contracts

Securities Exchange Act of 1934
Section 17—Accounts and Records, Reports, Examinations of Exchanges, Members and Others
  Rule 17a-3(a)(9)
  Rule 17a-3(a)(17)
  Rule 17a-4(c)
  Rule 17a-4(e)(8)
  Rule 17a-8—Financial Recordkeeping and Reporting of Currency and Foreign Transactions
SEC Regulation S-P—Privacy of Consumer Financial Information and Safeguarding Personal Information
SEC Regulation S-ID—Identity Theft Red Flags

3.2 Monitor, review and approve speaking engagements and other communications with the public

KNOWLEDGE OF:
- Social media and electronic communications guidelines
• Differences among research, retail and institutional communications and correspondence
• Various approval and filing requirements
• “Do Not Call” list requirements

FINRA Rules
2210—Communications with the Public
2211—Communications with the Public About Variable Life Insurance and Variable Annuities
2212—Use of Investment Companies Rankings in Retail Communications
2213—Requirements for the Use of Bond Mutual Fund Volatility Ratings
2214—Requirements for the Use of Investment Analysis Tools
2216—Communications with the Public about Collateralized Mortgage Obligations (CMOs)
3170—Tape Recording of Registered Persons by Certain Firms
3230—Telemarketing
5230—Payments Involving Publications that Influence the Market Price of a Security

Securities Act of 1933
Section 10(b)
Rule 482—Advertising by an Investment Company as Satisfying Requirements of Section 10
Section 17(a)
Rule 156—Investment Company Sales Literature

Securities Exchange Act of 1934
Section 17—Accounts and Records, Reports, Examinations of Exchanges, Members and Others
Rule 17a-3(a)(20)
Rule 17a-4(b)(4)

Investment Company Act of 1940
Section 34(b)
Rule 34b-1—Sales Literature Deemed To Be Misleading

Securities Investor Protection Act of 1970 (SIPA)
Section 15(d)—Advertising

3.3 Review securities transactions, recommendations and account activity, and verify that required disclosures are made

KNOWLEDGE OF:
• Best interest obligations and suitability requirements
• Requirement to recognize red flags, investigate and escalate potential issues
• Commission and markup regulations
• Requirements to provide disclosures concerning products, risks, services, costs and fees
FINRA Rules
2040—Payments to Unregistered Persons
2090—Know Your Customer
2111—Suitability
2114—Recommendations to Customers in OTC Equity Securities
2121—Fair Prices and Commissions
2122—Charges for Services Performed
2124—Net Transactions with Customers
2130—Approval Procedures for Day-Trading Accounts
2232—Customer Confirmations
2251—Forwarding of Proxy and Other Issuer-Related Materials
2264—Margin Disclosure Statement
2265—Extended Hours Trading Risk Disclosure
2266—SIPC Information
2267—Investor Education and Protection
2268—Requirements When Using Predispute Arbitration Agreements for Customer Accounts
2270—Day-Trading Risk Disclosure Statement
2310(b)(2)—Direct Participation Programs
2342—“Breakpoint” Sales
3150—Holding of Customer Mail
3260—Discretionary Accounts
4210(f)(8)(B)—Day Trading
4514—Authorization Records for Negotiable Instruments Drawn from a Customer's Account

Securities Exchange Act of 1934
Section 10—Regulation of the Use of Manipulative and Deceptive Devices
   Rule 10b-10—Confirmation of Transactions
Section 15
   Rule 15c1-7—Discretionary Accounts
   Rule 15I-1—Regulation Best Interest
Section 17—Accounts and Records, Reports, Examinations of Exchanges, Members and Others
   Rule 17a-3(a)(8)
   Rule 17a-4(b)(6)
   Rule 17a-14—Form CRS, for Preparation, Filing and Delivery of Form CRS
FUNCTION 4—Supervision of Trading and Market Making Activities

4.1 Supervise order entry, routing and execution

KNOWLEDGE OF:
- Requirements to implement and enforce trader mandates and to restrict traders to assigned aggregation units
- Market making and quoting activities
- Requirements to comply with Regulation SHO
- Various execution venues, order routing, best execution obligations and Regulation NMS
- Various restrictions on trading systems and capital and credit limits
- Volatility trading pauses
- Prohibited trading activities
- Escalation requirements upon discovery of a prohibited activity

FINRA Rules
5200 Series—Quotation and Trading Obligations and Practices
  5210—Publication of Transactions and Quotations
  5220—Offers at Stated Prices
  5240—Anti–intimidation/Coordination
  5250—Payments for Market Making
  5260—Prohibition on Transactions, Publication of Quotations, or Publication of Indications of Interest During Trading Halts
  5270—Front Running of Block Transactions
  5280—Trading Ahead of Research Reports
  5290—Order Entry and Execution Practices
5300 Series—Handling of Customer Orders
  5310—Best Execution and Interpositioning
  5320—Prohibition Against Trading Ahead of Customer Orders
  5330—Adjustment of Orders
  5340—Pre-Time Stamping
6100 Series—Quoting and Trading in NMS Stocks
  6120—Trading Halts
  6121—Trading Halts Due to Extraordinary Market Volatility
  6190—Compliance with Regulation NMS Plan to Address Extraordinary Market Volatility
6200 Series—Alternative Display Facility
  6220—Definitions
  6272—Character of Quotations
  6273—Normal Business Hours
6400 Series—Quoting and Trading in OTC Equity Securities
  6431—Recording of Quotation Information
  6432—Compliance with the Information Requirements of SEA Rule 15c2-11
6433—Minimum Quotation Size Requirement for OTC Equity Securities
6435—Withdrawal of Quotations in an OTC Equity Security in Compliance with SEC Regulation M
6440—Trading and Quotations Halt in OTC Equity Securities
6500 Series—OTC Bulletin Board® Service
6530—OTCBB-Eligible Securities

Nasdaq Rules
4121—Trading Halts Due to Extraordinary Market Volatility
4611—Nasdaq Market Center Participant Registration
4612—Registration as a Nasdaq Market Maker
4613—Market Maker Obligations
4617—Normal Business Hours
4619—Withdrawal of Quotations and Passive Market Making
4750 Series—Nasdaq Market Center—Execution Services
  4751—Definitions
  4761—Adjustment of Open Quotes and/or Orders

Securities Exchange Act of 1934
Section 10—Regulation of the Use of Manipulative and Deceptive Devices
  Rule 10b5-1—Trading “On the Basis Of” Material Nonpublic Information in Insider Trading Cases
Section 15(c)(2)
  Rule 15c2-7—Identification of Quotations
  Rule 15c2-11—Initiation or Resumption of Quotations without Specified Information
Section 15(c)(3)
  Rule 15c3-5—Risk management controls for brokers or dealers with market access
Section 17—Accounts and Records, Reports, Examinations of Exchanges, Members and Others
  Rule 17a-3(a)(1) through (a)(7)

SEC Regulation SHO
Rule 200—Definition of “Short Sale” and Marking Requirements
Rule 203—Borrowing and Delivery Requirements
Rule 204—Close-Out Requirements

4.2 Confirm proper booking and settlement of trades

KNOWLEDGE OF:
• Trade confirmation requirements and disclosures
• Buy-in and close-out requirements

FINRA Rules
6274 and 6350A/B—Clearance and Settlement
11100 Series—Scope of Uniform Practice Code
11200 Series—Comparisons or Confirmation and “Don’t Know Notices”
11300 Series—Delivery of Securities
  11320—Dates of Delivery
  11361—Units of Delivery—Stocks
Securities Exchange Act of 1934
Section 15(c)(6)
Rule 15c6-1—Settlement Cycle

4.3 Review executions for compliance with trade reporting requirements

KNOWLEDGE OF:
• Trade reporting facilities for various types of securities

FINRA Rules
4515—Approval and Documentation of Changes in Account Name or Designation
6100 Series—Quoting and Trading in NMS Stock
  6140—Other Trading Practices
  6150—Obligation to Provide Information
  6160—Multiple MPIDs for Trade Reporting Facility Participants
  6170—Primary and Additional MPIDs for Alternative Display Facility Participants
  6181—Timely Transaction Reporting
  6182—Trade Reporting of Short Sales
  6183—Exemption from Trade Reporting Obligation for Certain Alternative Trading Systems
6200 Series—Alternative Display Facility
  6220—Definitions
  6230—Use of Alternative Display Facility Data Systems
  6240—Prohibition from Locking or Crossing Quotations in NMS Stocks
  6250—Quote and Order Access Requirements
Rule 3b-1—Definition of “Listed”
Rule 3b-8—Definition of “Qualified OTC Market Maker,” “Qualified Third Market Maker,” and “Qualified Block Positioner”

Section 17—Accounts and Records, Reports, Examinations of Exchanges, Members and Others
Rule 17a-3(a)(16)
Rule 17a-4(b)(11)

Provisions of the Securities Exchange Act of 1934 Related to Penny Stocks
Section 3(a)(51)
Rule 3a51-1—Definition of Penny Stock

Section 15(h)—Requirements for Transactions in Penny Stocks
Rule 15g-1—Exemptions for Certain Transactions
Rule 15g-2—Penny Stock Disclosure Document Relating to the Penny Stock Market
Rule 15g-3—Broker or Dealer Disclosure of Quotations and Other Information Relating to the Penny Stock Market
Rule 15g-4—Disclosure of Compensation to Brokers or Dealers
Rule 15g-5—Disclosure of Compensation of Associated Persons in Connection With Penny Stock Transactions
Rule 15g-6—Account Statements for Penny Stock Customers
Rule 15g-9—Sales Practice Requirements for Certain Low Priced Securities
Rule 15g-100—Schedule 15G—Information To Be Included in the Document Distributed Pursuant to 17 CFR 240.15g-2

SEC Regulation ATS—Regulation of Exchanges and Alternative Trading Systems

SEC Regulation M
Rule 103—Nasdaq Passive Market Making
Rule 105—Short Selling in Connection with a Public Offering

Regulation NMS—National Market System
Rule 600—NMS Security Designation and Definitions
Rule 602—Dissemination of Quotations in NMS Securities
Rule 604—Display of Customer Limit Orders
Rule 605—Disclosure of Order Execution Information
Rule 606—Disclosure of Order Routing Information
Rule 607—Customer Account Statements
Rule 611—Order Protection Rule
Rule 612—Minimum Pricing Increments

SEC Regulation SHO
Rule 200—Definition of “Short Sale” and Marking Requirements
Rule 203—Borrowing and Delivery Requirements
FUNCTION 5—Supervision of Investment Banking and Research

5.1 Develop and maintain policies, procedures and controls; and supervise related investment banking activities

KNOWLEDGE OF:

- Public and private offering regulations
- Requirements to conduct and document due diligence of issuers
- M&A, tender offers, corporate financial advisory and valuation services
- Fundamental terms of loan documents
- Terms of bankruptcy and the potential claims and priorities of investors
- Corporate annual and quarterly reports
- Requirements for information barriers

FINRA Rules
2262—Disclosure of Control Relationship with Issuer
2269—Disclosure of Participation or Interest in Primary or Secondary Distribution
5110—Corporate Financing Rule—Underwriting Terms and Arrangements
5121—Public Offerings of Securities with Conflicts of Interest
5122—Private Placements of Securities Issued by Members
5123—Private Placements of Securities
5130—Restrictions on the Purchase and Sale of Initial Equity Public Offerings
5131—New Issue Allocations and Distributions
5141—Sale of Securities in a Fixed Price Offering
5150—Fairness Opinions
5160—Disclosure of Price and Concessions in Selling Agreements
5190—Notification Requirements for Offering Participants
6130—Transactions Related to Initial Public Offerings
6760—Obligation to Provide Notice
11880—Settlement of Syndicate Accounts

Nasdaq Rules
4614—Stabilizing Bids
4624—Penalty Bids and Syndicate Covering Transactions

Securities Exchange Act of 1934
Section 3—Definitions and Application of Title
   Rule 3a4-1—Associated Persons of an Issuer Deemed Not To Be Brokers
   Rule 3b-6—Liability for Certain Statements by Issuers
Section 10—Regulation of the Use of Manipulative and Deceptive Devices
   Rule 10b-9—Prohibited Representations in Connection With Certain Offerings
Section 12—Registration Requirements for Securities
Section 12(a)
Section 12(g)
Section 12(j)
Section 12(k)—Trading Suspensions; Emergency Authority
Section 13—Periodical and Other Reports
   Rule 13a-1/Rule 15d-1—Requirement of annual reports
   Rule 13a-1/Rule 15d-1—Current reports on Form 8-K
   Rule 13a-13/Rule 15d-13—Annual reports on form 10-K
   Rule 13a-13/Rule 15d-13—Quarterly reports on Form 10-Q
   Rule 13d-1—Filing of Schedules 13D and 13G
   Rule 13e-3—Going Private Transactions by Certain Issuers or Their Affiliates
      Schedule 13E–3 Filing Requirement
   Rule 13e-4—Tender Offers by Issuers
      Schedule 13E-4—Filing Requirement
   Rule 13f-1—Reporting by Institutional Investment Managers of Information with Respect to
      Accounts Over Which They Exercise Investment Discretion (Schedule 13F)
Regulation 13A—Reports of Issuers of Securities Registered Pursuant to Section 12 Annual Reports
Section 14—Proxies
   Rule 14a-6—Filing Requirements (Proxy Statement) on Form 14A
   Rule 14e-1—Unlawful Tender Offer Practices
   Rule 14e-2—Position of Subject Company with Respect to a Tender Offer
   Rule 14e-3—Transactions in Securities on the Basis of Material, Nonpublic Information in the
      Context of Tender Offers
   Rule 14e-4—Prohibited Transactions in Connection with Partial Tender Offers
   Rule 14e-5—Prohibiting Purchases Outside of a Tender Offer
Section 15(c)(1)
   Rule 15c1-5—Disclosure of Control
   Rule 15c1-6—Disclosure of Interest in Distributions
   Rule 15c1-8—Sales at the Market
Section 15(c)(2)
   Rule 15c2-4—Transmission or Maintenance of Payments Received in Connection with
      Underwritings
Section 16—Directors, Officers and Principal Stockholders
   Rule 16a-1—Definition of Terms
   Rule 16a-2—Persons and Transactions Subject to Section 16
   Rule 16a-3—Reporting Transactions and Holdings
Section 17—Accounts and Records, Reports, Examinations of Exchanges, Members and Others
   Rule 17a-2—Recordkeeping Requirements Relating to Stabilizing Activities
Securities Act of 1933
Section 2(a)(11)
   Rule 144—Persons Deemed Not to be Engaged in a Distribution and Therefore Not Underwriters
   Rule 144A—Private Resales of Securities to Institutions
Section 2(a)(3)
   Rule 145—Reclassification of Securities, Mergers, Consolidations, and Acquisitions of Assets
Section 3(a)(11)
   Rule 147—“Part of an Issue,” “Person Resident” and “Doing Business Within,” for Purposes of
   Section 3(a)(11)
   Rule 147A — Exemptions to facilitate intrastate and regional securities offerings
Section 4—Exempted Transactions
Section 7—Information Required in Registration Statement
Section 8—Taking Effect of Registration Statements and Amendments Thereto
Section 11—Civil Liabilities on Account of False Registration Statement
Section 12—Civil Liabilities Arising in Connection With Prospectuses and Communications
   Rule 159—Information Available to Purchaser at Time of Contract of Sale
Section 15—Liability of Controlling Persons
Section 17—Liability for Certain Statements by Issuers
Section 23—Modified or Superseded Documents

Regulation C—Registration
   Rule 405—Definition of Terms
   Rule 415—Delayed or Continuous Offering and Sale of Securities (Shelf Registration)

Regulation D—Rules Governing the Limited Offer and Sale of Securities without Registration Under the Securities Act of 1933
   Rule 501—Definitions and Terms Used in Regulation D
   Rule 502—General Conditions To be Met
   Rule 503—Filing of Notice of Sales
   Rule 504—Exemption for Limited Offerings and Sales of Securities Not Exceeding $5,000,000
   Rule 506—Exemption for Limited Offers and Sales Without Regard to Dollar Amount of Offering

Regulation S—Rules Governing Offers and Sales Made Outside the U.S. Without Registration Under the Securities Act of 1933
   Rule 901—General Statement
   Rule 902—Definitions
   Rule 903—Offers or Sales of Securities by the Issuer, a Distributor, Any of Their Respective Affiliates, or Any Person Acting on Behalf of Any of the Foregoing; Conditions Relating to Specific Securities
   Rule 904—Offshore Resales


Regulation M—Mergers and Acquisitions
Regulation AB—Asset–Backed Securities
Regulation M
   Rule 100—Preliminary Note; Definitions ("stabilization" and “stabilizing”)
   Rule 101—Activities by Distribution Participants
   Rule 102—Activities by Issuers and Selling Security Holders During a Distribution
   Rule 104—Stabilizing and Other Activities in Connection With an Offering
5.2 Review and approve investor disclosure materials, pitch books and marketing materials

KNOWLEDGE OF:
- Communication regulations related to new issues
- Public notices excluded from the definition of prospectus

Securities Exchange Act of 1934
Section 15(c)(2)
Rule 15c2-8—Delivery of Prospectus

Securities Act of 1933
Section 2(a)(10), Section 2(a)(11), Section 4(3), Section 5—Prohibitions Relating to Interstate Commerce and the Mails, Section 7—Information Required in Registration Statement and Section 10—Information Required in Prospectus
Rule 134—Communications Not Deemed a Prospectus
Rule 135—Notice of Proposed Registered Offerings
Rule 135a—Generic Advertising
Rule 137—Publications or Distributions of Research Reports by Brokers or Dealers That Are Not Participating in an Issuer's Registered Distribution of Securities
Rule 142—Definition of “Participates,” and “Participation,” as Used in Section 2(11), in Relation to Certain Transactions
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
Rule 163—Exemption from Section 5(c) of the Act for Certain Communications By or On Behalf of Well-Known Seasoned Issuers
Rule 163A—Exemption from Section 5(c) of the Act for Certain Communications Made By or On Behalf of Issuers More Than 30 Days Before a Registration Statement Is Filed
Rule 164—Post-Filing Free Writing Prospectuses in Connection with Certain Registered Offerings
Rule 168—Exemptions From Sections 2(a)(10) and 5(c) of the Act For Certain Communications of Regularly Released Factual Business Information and Forward-Looking Information
Rule 169—Exemptions From Sections 2(a)(10) and 5(c) of the Act For Certain Communications of Regularly Released Factual Business Information
Rule 172—Delivery of Prospectus
Rule 174—Delivery of Prospectus by Dealers; Exemptions Under Section 4(3) of the Act
Rule 175—Liability for Certain Statements by Issuers
Rule 405—Definitions of Terms
Rule 424—Filing of Prospectuses, Number of Copies
Rule 427—Contents of Prospectuses Used After Nine Months
Rule 430—Prospectus for Use Prior to Effective Date
Rule 430A—Prospectus in a Registration Statement at the Time of Effectiveness
5.3 Develop and maintain policies, procedures and controls; and supervise activities relating to research

KNOWLEDGE OF:
- What constitutes research
- Research report approval and dissemination processes
- Disclosure requirements for analysts who make public appearances

FINRA Rules
- 2241—Research Analysts and Research Reports

Securities Exchange Act of 1934
- Section 3(a)(35)
- Section 28(e)

Securities Act of 1933
- Section 2(a)(10) and Section 5—Prohibitions Relating to Interstate Commerce and the Mails
- Rule 138—Publications or Distributions of Research Reports by Brokers or Dealers About Securities Other Than Those They Are Distributing
- Rule 139—Publications or Distributions of Research Reports by Brokers or Dealers Distributing Securities

SEC Regulation AC—Analyst Certification
SAMPLE ITEMS
The following sample items are included to provide an introduction to the basic formats of multiple-choice items used on the exam. The sample items do not reflect the difficulty level of actual exam items. Candidates who familiarize themselves with these formats may be able to improve their test-taking skills so their performance on the exam will better reflect their knowledge of the areas tested. An asterisk indicates the correct answer to each sample item.

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: The designation of the person or persons permitted to trade on behalf of a corporation is usually found in which of the following?

(A) Corporate resolutions*
(B) Articles of incorporation
(C) Listings on the company website
(D) Registration statements

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 within:

(A) 10 seconds of execution.*
(B) 90 seconds of execution.
(C) 5 minutes of execution.
(D) 20 minutes of execution.

Except or Not: "Except" or "not" is used when the task is to select the response option that is an exception to the principle or rule stated in the stem. In such cases, the stem may be open or closed.

Example: In determining whether to approve a change from the exempt status of a member firm under SEC Rule 15c3-3, FINRA considers each of the following except:

(A) the type of business the firm conducts.
(B) the amount of the firm's errors and omissions insurance coverage.*
(C) the firm's current financial condition.
(D) the firm's procedures for safeguarding customer assets.
REFERENCES

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

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