General Securities Principal Qualification Examination (Series 24)

Content Outline

© 2018 FINRA
TABLE OF CONTENTS

INTRODUCTION........................................................................................................................................3
PURPOSE OF THE EXAM ..........................................................................................................................3
ELIGIBILITY REQUIREMENTS......................................................................................................................3
APPLICATION PROCEDURES.....................................................................................................................3
STRUCTURE OF THE EXAM ..........................................................................................................................4
DEVELOPMENT AND MAINTENANCE OF THE CONTENT OUTLINE AND EXAM ........................4
ADMINISTRATION OF THE EXAM ..................................................................................................................4
HOW THE EXAM IS SCORED .....................................................................................................................5
SERIES 24 CONTENT OUTLINE ...................................................................................................................6
SAMPLE ITEMS............................................................................................................................................30
REFERENCES.................................................................................................................................................31
INTRODUCTION
The Series 24 exam is the General Securities Principal Qualification Examination. 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 24 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 24 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 24 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, or other applicable SRO rules.

ELIGIBILITY REQUIREMENTS
The candidate must be associated with and sponsored by a FINRA member firm or other applicable self-regulatory organization (SRO) to be eligible to take the Series 24 exam. In order to register in this category, candidates must first qualify as a General Securities Representative (Series 7), United Kingdom Module of Series 7 (Series 17), Canada Module of Series 7 (Series 37 or 38), Securities Trader Representative (Series 57), Corporate Securities Limited Representative (Series 62), Investment Banking Representative (Series 79), or Private Securities Offerings Representative (Series 82). For more information on eligibility requirements, please see FINRA 1220(a), which is viewable in the FINRA Rule Manual through the following link: www.finra.org.

APPLICATION PROCEDURES
The FINRA member firm or other applicable SRO member firms 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 150 multiple-choice items, which are distributed among the five major content areas listed in the table below.

<table>
<thead>
<tr>
<th>Job Functions and Number of Items by Job Function</th>
<th>Number of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Function 1 Supervision of Registration of the Broker-Dealer and Personnel Management Activities</td>
<td>9</td>
</tr>
<tr>
<td>Function 2 Supervision of General Broker-Dealer Activities</td>
<td>45</td>
</tr>
<tr>
<td>Function 3 Supervision of Retail and Institutional Customer-Related Activities</td>
<td>32</td>
</tr>
<tr>
<td>Function 4 Supervision of Trading and Market Making Activities</td>
<td>32</td>
</tr>
<tr>
<td>Function 5 Supervision of Investment Banking and Research</td>
<td>32</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>150</strong></td>
</tr>
</tbody>
</table>

DEVELOPMENT AND MAINTENANCE OF THE CONTENT OUTLINE AND EXAM
The Series 24 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 includes 10 additional, unidentified pretest items that do not contribute toward the candidate’s score. The 10 items are randomly distributed throughout the exam. Therefore, each candidate’s exam consists of a total of 160 items (150 scored and 10 unscored). There is no penalty for
guessing. Therefore, candidates should attempt to answer all items. Candidates will be allowed 3 hours and 45 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 EXAMINATION IS SCORED**

Following a well-established process known as standard setting, FINRA determines the passing score for the examination based on a number of factors including industry trends, historical exam performance and evaluations of content difficulty by a committee of industry professionals with the designated registration. For the Series 24 exam, the passing score is 70%. This passing score reflects the competency needed to hold the designated registration.

**EQUATING OF TEST SCORES**

All candidate test scores have been placed on a common scale using a statistical adjustment process known as equating. Equating scores to a common scale accounts for the slight variations in difficulty that may exist among the different sets of exam questions that candidates receive. This allows for a fair comparison of scores and ensures that every candidate is held to the same passing standard regardless of which set of exam questions he or she received.
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
- 3110(e)—Definitions

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)(5)
    - Rule 15b6-1—Withdrawal from Registration
- Section 15(b)(6)—Sanctions For Persons Associated with a Broker or Dealer
Section 15(c)(1)  
Rule 15c1-3—Misrepresentation by Brokers, Dealers and Municipal Securities Dealers as to Registration  
Section 17—Accounts and Records, Reports, Examinations of Exchanges, Members and Others  
Rule 17a-4(d)

Investment Advisers Act of 1940  
Section 202(a)(11)

Securities Investor Protection Act of 1970 (SIPA)  
Section 3(a)(2)(A)—Members of SIPC

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
4517—Member Filing and Contact Information Requirements
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
3110—Supervision
3110.12—Standards for Reasonable Review
3120—Supervisory Control System
3130—Annual Certification of Compliance and Supervisory Processes
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
3110(d)—Transaction Review and Investigation
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 — Persons Exempt from Registration
- 2040 — Payments to Unregistered Persons
- 2320(g) — Member Compensation
- 3160 — Networking Arrangements Between Members and Financial Institutions
- 3220 — Influencing or Rewarding Employees of Others
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
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

NASDAQ Rules
1014(a)(9)—Standards for Admission
1017—Application for Approval of Change in Ownership, Control, or Business Operations

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
   Rule 22c-1—Pricing of Redeemable Securities for Distribution, Redemption and Repurchase
   Rule 22d-1—Persons To and Through Whom Redeemable Securities May be Sold
      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
<table>
<thead>
<tr>
<th>Series</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>2080</td>
<td>Obtaining an Order of Expungement of Customer Dispute Information from the Central Registration Depository (CRD) System</td>
</tr>
<tr>
<td>4513</td>
<td>Records of Written Customer Complaints</td>
</tr>
<tr>
<td>4530</td>
<td>Reporting Requirements</td>
</tr>
<tr>
<td>8000</td>
<td>Investigations and Sanctions</td>
</tr>
<tr>
<td>8120</td>
<td>Definitions</td>
</tr>
<tr>
<td>8210</td>
<td>Provision of Information and Testimony and Inspection and Copying of Books</td>
</tr>
<tr>
<td>8310</td>
<td>Sanctions for Violation of the Rules</td>
</tr>
<tr>
<td>8312</td>
<td>FINRA BrokerCheck Disclosure</td>
</tr>
<tr>
<td>8320</td>
<td>Payment of Fines, Other Monetary Sanctions, or Costs; Summary Action for Failure to Pay</td>
</tr>
<tr>
<td>9000</td>
<td>Code of Procedure</td>
</tr>
<tr>
<td>9110</td>
<td>Application</td>
</tr>
<tr>
<td>9120</td>
<td>Definitions</td>
</tr>
<tr>
<td>9130</td>
<td>Service; Filing of Papers</td>
</tr>
<tr>
<td>9140</td>
<td>Proceedings</td>
</tr>
<tr>
<td>9210</td>
<td>Complaint and Answer</td>
</tr>
<tr>
<td>9230</td>
<td>Appointment of Hearing Panel, Extended Hearing Panel</td>
</tr>
<tr>
<td>9250</td>
<td>Discovery</td>
</tr>
<tr>
<td>9260</td>
<td>Hearing and Decision</td>
</tr>
<tr>
<td>9310</td>
<td>Appeal to or Review by National Adjudicatory Council</td>
</tr>
<tr>
<td>9350</td>
<td>Discretionary Review by FINRA Board</td>
</tr>
<tr>
<td>9370</td>
<td>Application to SEC for Review</td>
</tr>
<tr>
<td>12000 and 13000</td>
<td>Code of Arbitration Procedure for Customer/Industry Disputes</td>
</tr>
<tr>
<td>Part I</td>
<td>Interpretive Material, Definitions, Organization and Authority</td>
</tr>
<tr>
<td>12105 and 13105</td>
<td>Agreement of the Parties</td>
</tr>
<tr>
<td>13200</td>
<td>Required Arbitration</td>
</tr>
<tr>
<td>Part II</td>
<td>General Arbitration Rules</td>
</tr>
<tr>
<td>12200</td>
<td>Arbitration Under an Arbitration Agreement or the Rules of FINRA</td>
</tr>
<tr>
<td>12201</td>
<td>Elective Arbitration</td>
</tr>
<tr>
<td>Part VII</td>
<td>Simplified Arbitration and Default Proceedings</td>
</tr>
<tr>
<td>12800 and 13800</td>
<td>Simplified Arbitration</td>
</tr>
<tr>
<td>12801 and 13801</td>
<td>Default Proceedings</td>
</tr>
<tr>
<td>14000</td>
<td>Code of Mediation Procedure</td>
</tr>
<tr>
<td>14104</td>
<td>Mediation Under the Code</td>
</tr>
<tr>
<td>14105</td>
<td>Effect of Mediation on Arbitration Proceedings</td>
</tr>
<tr>
<td>14109</td>
<td>Mediation Ground Rules</td>
</tr>
</tbody>
</table>

Securities Exchange Act of 1934

Section 17—Accounts and Records, Reports, Examinations of Exchanges, Members and Others
Rule 17a-3(a)(18)
Rule 17a-4(e)(6)
Rule 17a-4(j)
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—Book 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
- 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
4560—Short-Interest Reporting
6274 and 6350A/B—Clearance and Settlement

NASD Rules
1090—Foreign Members
3150—Reporting Requirements for Clearing Firms

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
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
- 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

NASDAQ Rules
- 2340—Customer Account Statements

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:
- 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
4210(f)(8)(B)—Day Trading
4514—Authorization Records for Negotiable Instruments Drawn from a Customer’s Account

NASD/Incorporated NYSE Rules and Rule Interpretations
2510/408—Discretionary Accounts

Securities Exchange Act of 1934
Section 10—Regulation of the Use of Manipulative and Deceptive Devices
  Rule 10b-10—Confirmation of Transactions
Section 15(c)(1)
  Rule 15c1-7—Discretionary Accounts
Section 17—Accounts and Records, Reports, Examinations of Exchanges, Members and Others
  Rule 17a-3(a)(8)
  Rule 17a-4(b)(6)
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
   11362—Units of Delivery—Bonds
   11363—Units of Delivery—Unit Investment Trust Securities
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
   6271—Registration as an ADF Market Maker or an ADF ECN
   6275—Withdrawal of Quotations
6281—Reporting Transactions in ADF-Eligible Securities
6300A Series—FINRA/Nasdaq Trade Reporting Facilities
   6320A—Definitions
   6380A—Transaction Reporting
6500 Series—OTC Bulletin Board® Service
6620 Series—Reporting Transactions in OTC Equity Securities and Restricted Equity Securities
6700 Series—Trade Reporting and Compliance Engine (TRACE)
   6710—Definitions
   6720—Participation in TRACE
   6730—Transaction Reporting
   6740—Termination of TRACE Service
   6750—Dissemination of Transaction Information
   6760—Obligation to Provide Notice
7100 Series—Alternative Display Facility
   7110—Definitions
   7120—Trade Reporting Participation Requirement
   7130—Trade Report Input
   7170—Termination of Access
7200A Series and 7300 Series—FINRA/Nasdaq Trade Reporting Facility and OTC Reporting Facility
   7210A/7310—Definitions
   7220A/7320—Trade Reporting Participation Requirements
   7230A/7330—Trade Report Input
   7240A/7340—Trade Report Processing
   7270A/7370—Violation of Reporting Rules
7400 Series—Order Audit Trail and Trail Systems
   7410—Definitions
   7420—Applicability
   7430—Synchronization of Members Business Clocks
   7440—Recording of Order Information
   7450—Order Data Transmission Requirements
   7460—Violation of Order Audit Trail System Rules

Nasdaq Rules
4750 Series—Nasdaq Market Center—Execution Services
   4751—Definitions
   4755—Order Entry Parameters
   4756—Entry and Display of Quotes and Orders
   4757—Book Processing
   4758—Order Routing 5001—The Qualification, Listing, and Delisting of Companies
5400 Series—Nasdaq Global Market

Securities Exchange Act of 1934
Section 3—Definitions and Application of Title
   Section 3(a)(23)(A)—Clearing Agency
   Section 3(a)(38)—Market Maker
      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 Provided 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-11/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—Fraudulent Interstate Transactions
Section 23—Unlawful Representations
   Rule 175—Liability for Certain Statements by Issuers
   Rule 412—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—A—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
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.

Financial Industry Regulatory Authority (FINRA)
www.finra.org

Securities Industry/Regulatory Council on Continuing Education
www.cecouncil.com

Securities and Exchange Commission
Office of Investor Education and Advocacy
www.sec.gov

Nasdaq OMX
www.nasdaqomx.com