



# **Canada Securities Representative Qualification Examination**

**(Series 38)**

## **Content Outline**

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## INTRODUCTION

The Canada Securities Representative Qualification Examination (Series 38) is a subset of the General Securities Representative Qualification Examination (Series 7). The examination is developed and is maintained by the Financial Industry Regulatory Authority (FINRA). This content outline provides a comprehensive guide to the topics covered on the Series 38 exam. The outline is intended to familiarize examination candidates with the range of subjects covered on the examination, as well as the depth of knowledge required. Sample questions are also included to acquaint candidates with the types of multiple-choice questions used on the examination. It is recommended that candidates refer to the content outline as part of their preparation to take the examination. Candidates are responsible for planning their course of study in preparation for the examination.

## THE PURPOSE OF THE SERIES 38 EXAMINATION

The Series 38 examination is designed to address the duplication of certain qualification requirements in the United States and Canada. Properly registered individuals in Canada may be eligible to act as a General Securities Representative in the United States by obtaining the Canada Securities Representative (**CN**) registration. The CN registration is obtained by passing the Series 38 examination and by meeting certain Canadian eligibility requirements that are recognized by FINRA as an appropriate prerequisite to take the Series 38 examination. The CN registration allows individuals to engage in activities similar to a General Securities Representative (GS) without having to sit for the Series 7 examination. However, such registration does not permit persons to conduct business in municipal securities. Those individuals who want to conduct business in municipal securities must pass the Series 7 examination (in lieu of the Series 38) or the Municipal Securities Representative Examination (Series 52).

## ELIGIBILITY REQUIREMENTS

### How to Obtain a CN Registration

To obtain a CN registration, candidates must meet FINRA's prerequisites or eligibility requirements including, among other things, the requirement to complete either: (1) the Options Licensing Course; or (2) Derivatives Fundamentals and Options Licensing Course; or (3) the Canadian Options Course. Candidates must also be registered and in good standing with the appropriate Canadian regulator. Finally, candidates must take and pass the Series 38 qualification examination. For more information on these requirements, please refer to information on FINRA's website, which can be viewed through the following web link: <http://www.finra.org/industry/qualification-exams>

**Please Note:** Properly registered individuals in Canada may also be eligible to act as a General Securities Representative in the United States by obtaining the Canada Securities Representative (**CD**) registration. The CD registration is obtained by passing the Series 37 examination and by meeting Canadian registration requirements that FINRA recognizes as certain prerequisite requirements, which can also be viewed through the web link above.

## 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 Series 38 Examination on the Form U4.

# DEVELOPMENT OF THE SERIES 38 CONTENT OUTLINE AND EXAMINATION

## DEVELOPMENT OF THE SERIES 38 CONTENT OUTLINE

The Series 38 content outline was developed based on the results of a job analysis study of General Securities Representatives and an assessment of the content coverage of the prerequisites. The job analysis process included collecting data about the job functions, tasks and required knowledge of registered representatives (RRs) from a wide range of firms using a variety of data collection techniques, including a survey of RRs. Under the guidance of FINRA staff and using data collected from the job analysis, a task force comprised of RRs identified and described five major job functions performed by RRs. For each major job function, the task force identified tasks that RRs perform and the underlying knowledge required of an RR to perform the tasks. The task force also determined the number of test questions allocated to each major function based on an evaluation of the survey results.

## ORGANIZATION OF THE SERIES 38 CONTENT OUTLINE

The Series 38 Content Outline is comprised of *inter-related* components: functions, tasks, knowledge statements and rule knowledge. The outline provides an overview of the examination's content coverage across the following inter-related components:

- **FUNCTIONS** describe major areas of practice performed by RRs. Job functions are denoted with an "F" and a number. There are five major job functions (*i.e.*, F1, F2, F3, F4, and F5).
- **TASKS** describe activities associated with performing a particular job function. Tasks are preceded by a "T" and a two-digit number (*e.g.*, T1.1).
- **KNOWLEDGE STATEMENTS** describe the underlying knowledge required to perform the major job functions and associated tasks. Knowledge statements are preceded by a "K" and a series of numbers ranging from one to four digits (*e.g.*, K1.2, K1.2.1.1). There are 13 major knowledge groups (K1– K13) on the Series 38 Examination.
- **RULES AND REGULATIONS KNOWLEDGE** are listings of rules and regulations associated with knowledge statements, tasks and functions. Rule listings are grouped by topic. Each rule group topic is preceded by an "R" and a number. There are 39 rule groups (R1 to R39) on the Series 38 Examination.

This document illustrates how each component of the outline (functions, tasks, knowledge statements, and rule knowledge) is related to one another. Each outline component provides reference linkages to its associated components. The five major job functions and their associated tasks are referenced to related knowledge statements and rule knowledge. The 13 major knowledge groups are referenced to applicable functions, associated tasks and rule knowledge. The 39 rule groupings are referenced to associated functions, tasks and knowledge statements.

## ADDITIONAL INFORMATION AND RESOURCES:

The following government and self-regulatory organizations' (SROs') websites provide information about rules and other information that may be useful in preparing for the examination:

**Financial Industry Regulatory Authority (FINRA):** [www.finra.org](http://www.finra.org)

**New York Stock Exchange (NYSE):** [www.nyse.com](http://www.nyse.com)

**Chicago Board Options Exchange (CBOE):** [www.cboe.com](http://www.cboe.com)

**Nasdaq OMX PHLX:** [www.nasdaqomx.com](http://www.nasdaqomx.com)

**Options Clearing Corp:** [www.theocc.com](http://www.theocc.com)

**Securities and Exchange Commission (SEC): [www.sec.gov](http://www.sec.gov)**

**US Treasury: [www.treasury.gov](http://www.treasury.gov)**

**Internal Revenue Service (IRS): [www.irs.gov](http://www.irs.gov)**

These and additional references are also provided at the end of this outline.

## **EXAMINATION DEVELOPMENT AND MAINTENANCE**

To ensure and sustain the job relevance of the examination, under the guidance of FINRA staff, a committee of RRs (Committee) writes, reviews and validates all test questions. Test questions are subjected to multiple reviews prior to inclusion on the examination and each question is linked directly to a component of the content outline. The Series 38 Examination intends to measure competence at entry level and requires candidates to apply knowledge in the context of work-related situations. Test questions vary in difficulty and complexity. Each question will have one correct or best answer. The purpose of the Series 38 Examination is to determine if a candidate has attained the level of competency required to function as an RR.

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

## **ADMINISTRATION AND SCORING OF THE SERIES 38 EXAMINATION**

The Series 38 Examination, administered to Canadian representatives who are options-qualified as described above, is a 75-minute, 45 multiple-choice question examination. The allocation of test questions for each major function is listed in Table 1.

**TABLE 1—NUMBER OF TEST QUESTIONS ON THE SERIES 38 BY MAJOR JOB FUNCTIONS**

<b>Major Job Functions</b>	<b>Percentage of Test Questions</b>	<b>Number of Questions</b>
F1 Seeks Business for the Broker-Dealer through Customers and Potential Customers	16%	7
F2 Evaluates Customers' Other Security Holdings, Financial Situation and Needs, Financial Status, Tax Status, and Investment Objectives	16%	7
F3 Opens Accounts, Transfers Assets, and Maintains Appropriate Account Records	26%	12
F4 Provides Customers with Information on Investments and Makes Suitable Recommendations	22%	10

F5	Obtains and Verifies Customer's Purchase and Sales Instructions, Enters Orders, and Follows Up	20%	9
<b>TOTAL</b>		<b>100%</b>	<b>45</b>

## **THE ADMINISTRATION OF THE SERIES 38 EXAMINATION**

The examination is administered via computer. A tutorial on how to take the examination via computer is presented prior to taking the examination. Candidates will be allowed 75 minutes to complete the Series 38 examination. There is no penalty for guessing. Therefore, candidates should attempt to answer all questions.

Some test questions involve calculations or require the use of charts, graphs, tables or scenarios. Candidates will not be permitted to bring any reference material to their testing session. White boards/dry erase markers and basic electronic calculators will be provided to candidates by the test administrator. Only calculators provided by the test administrators are allowed and must be returned to the test administrator at the end of the testing session. Severe penalties are imposed on candidates who cheat or attempt to cheat on FINRA-administered examinations.

## **HOW THE EXAMINATION IS SCORED**

### **HOW THE PASSING SCORE IS DETERMINED**

The passing score for the examination is the minimum number of test questions that a candidate has to answer correctly in order to pass the examination. A committee of RRs using a standard setting procedure establishes the passing score for a standard form of the examination. The passing score is an absolute standard and it is independent of the performance of candidates taking the examination. The passing score is 72%.

## **SAMPLE TEST QUESTIONS AND REFERENCES**

Several sample questions are presented at the end of this outline. The sample questions are included to provide an introduction to the basic formats of multiple-choice questions used on the examination. The sample questions do not reflect the difficulty level of actual test questions. Candidates who familiarize themselves with these formats may be able to improve their test-taking skills so that their performance on the examination will better reflect their knowledge of the areas tested. A list of links to self-regulatory organizations' (SROs') websites and other resources are provided as reference. The information provided may be used by candidates in preparation to take the examination. However, the list is not all-inclusive and is just a sample of the types of references that a candidate may wish to use as part of his/her preparatory studies. This content outline and additional information regarding FINRA qualification examinations are available on FINRA's website at [www.finra.org](http://www.finra.org).

# THE SERIES 38 CONTENT OUTLINE

## FUNCTIONS, TASKS, KNOWLEDGE AND RULES

The content outline provides an overview of the examination's content coverage across functions, tasks, knowledge statements and rule knowledge. The outline describes the five major job functions and the tasks associated with each job function. References to the underlying knowledge required to perform the functions and associated tasks are provided.

<b>F1</b>	<b>FUNCTION 1: Seeks Business for the Broker-Dealer through Customers and Potential Customers</b> (16% of the Examination, 7 Questions)	<b>Knowledge</b>	<b>Rule Knowledge</b>
		K1, K3, K5 – K10, K13	R1 – R8, R15 – R23, R30 – R39

**TASKS:**

- T1.1 Contacts and builds relationships with current and potential customers in person, by telephone, mail, and electronic means in order to obtain new business
- T1.2 Describes investment products and services to current and potential customers with the intent of soliciting interest
- T1.3 Develops promotional and advertising material and sales literature and seeks appropriate approvals prior to distribution
- T1.4 Distributes promotional and advertising material and sales literature to current and potential customers
- T1.5 Conducts seminars, lectures and other group forums with customers with appropriate approvals

<b>F2</b>	<b>FUNCTION 2: Evaluates Customers' Other Security Holdings, Financial Situation and Needs, Financial Status, Tax Status, and Investment Objectives</b> (16% of the Examination, 7 Questions)	<b>Knowledge</b>	<b>Rule Knowledge</b>
		K3 – K5, K8 – K13	R9, R10, R15 – R23, R30, R36 – R38

**TASKS:**

- T2.1 Makes reasonable efforts to obtain customer investment profile information including, among other factors, the customer's other security holdings, financial situation and needs, financial status, tax status, and investment objectives (e.g., preservation of capital, income, growth)
- T2.2 Reviews and analyzes customer's investment profile
- T2.3 Determines suitable investments for the customer

<b>F3</b>	<b>FUNCTION 3. Opens Accounts, Transfers Assets, and Maintains Appropriate Account Records</b> (26% of the Examination, 12 Questions)	<b>Knowledge</b>	<b>Rule Knowledge</b>
		K2 – K13	R8 – R23, R25 – R28, R30 – R39

**TASKS:**

- T3.1 Informs customers of the basic types of accounts and their appropriateness
- T3.2 Provides disclosures to customers regarding various account types and restrictions

T3.3	Obtains/updates customer information and documentation, as required by federal and SRO rules and regulations [e.g., USA PATRIOT Act Section 326 requirements, Customer Identification Program requirements (CIP)]
T3.4	Identifies and responds appropriately to suspicious activity at account opening and on an ongoing basis, and escalates or reports to appropriate parties
T3.5	Obtains necessary legal documents (e.g., power of attorney, trust documents, Transfer on Death, corporate resolutions, discretionary approval documents, beneficiary forms) to open and maintain accounts
T3.6	Obtains any supervisory approvals required to open accounts (e.g., client accounts and RR accounts), updates existing account information, and obtains or files necessary documents
T3.7	Retains account documentation and copies of all customers' correspondence
T3.8	Submits appropriate requests (e.g., withdrawals, transfers, tenders, investment guidelines) and obtains required documentation

<b>F4</b>	<b>FUNCTION 4. Provides Customers with Information on Investments and Makes Suitable Recommendations</b> (22% of the Examination, 10 Questions)	<b>Knowledge</b>	<b>Rule Knowledge</b>
		K1 – K13	R1 – R32, R35 – R39

**TASKS:**

- T4.1 Obtains information regarding current domestic and global market events, economic/financial news, industry sectors, and the status of markets and securities from various appropriate sources to assess how this information may impact the markets, issuers and customers' accounts
- T4.2 Communicates relevant market, investment and research data to customers
- T4.3 Makes suitable investment recommendations
- T4.4 Provides appropriate disclosures concerning products, risks, services, costs and fees
- T4.5 Provides customers with information on investment strategies and explains how the risks and rewards of a particular investment or strategy relate to the customer's financial needs and investment objectives

<b>F5</b>	<b>Function 5. Obtains and Verifies Customer's Purchase and Sales Instructions, Enters Orders, and Follows Up</b> (20% of the Examination, 9 Questions)	<b>Knowledge</b>	<b>Rule Knowledge</b>
		K2 – K13	R8 – R11, R13, R15 – R33, R35 – R39

**TASKS:**

- T5.1 Provides current quotes and security prices (e.g., NAV), and reports trade executions
- T5.2 Verifies, enters and monitors orders in accordance with customers' instructions and regulatory requirements
- T5.3 Enters or creates trade orders pursuant to regulatory requirements (e.g., market making activities, use of exchange automated execution systems)
- T5.4 Informs the appropriate supervisor and assists in the resolution of trade discrepancies, disputes, errors and complaints
- T5.5 Informs customers of delivery obligations and settlement procedures for trades executed in their accounts

- T5.6 Addresses margin issues as they arise
- T5.7 Reports account information to customers (e.g., account value, profits and losses)

### KNOWLEDGE STATEMENTS

The knowledge statements describe underlying knowledge required to perform the tasks associated with the five major job functions. There are 13 major knowledge areas. Each knowledge statement is preceded by a “K” and a series of numbers ranging from one to four digits. Each of the 13 major knowledge areas is referenced to a major function and its associated tasks, and applicable rule knowledge.

<b>K1</b>	<b>Knowledge associated with regulatory requirements, including communications</b>	<b>Function &amp; Associated Tasks</b>	<b>Rule Knowledge</b>
		F1 (T1.1–T1.5) F4 (T4.1–T4.5)	R1–R7, R39
<b>K1.1 SEC, SRO and state requirements for registration</b>			
K1.1.1 Registered representatives (RRs): registration, continuing education and termination of associated persons (e.g., Form U4 and Form U5), and permitted activities for registered and non-registered individuals			
K1.1.2 Investment advisers: basic information about registration requirements and exemptions			
<b>K1.2 Standards and required approvals of public communications</b>			
K1.2.1 Product specific disclosures and review (e.g., mutual funds and research)			
K1.2.1.1 Requirements for advertisements of investment company products, variable contracts, and mutual funds			
K1.2.1.2 Requirements for advertisements of other securities [e.g., government securities, collateralized mortgage obligations (CMOs), Certificates of Deposit (CDs)]			
K1.2.1.3 Requirements and permitted activities associated with research reports (e.g., definition of research report, quiet period, information barriers, distribution of research reports and third party research)			
K1.2.2 Regulation of telephone solicitations ("cold calling") including national telephone solicitation rules and the National "Do Not Call" Registry			
<b>K1.3 Regulations regarding gifts and gratuities, non-cash compensation and guidelines for business entertainment</b>			
<b>K2</b>	<b>Knowledge associated with opening and maintaining customer accounts</b>	<b>Function &amp; Associated Tasks</b>	<b>Rule Knowledge</b>
		F3 (T3.1–T3.8) F4 (T4.1–T4.5) F5 (T5.1–T5.7)	R9–R16, R39
<b>K2.1 Requirements for opening customer accounts, including approvals</b>			
K2.1.1 Account types (e.g., cash, margin, retirement, day trading, prime brokerage, DVP/RVP, advisory or fee-based, discretionary)			

- K2.1.2 Account registration types [e.g., individual, institutional, joint [Joint Tenants with Right of Survivorship (JTWROS), Joint Tenants in Common (JTIC), community property, sole proprietorship, partnership, corporation, unincorporated associations, trust, custodian under UGMA/UTMA, numbered (confidential), Transfer on Death (TOD) and estate accounts]
- K2.1.3 Account authorizations (e.g., power of attorney, corporate resolutions, trading authority, discretionary)
- K2.1.4 Customer screening [e.g., Customer Identification Program (CIP), Know Your Customer (KYC), domestic or foreign residency and/or citizenship, corporate insiders, employee of a broker-dealer, employees of an SRO]
- K2.1.5 Required disclosures related to specific account types (e.g., margin, day trading)

**K2.2 Requirements related to the maintenance of accounts**

- K2.2.1 Customer account records (e.g., updating for change of address, sending required notifications, holding of customer mail, investment objectives)
- K2.2.2 Physical receipt, delivery and safeguarding of cash or cash equivalents, checks and securities
- K2.2.3 Circumstances for refusing or restricting activity in an account and/or closing accounts
- K2.2.4 Transferring accounts between broker-dealers [e.g., Automated Customer Account Transfer Service (ACATS)]
- K2.2.5 Account registration changes and internal transfers [e.g., Transfer on Death (TOD), divorce]
- K2.2.6 Anti-money laundering compliance procedures and reporting [e.g., Suspicious Activity Reports (SARs) and other Bank Secrecy Act (BSA) reports, reviewing Office of Foreign Asset Control (OFAC) Specially Designated Nationals (SDN) list, Currency Transactions Reports (CTRs)]
- K2.2.7 Delivery of annual reports and notices of corporate actions (e.g., splits, tenders, proxies, repurchases)
- K2.2.8 Books and records (e.g., retention of customer and firm-related records)
- K2.2.9 Privacy regulations (e.g., Regulation S-P)

**K2.3 Margin accounts**

- K2.3.1 Key terms: margin, portfolio margin, hypothecation, re-hypothecation, marginable securities, exempt and nonexempt securities, loan value, margin calls, special memorandum account (SMA)
- K2.3.2 Requirements and characteristics of margin accounts (e.g., approvals, ineligible accounts, eligible/ineligible securities), and required disclosures (e.g., interest rate disclosure and hypothecation)
- K2.3.3 Product or strategy specific requirements (e.g., Treasuries, mutual funds)
- K2.3.4 Calculations in margin accounts (e.g., long and/or short positions)
  - K2.3.4.1 Initial margin: long market value, short market value, debit balance, credit balance, initial Reg. T margin requirement on long or short positions, Reg. T

	<p>requirement for established accounts, loan value, excess equity, buying power of deposited securities</p> <p>K2.3.4.2 Maintenance: additional purchases, sales (long or short), cash withdrawals, stock withdrawals, simultaneous purchases and sales, restrictions, liquidation to meet a margin /maintenance call, deposit of cash/securities required to meet a margin/maintenance call</p> <p>K2.3.4.3 Special Memorandum Account (SMA): balance, buying power, prohibited use of SMA, effect of excess equity, deposit of marginable securities, receipt of cash dividends and earned interest, liquidation of securities in the account, cash or securities withdrawals, new margin securities purchased or sold short</p> <p>K2.3.5 Other margin accounts (e.g., portfolio margin, day trading)</p>		
<b>K3</b>	<b>Knowledge associated with appropriate business conduct, providing customers with information on investments and making suitable recommendations</b>	<b>Function &amp; Associated Tasks</b>	<b>Rule Knowledge</b>
		F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	R9, R16 – R22, R35 – R38
<b>K3.1</b>	<b>Prohibited activities</b> (e.g., spreading market rumors, front running, churning, commingling, unauthorized trading, guarantees against losses, paying for referrals, unsuitable recommendations)		
<b>K3.2</b>	<b>Sources of market and investment information</b> [e.g., exchange quote and trade-related data, news outlets, internet, TRACE, Nasdaq, rating agencies, research reports, pricing services, product-specific periodicals, Trade Reporting Facility (TRF)]		
<b>K3.3</b>	<b>Sources of data on business conditions, business activity, and corporate profits</b> (e.g., media outlets, business indices and statistics, U.S. government sources)		
<b>K3.4</b>	<b>Required disclosures on specific transactions</b> (e.g., offering documents, prospectus, material aspects of investments, red herring, statement of additional information, material events, control relationships)		
<b>K3.5</b>	<b>Costs and fees associated with investments</b> [e.g., breakpoints, rights of accumulation, Letters of Intent (LOI), markups, commissions, net transactions, share classes, non-discretionary fee-based accounts, surrender charges, 12b-1 fees, mortality and expense charges in variable products]		
<b>K3.6</b>	<b>Protections afforded under Securities Investor Protection Corporation (SIPC) and Federal Deposit Insurance Corporation (FDIC)</b>		
<b>K3.7</b>	<b>Tax considerations</b> (e.g., unification of gift and estate taxes, lifetime exclusion, annual gifts excluded from taxation, taxation of securities received as a gift, valuation of securities received as a result of a bequest)		
<b>K4</b>	<b>Knowledge associated with orders and transactions in customer accounts</b>	<b>Function &amp; Associated Tasks</b>	<b>Rule Knowledge</b>
		F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	R15, R17, R23 – R29, R36 – R39

<b>K4.1</b>	<b>Types of securities quotes</b> (e.g., bid, ask, spread, firm, subject, not held, municipal securities and OTCBB quote requirements; workout, fast markets)		
<b>K4.2</b>	<b>Types of orders</b> [e.g., buy, sell, sell short, all-or-none, fill or kill, immediate or cancelled, market, limit, stop, day, good til cancelled (GTC); not held, market on close]		
<b>K4.3</b>	<b>Information required on an order ticket</b> (e.g., symbol, account number, price limit versus purchase)		
<b>K4.4</b>	<b>Short sale requirements</b> (e.g., order marking, locate, borrow and delivery)		
<b>K4.5</b>	<b>Short sale strategies</b> (e.g., speculation, hedging, arbitrage)		
<b>K4.6</b>	<b>Securities lending</b> (easy to borrow, hard to borrow, failure to deliver)		
<b>K4.7</b>	<b>Best execution obligations</b>		
<b>K4.8</b>	<b>Soft dollar arrangements</b>		
<b>K4.9</b>	<b>Erroneous reports, errors, cancels and re-bills</b>		
<b>K4.10</b>	<b>Customer confirmations, including components, timing, mailings to third parties and exceptions</b>		
<b>K4.11</b>	<b>Delivery requirements</b>		
K4.11.1	Good delivery [e.g., certificates in possession of the seller, certificates in the name of two persons, deceased owner, stock or bond powers, mutilated certificates, due bills, delivery versus payment /receive versus payment (DVP/RVP), book entry securities, Direct Registration System, denominations, bearer, registered]		
K4.11.2	Settlement of transactions [e.g., security-specific requirements, when as and if issued (WI), regular-way, T+1, ex-rights, ex-dividends, due bills, due bill checks, negotiated settlements, don't know (DK), extensions]		
<b>K4.12</b>	<b>Regulatory reporting requirements</b> [e.g., OATS, TRF, TRACE, Real-time transaction reporting system (RTRS)]		
<b>K5</b>	<b>Professional conduct and ethical considerations</b>	<b>Function &amp; Associated Tasks</b>	<b>Rule Knowledge</b>
		F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	R7, R8, R20, R30 – R34
<b>K5.1</b>	<b>Required disclosures by an RR</b>		
K5.1.1	Outside business activities		
K5.1.2	Personal investment accounts		
K5.1.3	Private securities transactions		
K5.1.4	Potential conflicts of interest		
<b>K5.2</b>	<b>Regulation of insider activities and use of material, non-public information</b> (primary markets, secondary markets, customer, RR)		

<b>K5.3</b>	<b>Information security</b> (e.g., protect proprietary and customers' personal information, safeguard laptops, encrypted mail)		
<b>K5.4</b>	<b>Requirements for addressing customer complaints and consequences of improper handling of complaints</b>		
<b>K5.5</b>	<b>Regulatory bodies, their jurisdiction, rule making authority, and disciplinary authority</b> (e.g., SEC, FINRA, CBOE)		
<b>K5.6</b>	<b>Arbitration, mediation and litigation</b>		
<b>K5.7</b>	<b>Business continuity and disaster recovery plans</b>		
<b>K6</b>	<b>The primary marketplace</b>	<b>Function &amp; Associated Tasks</b>	<b>Rule Knowledge</b>
		F1 (T1.1 – T1.5) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	R17, R30, R35, R39
<b>K6.1</b>	<b>The functions of capital markets, investment banking, and the underwriting syndicate</b>		
	K6.1.1 Advisory, distribution and the formation of the underwriting syndicate: types of selling groups, underwriting commitments, offerings		
<b>K6.2</b>	<b>Process for bringing new issues to market</b> (e.g., due diligence, registration statement, preliminary prospectus, final prospectus, underwriting agreement, selling group agreement, blue-sky rules and procedures)		
	K6.2.1 Pricing practices and components of underwriters' spread and determination of underwriters' compensation, and selling practices		
	K6.2.2 Stabilizing: purpose of syndicate bid		
	K6.2.3 Penalty fees to syndicate members		
	K6.2.4 Overallotments		
	K6.2.5 Selling group concession and reallowance		
	K6.2.6 Tombstone advertisements: contents and purposes		
	K6.2.7 Shelf registrations and distributions: definition and purpose		
<b>K6.3</b>	<b>Regulatory requirements for initial public offerings (IPOs)</b> (e.g., prospectus requirements, restrictions on prospecting or soliciting, securities and/or transactions exempted from registration)		
	K6.3.1 The Securities Act of 1933 ("Securities Act"): definition and purposes		
	K6.3.2 Information required in a registration statement		
	K6.3.3 Filing period, filing date, cooling-off period and effective date of registration		
	K6.3.4 Release of publicity and offering material on new issue: in pre-filing period, in cooling-off period, indications of interest (delivery of red herring), in post-registration period		
	K6.3.5 Prospectus requirements [e.g., registration statement, timeliness of information, preliminary prospectus (red herring), final prospectus]		

	<p>K6.3.6 Restrictions on prospecting or soliciting while a security is in registration: limitations on use of preliminary prospectus, taking indications of interest for a new issue, post-distribution restrictions, allowable communications with the public, delivery requirements</p> <p>K6.3.7 Requirements for qualification of a Regulation A offering, filing of abbreviated registration statement and offering circular</p> <p>K6.3.8 Securities and/or transactions exempted from registration, including Section 3(a)(11) of the Securities Act of 1933, Rule 147 and Rule 147A thereunder: intrastate offering</p>		
<p><b>K7</b></p>	<p><b>K6.4 Regulatory requirements for private placements/re-sales</b></p> <p>K6.4.1 Securities Act Rule 144, purpose and terminology: control securities, control persons, restricted securities, reporting companies; basic requirements: holding period, quantity limitations, filing requirements</p> <p>K6.4.2 Securities Act Rule 144A, non-registered foreign securities sold to institutions qualified in the U.S.</p> <p>K6.4.3 Securities Act, Regulation D, Section 4(2), Section 4(6), and Regulation S, foreign securities prohibited from being sold to U.S. investors</p>	<p><b>Function &amp; Associated Tasks</b></p>	<p><b>Rule Knowledge</b></p>
		<p>F1 (T1.1 – T1.5) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)</p>	<p>R30, R36 – R39</p>
	<p><b>K7.1 Regulation of activities of broker-dealers</b> (e.g., trading for own accounts, designated market makers/specialists' activities, broker-dealer in the same transaction, manipulative and deceptive devices, trading by participants in the distribution of a security, stabilizing bids other than during offerings)</p> <p><b>K7.2 U.S. equity securities</b></p> <p>K7.2.1 Over-The-Counter (OTC) market (e.g., OTC Pink market, bulletin board stocks)</p> <p>K7.2.2 Electronic exchanges, auction markets (e.g., Nasdaq OMX PHLX, NYSE Euronext, NYSE American, NYSE Arca)</p> <p style="padding-left: 40px;">K7.2.2.1 Exchange auction market role and functions of the designated market maker/specialist, listing requirements, limitations on trading during significant market declines</p> <p style="padding-left: 40px;">K7.2.2.2 Nasdaq Stock Exchange: role and function of the market maker, principal transactions, agency transactions, quotations (e.g., firm, subject or otherwise qualified, bid wanted, offer wanted, size obligations), SEC order handling rules, transaction reporting, listing requirements</p> <p style="padding-left: 40px;">K7.2.2.3 Electronic communications networks (ECNs)</p> <p style="padding-left: 40px;">K7.2.2.4 Dark pools of liquidity</p> <p style="padding-left: 40px;">K7.2.2.5 Convertibles and preferreds</p> <p style="padding-left: 40px;">K7.2.2.6 Exchange-traded funds (ETFs)</p>		

<b>K7.4</b>	<b>U.S. Treasuries</b>
<b>K7.5</b>	<b>Government agency securities</b> (e.g., general characteristics, primary dealers, distribution)
<b>K7.6</b>	<b>Debt securities:</b> corporate bonds (including high-yield bonds), repurchase agreements (repos), commercial paper, brokered certificates of deposit (jumbo CDs), bankers' acceptances (BAs), auction rate securities (ARSs), asset-backed securities [e.g., collateralized mortgage obligations (CMOs), collateralized debt obligations (CDOs)]
<b>K7.7</b>	<b>Structured products</b> (e.g., equity-linked securities, ETFs, ETNs, HOLDRs)
<b>K7.8</b>	<b>Non-U.S. market securities</b> (e.g., ADRs, sovereign debt, corporate debt and equity)
<b>K7.9</b>	<b>The currency market</b> (interbank market) (e.g., floating/fixed exchange rates and the factors that affect them, spot and forward markets, exchange rate controls, central bank interventions, revaluation/devaluation, Eurodollars)

<b>K8</b>	<b>Equity securities</b>	<b>Function &amp; Associated Tasks</b>	<b>Rule Knowledge</b>
		F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	R17, R22, R36, R39

<b>K8.1</b>	<b>Current tax treatment of equity securities transactions</b>
K8.1.1	Definition and tax treatment of capital gains and losses, dividend distributions (qualified and non-qualified), holding periods
K8.1.1.1	Determination of net long-term and short-term gains or losses
K8.1.1.2	"When issued" securities, securities acquired through conversion, securities received as gifts or bequests
K8.1.1.3	Cost basis per share: on purchases, exchange of convertibles for common shares, stock dividends and stock rights, inherited or gifted securities, average cost basis calculations
K8.1.1.4	Methods of selling part of a position: FIFO, LIFO, identified shares
K8.1.1.5	Tax treatment of wash sales

<b>K9</b>	<b>Debt securities</b>	<b>Function &amp; Associated Tasks</b>	<b>Rule Knowledge</b>
		F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	R17, R22, R37, R39

<b>K9.1</b>	<b>U.S. Treasury securities</b> [e.g., U.S. Treasury bills, U.S. Treasury notes, U.S. Treasury bonds, Treasury receipts (STRIPS)/Treasury Zero-coupon bonds, and Treasury Inflation Protection Securities (TIPS)]
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K9.1.1	Characteristics such as maturities, denominations, issue form, quotations, calculating a spread, pricing, advantages and risks
K9.1.2	How interest is accrued, computation of accrued interest, interest payments
K9.1.3	Yields: coupon (nominal), current, yield-to-maturity, yield-to-call, yield-to-worst, and discount yield (T-bills only)
<b>K9.2</b>	<b>U.S. government agency securities</b> [e.g., Government National Mortgage Association (GNMA) pass-throughs, Federal National Mortgage Association (FNMA) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Student Loan Marketing Association]; issuing agencies and their purposes, definitions, general characteristics (e.g., types, denominations, risks, payment of interest and principal)
<b>K9.3</b>	<b>Tax implications of taxable debt securities</b> (including OID rules); interest, principal, premiums, discounts, and capital gains and losses

<b>K10</b>	<b>Packaged securities and other managed investments</b>	<b>Function &amp; Associated Tasks</b>	<b>Rule Knowledge</b>
		F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	R17, R22, R38, R39

<b>K10.1</b>	<b>Mutual funds</b>
K10.1.1	Structure of mutual funds ( <i>i.e.</i> , open ended investment companies)
K10.1.2	Types of mutual funds by objective ( <i>e.g.</i> , value, growth, income, balanced, international, sector, lifecycle, money market)
K10.1.3	Characteristics [ <i>e.g.</i> , Net Asset Value (NAV), forward pricing, computing the offering price, reinvestment of dividends and/or capital gains, exchange privileges within families of funds, charges and expenses: no load, load (front-end, back-end), distribution fees, management fees, nature of 12b-1 fees]
K10.1.4	Sales practices ( <i>e.g.</i> , dollar cost averaging, computing the sales charge, breakpoints, letters of intent, rights of accumulation, share class, market timing, late trading)
K10.1.5	Redemption ( <i>e.g.</i> , redemption price, payout or withdrawal plans, conversion privilege, restrictions, contingent deferred sales charge, tenders)
K10.1.6	Tax treatment of mutual funds: dividends, capital gains, distributions, exchanges
<b>K10.2</b>	<b>Closed-end funds, including exchange-traded funds (ETFs)</b>
K10.2.1	Structure ( <i>e.g.</i> , finite number of shares, distributed in primary market at IPO price, traded in secondary market, premiums and discounts to NAV)
K10.2.2	Types ( <i>e.g.</i> , growth, income, balanced, international, sector, ETF)

K10.2.3 Characteristics (e.g., not traded at NAV, reinvestment of dividends and/or capital gains, charges and expenses)

K10.2.4 Tax treatment of closed end funds: dividends, capital gains, distributions

### **K10.3 Unit investment trusts**

K10.3.1 Structure (e.g., finite number of shares and duration, distributed in primary market at IPO price, limited liquidity)

K10.3.2 Types (e.g., growth, income, balanced, international)

K10.3.3 Charges and expenses

K10.3.4 Tax treatment of unit investment funds: dividends, capital gains, capital distributions or return of principal

### **K10.4 Variable life insurance/annuity contracts**

K10.4.1 Definition, characteristics, insurance aspects (e.g., minimum guarantees, death benefits, living benefits, riders)

K10.4.2 Separate accounts (e.g., purpose, management of portfolio, investment policies, performance of account)

K10.4.3 Valuation of a variable annuity contract (e.g., accumulation units and their surrender value, annuity units)

K10.4.4 Purchasing or exchanging variable annuities (e.g., immediate annuity, charges, fees, penalties, rights of accumulation, waiver of premium)

K10.4.5 Annuitization: types of election, the variable payout, assumed interest rate (AIR), relationship between AIR and actual rate of return

K10.4.6 Tax treatment of variable annuity contracts: during accumulation period, during annuity period, taxation at surrender of contract, death benefits during accumulation period

### **K10.5 Real Estate Investment Trusts (REITs)**

K10.5.1 Structure (e.g., finite number of shares, distributed in primary market at IPO price, traded in secondary market, premiums and discounts to NAV)

K10.5.2 Types and characteristics (e.g., equity REIT, mortgage REIT, hybrid REIT)

K10.5.3 Tax treatment of REITs: dividends, capital gains, distributions

### **K10.6 Other investment types**

#### **K10.6.1 Direct participation programs (DPPs)**

K10.6.1.1 General characteristics, procedures and requirements for forming limited partnerships; information required in certificate of limited partnership, partnership agreement, subscription agreement, liability of limited partners; flow-through of

	income and certain expenses; restrictions on activities of limited partners, dissolution of a limited partnership
K10.6.1.2	Various types of DPPs, investment advantages and risks, tax implications for real estate DPPs, oil and gas programs, and equipment leasing programs
K10.6.1.3	Subscription agreements, including the responsibility of the RR regarding representation in the subscription agreement, sales conditioned upon acceptance by general partners
K10.6.1.4	Types of offerings of DPPs (e.g., private, public) and evaluating the DPP; factors to consider, such as economic soundness of the program, expertise of the general partner, basic objectives of the program; start-up costs and other revenue considerations
<b>K10.6.2</b>	<b>Registered hedge funds and funds of hedge funds</b>
K10.6.2.1	Structure (e.g., private placements, registered, exemption from registration under the Investment Company Act of 1940, blind pool/ blank check)
K10.6.2.2	Characteristics (e.g., limited or no liquidity, limited available information, lock-up provisions, charges and expenses, wide array of investment styles, models and vehicles; including tangible assets)
K10.6.2.3	Tax treatment of distributions
<b>K10.6.3</b>	<b>Private equity</b> General characteristics
<b>K10.6.4</b>	<b>Structured products</b> General characteristics

<b>K11</b>	<b>Retirement plans and other tax advantaged accounts</b>	<b>Function &amp; Associated Tasks</b>	<b>Rule Knowledge</b>
		F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	R9, R17, R22, R39
<b>K11.1</b>	<b>Individual Retirement Accounts types</b> (Traditional IRAs, Roth IRAs and SEP-IRAs) and transfers, rollovers, eligibility, distribution strategies and taxation: maximum contribution, contributions covering nonworking spouses, types of allowable standard or catch-up contributions, taxation of investments within plans, distribution options, taxation of distribution at retirement, age restrictions for distributions, calculating required minimum distributions (RMDs) and required beginning date (RBDs), permissible investments in the plan, effect on plan due to change of employment, taxation of contributions, penalty on excess contributions, employee coverage, rollovers, re-characterization.		
<b>K11.2</b>	<b>Employer-sponsored plans and ERISA</b> [e.g., SIMPLE IRA, 401(k), 403(b), 457, defined benefit, profit-sharing, money-purchase, stock options and stock purchase, qualified and non-qualified, and deferred compensation programs]; characteristics, rollovers		
	<b>Custodial, Educational and Health Savings Accounts</b>	<b>Function &amp; Associated Tasks</b>	<b>Rule Knowledge</b>

<b>K12</b>		F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	R9, R17, R22, R39
<b>K12.1 UGMA/UTMA accounts</b> <b>K12.2 Coverdell Education Savings accounts</b> <b>K12.3 529 College Savings Plan accounts</b> <b>K12.4 Health Savings Accounts</b>			
<b>K13</b>	<b>Special product emphasis and/or new or amended rules or regulations</b>	<b>Function &amp; Associated Tasks</b> F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	<b>Rule Knowledge</b> R1 – R39
May include new products, additional emphasis on products listed elsewhere, and/or new or amended rules or regulations.			
<h3><b>RULES AND REGULATIONS</b></h3> <p>Listings of rules and regulations are grouped by topic. Each rule group is preceded by an “R.” Each of the 40 rule groups is referenced to the associated functions, tasks and knowledge statements. Some rule citations included within a rule topic group may also contain an additional knowledge reference in parentheses following the rule. Also, some rules may be listed in more than one rule grouping. The references and citations presented here are current as of the time of this publication. Questions on the examination will be updated to reflect the current interpretations of the rules and regulations on which they are based. Questions on new rules will be added to the bank of questions for the examination within a reasonable time period after their effective dates. Questions on rescinded rules will be removed from the bank of questions. Candidates are responsible for keeping abreast of rule changes and Regulatory Notices that relate to topics covered in the examination.</p>			
<b>R1</b>	<b>SEC, SRO and State requirements for registration of individuals</b>	<b>Function &amp; Associated Tasks</b> F1 (T1.1 – T1.5) F4 (T4.1 – T4.5)	<b>Knowledge</b> K1.1
<ul style="list-style-type: none"> <li>• FINRA 1240 (Continuing Education Requirements)</li> <li>• FINRA 4530 (Reporting Requirements)</li> <li>• FINRA 1210 (Registration Requirements)</li> <li>• FINRA 1220(a) (Principal Definition and Principal Registration Categories)</li> <li>• FINRA 1220(b) (Definition of Representative and Representative Registration Categories)</li> <li>• FINRA 1220(b)(6) (Research Analysts Requirement and Qualifications)</li> <li>• FINRA 1220(a)(14) (Supervisory Analyst)</li> </ul>			
		<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>

<b>R2</b>	<b>Standards and required approvals of public communications</b>	F1 (T1.1 – T1.5) F4 (T4.1 – T4.5)	K1.2
<ul style="list-style-type: none"> <li>• FINRA 2210 (Communications with the Public)</li> <li>• FINRA 2214 (Requirements for the Use of Investment Analysis Tools)</li> <li>• FINRA 2241 (Research Analysts and Research Reports)</li> <li>• FINRA 3110 (Supervision)</li> <li>• FINRA 3120 (Supervisory Control System)</li> <li>• Nasdaq OMX PHLX 605 (Advertisements, Market Letters, Research Reports and Sales Literature)</li> <li>• Nasdaq OMX PHLX 1049 (Communications to Customers)</li> <li>• Securities Act of 1933, Rule 134 (Communications Not Deemed a Prospectus)</li> </ul>			
<b>R3</b>	<b>Investment Company Products, Variable Contracts, and Mutual Fund Advertisements</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F1 (T1.1 – T1.5) F4 (T4.1 – T4.5)	K1.2.1.1, K10
<ul style="list-style-type: none"> <li>• FINRA 2211 (Communications with the Public About Variable Life Insurance and Variable Annuities)</li> <li>• FINRA 2212 (Use of Rankings in Investment Companies Advertisements and Sales Literature)</li> <li>• FINRA 2213 (Requirements for the Use of Bond Mutual Fund Volatility Ratings)</li> <li>• FINRA 2330 (Members' Responsibilities Regarding Deferred Variable Annuities)</li> <li>• Securities Act of 1933, Rule 156 (Investment Company Sales Literature)</li> <li>• Securities Act of 1933, Rule 482 (Advertising by an Investment Company as Satisfying Requirements of Section 10)</li> </ul>			
<b>R4</b>	<b>Government Securities, Collateralized Mortgage Obligations (CMOs), Certificates of Deposit (CDs) Advertisements</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F1 (T1.1 – T1.5) F4 (T4.1 – T4.5)	K1.2.1.2, K9
<ul style="list-style-type: none"> <li>• FINRA 2216 [Communications with the Public About Collateralized Mortgage Obligations (CMOs)]</li> </ul>			
<b>R5</b>	<b>Research reports</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F1 (T1.1 – T1.5) F4 (T4.1 – T4.5)	K1.2.1.3
<ul style="list-style-type: none"> <li>• FINRA 2210 (Communications with the Public)</li> <li>• FINRA 2241 (Research Analysts and Research Reports)</li> <li>• FINRA 1220(b)(6) (Research Analysts Requirement and Qualifications) <b>(K1.1)</b></li> <li>• NYSE 344 (Research Analysts and Supervisory Analysts)</li> <li>• SEC Regulation AC (Analyst Certification)</li> <li>• SEC Regulation FD (Fair Disclosure)</li> <li>• Securities Exchange Act of 1934 (SEA), Section 28(e) (Exchange, broker, and dealer commissions; brokerage and research services)</li> </ul>			
<b>R6</b>	<b>Regulation of telephone solicitations</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F1 (T1.1 – T1.5) F4 (T4.1 – T4.5)	K1.2.2
<ul style="list-style-type: none"> <li>• FINRA 3230 (Telemarketing)</li> <li>• Junk Fax Protection Act of 2005</li> <li>• Telephone Consumer Protection Act of 1991</li> </ul>			

<b>R7</b>	<b>Regulations regarding gifts and gratuities, non-cash compensation, and guidelines for business entertainment</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F1 (T1.1 – T1.5) F4 (T4.1 – T4.5)	K 1.3, K5.1
<ul style="list-style-type: none"> <li>• FINRA 3220 (Influencing or Rewarding Employees of Others)</li> </ul>			
<b>R8</b>	<b>Regulatory bodies, their jurisdiction, rule making authority, and disciplinary authority (e.g., SEC, FINRA, CBOE)</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F1 (T1.1 – T1.5) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K5.5
<ul style="list-style-type: none"> <li>• FINRA By-Laws, Article V (Registered Representatives and Associated Persons, Section 4—Retention of Jurisdiction)</li> <li>• FINRA By-Laws, Article XII (Disciplinary Proceedings)</li> <li>• FINRA 8000 Series (Investigations and Sanctions)</li> <li>• FINRA 9000 Series (Code of Procedure)</li> </ul>			
<b>R9</b>	<b>Requirements for opening and maintaining accounts</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K2, K3.4, K11, K12
<ul style="list-style-type: none"> <li>• Employee Retirement Income Security Act of 1974 (ERISA)</li> <li>• Federal Reserve Board Regulation T (Credit by Broker-Dealers)</li> <li>• FINRA 2070 (Transactions Involving FINRA Employees)</li> <li>• FINRA 2130 (Approval Procedures for Day-Trading Accounts)</li> <li>• FINRA 2261 (Disclosure of Financial Condition)</li> <li>• FINRA 2264 (Margin Disclosure Statement)</li> <li>• FINRA 2267 (Investor Education and Protection)</li> <li>• FINRA 2270 (Day-Trading Risk Disclosure Statement)</li> <li>• FINRA 3110 (Supervision)</li> <li>• FINRA 3120 (Supervisory Control System)</li> <li>• FINRA 3160 (Networking Arrangements Between Members and Financial Institutions)</li> <li>• FINRA 3170 (Tape Recording of Registered Persons by Certain Firms)</li> <li>• FINRA 3210 (Accounts At Other Broker-Dealers and Financial Institutions)</li> <li>• FINRA 3250 (Designation of Accounts)</li> <li>• FINRA 4512 (Customer Account Information)</li> <li>• FINRA 4210 (Margin Requirements)</li> <li>• NASD 2510 (Discretionary Accounts)</li> <li>• NYSE 408 (Discretionary Power in Customers' Accounts)</li> <li>• SEC Regulation S-P (Privacy of Consumer Financial Information)</li> <li>• Securities Act of 1934, Section 3(a)35 (Definition and Applications—"Investment Discretion")</li> <li>• OFAC, "Foreign Asset Control Regulations for the Securities Industry"</li> <li>• Uniform Gift to Minors Act (UGMA)</li> <li>• Uniform Transfer to Minors Act (UTMA)</li> <li>• USA PATRIOT Act, Section 326 (Verification of Identification)</li> </ul>			

<b>R10</b>	<b>Customer account records (e.g., updating for change of address, sending required notifications, holding of customer mail, investment objectives)</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K2.2.1
<ul style="list-style-type: none"> <li>• FINRA 3150 (Holding Customer Mail)</li> <li>• FINRA 4510 (Books and Records Requirements)</li> <li>• NYSE 409 (Statements of Accounts to Customers)</li> <li>• SEA, Rule 17a-3 (Records to Be Made by Certain Exchange Members, Brokers and Dealers)</li> <li>• SEA, Rule 17a-4 (Records to Be Preserved by Certain Exchange Members, Brokers and Dealers)</li> </ul>			
<b>R11</b>	<b>Physical receipt, delivery and safeguarding of cash or cash equivalents, checks and securities</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K2.2.2
<ul style="list-style-type: none"> <li>• FINRA 2150 (Improper Use of Customers' Securities or Funds; Prohibitions Against Guarantees and Sharing)</li> <li>• FINRA 11860 (COD Orders)</li> <li>• SEA, Rule 15c3-3 (Customer Protection—Reserves and Custody of Securities)</li> </ul>			
<b>R12</b>	<b>Transferring accounts between broker-dealers [e.g., Automated Customer Account Transfer Service (ACATS)]</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F3 (T3.1 – T3.8) F4 (T4.1 – T4.5)	K2.2.4
<ul style="list-style-type: none"> <li>• FINRA 11870 (Customer Account Transfer Contracts)</li> </ul>			
<b>R13</b>	<b>Anti-money laundering compliance procedures and reporting</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K2.2.6
<ul style="list-style-type: none"> <li>• FINRA 3310 (Anti-Money Laundering Compliance Program)</li> <li>• OFAC, "Foreign Asset Control Regulations for the Securities Industry"</li> <li>• USA PATRIOT Act Section 352 (Anti-Money Laundering Programs)</li> </ul>			
<b>R14</b>	<b>Delivery of annual reports and notices of corporate action (e.g., splits, tenders, proxies, repurchases)</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F3 (T3.1 – T3.8) F4 (T4.1 – T4.5)	K2.2.7
<ul style="list-style-type: none"> <li>• FINRA 2251 (Forwarding of Proxy and Other Issuer-related Materials)</li> <li>• SEA, Section 14 (Proxies)</li> </ul>			
<b>R15</b>	<b>Books and records (e.g., retention of customer and firm-related records)</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K2.2.8, K4

<ul style="list-style-type: none"> <li>• FINRA 4510 (Books and Records Requirements)</li> <li>• Nasdaq OMX PHLX 760 (Maintenance, Retention and Furnishing of Books, Records and Other Information)</li> <li>• SEA, Rule 17a-3 (Records to Be Made by Certain Exchange Members, Brokers and Dealers)</li> <li>• SEA, Rule 17a-4 (Records to Be Preserved by Certain Exchange Members, Brokers and Dealers)</li> </ul>			
<b>R16</b>	<b>Margin accounts</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K2.3, K3.4
<ul style="list-style-type: none"> <li>• FINRA 2264 (Margin Disclosure Statement)</li> <li>• FINRA 4210 (Margin Requirements)</li> <li>• Nasdaq OMX PHLX 722 (Margin Accounts)</li> <li>• Federal Reserve Board Regulation T (Credit by Broker-Dealers)</li> <li>• SEA, Rule 8c-1 (Hypothecation of Customers' Securities)</li> <li>• SEA, Section 11(d) (Trading by Exchange Members, Brokers and Dealers—"Prohibition on extension of credit by broker-dealer")</li> </ul>			
<b>R17</b>	<b>Suitable recommendations</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K2, K4, K6, K8 – K13
<ul style="list-style-type: none"> <li>• FINRA 2090 (Know Your Customer)</li> <li>• FINRA 2111 (Suitability)</li> <li>• FINRA 2114 (Recommendations to Customers in OTC Equity Securities)</li> <li>• FINRA 2330 (Members' Responsibilities Regarding Deferred Variable Annuities)</li> <li>• Nasdaq OMX PHLX 746 (Diligence as to Accounts)</li> </ul>			
<b>R18</b>	<b>Costs and fees associated with investments (e.g., breakpoints, markups, commissions, net transactions, share classes, fee-based accounts, 12b-1 fees, surrender charges, mortality and expense charges in variable products)</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K3.5
<ul style="list-style-type: none"> <li>• FINRA 2010 (Standards of Commercial Honor and Principals of Trade)</li> <li>• FINRA 2121 (Fair Prices and Commissions)</li> <li>• FINRA 2122 (Charges for Services Performed)</li> <li>• FINRA 2124 (Net Transactions with Customers)</li> <li>• NASD IM-2210-2 (Communications with the Public About Variable Life Insurance and Variable Annuities)</li> <li>• FINRA 2330 (Members' Responsibilities Regarding Deferred Variable Annuities)</li> <li>• FINRA 2342 ("Breakpoint" Sales)</li> </ul>			

<ul style="list-style-type: none"> <li>Investment Company Act of 1940, Rule 12b-1 (Distribution of Shares by Registered Open-End Management Investment Company)</li> <li>Securities Act of 1934, Section 28(e) (Exchange, Broker and Dealer Commissions; Brokerage and Research Services)</li> </ul>			
<b>R19</b>	<b>Prohibited activities (e.g., spreading market rumors, front running, churning, commingling, unauthorized trading, guarantees against losses)</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K3.1
<ul style="list-style-type: none"> <li>FINRA 2020 (Use of Manipulative, Deceptive or Other Fraudulent Devices)</li> <li>FINRA 2150 (Improper Use of Customers' Securities or Funds; Prohibitions Against Guarantees and Sharing)</li> <li>FINRA 5240 (Anti-Intimidation/Coordination)</li> <li>FINRA 5250 (Payments for Market Making)</li> <li>FINRA 5320 (Prohibition Against Trading Ahead of Customer Orders)</li> <li>FINRA 5270 (Front Running of Block Transactions)</li> <li>FINRA 5280 (Trading Ahead of Research Reports)</li> <li>FINRA 6140 (Other Trading Practices)</li> <li>NYSE 435 (Miscellaneous Prohibitions)</li> <li>SEA, Section 9(a)(1) – (a)(6) (Prohibition against manipulation of security prices)</li> <li>SEA, Rule 10b-1 (Prohibition of use of manipulative or deceptive devices or contrivances with respect to certain securities exempted from registration)</li> <li>SEA, Rule 10b-3 (Employment of manipulative and deceptive devices by brokers or dealers)</li> <li>SEA, Rule 14e-3 (Transactions in securities on the basis of material, nonpublic information in the context of tender offers)</li> <li>SEA, Rule 14e-4 (Prohibited transactions in connection with partial tender offers)</li> <li>SEA, Rule 15c1-2 (Fraud and misrepresentation)</li> <li>SEA, Rule 15c1-3 (Misrepresentation by brokers, dealers and municipal securities dealers as to registration)</li> </ul>			
<b>R20</b>	<b>Regulation of insider activities and use of material, non-public information (primary markets, secondary markets, customer, registered representative)</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K3.1, K5.2
<ul style="list-style-type: none"> <li>Insider Trading and Securities Fraud Enforcement Act of 1988, Section 3 (Civil penalties of controlling persons for illegal insider trading by controlled persons)</li> <li>SEA, Rule 10b-5 (Employment of Manipulative and Deceptive Devices)</li> <li>SEA, Rule 10b5-1 (Trading on the Basis of "Material Nonpublic" Information in Insider Trading Cases)</li> <li>SEA, Rule 10b5-2 (Duties of Trustor Confidence in Misappropriation Insider Trading)</li> </ul>			
<b>R21</b>	<b>Protections afforded under the Securities Investor Protection Corporation (SIPC) and Federal Deposit Insurance Corporation (FDIC)</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8)	K3.6

		F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	
<ul style="list-style-type: none"> <li>• FINRA 2266 (SIPC Information)</li> <li>• Securities Investor Protection Act of 1970</li> </ul>			
<b>R22</b>	<b>Tax consequences</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K3.7, K8 – K12
<ul style="list-style-type: none"> <li>• Internal Revenue Code, Sec. 219 (Retirement savings)</li> <li>• Internal Revenue Code, Sec. 301 (Distributions of property)</li> <li>• Internal Revenue Code, Sec. 316 (Dividend defined)</li> <li>• Internal Revenue Code, Sec. 415 (Limitations on benefits and contributions under qualified plans)</li> <li>• Internal Revenue Code, Sec. 529 (Qualified tuition programs)</li> <li>• Internal Revenue Code, Sec. 530 (Coverdell education savings)</li> <li>• Internal Revenue Code, Sec. 856 (Definition of real estate investment trust)</li> <li>• Internal Revenue Code, Sec. 858 (Dividends paid by real estate investment trust after close of tax year)</li> <li>• Internal Revenue Code, Sec. 1035 (Certain exchanges of insurance policies)</li> <li>• Internal Revenue Code, Sec. 1091 (Loss from wash sales of stock or securities)</li> <li>• Internal Revenue Code, Sec. 1233 (Gains and losses from short sales)</li> <li>• Internal Revenue Code, Sec. 1256 (Contracts marked to market)</li> <li>• Internal Revenue Code, Sec. 2503 (Taxable gifts)</li> <li>• OCC Brochure, "Taxes and Investing"</li> <li>• Tax Reform Acts 1984, 1986, 1990, 1993</li> </ul> <p><b>Candidates should be familiar with current tax laws related to investments, transaction types and account types covered in this content outline.</b></p>			
<b>R23</b>	<b>Types of securities quotes, types of orders, information required on an order ticket</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K4.1, K4.2, K4.3
<ul style="list-style-type: none"> <li>• CBOE 6.24 (Required Order Information)</li> <li>• CBOE 6.53 (Certain Types of Orders Defined)</li> <li>• FINRA 2360 (Options Orders)</li> <li>• FINRA 2010 (Standards of Commercial Honor and Principals of Trade) <b>(K4.6)</b></li> <li>• FINRA 5210 (Publication of Transactions and Quotations Marking the close/Marking the opening)</li> <li>• FINRA 5220 (Offers and Stated Prices)</li> <li>• FINRA 5290 (Order Entry and Execution Practices)</li> <li>• FINRA 5330 (Adjustment of Open Orders)</li> <li>• NYSE 13 (Definition of Orders)</li> <li>• SEC Regulation NMS</li> </ul>			

<b>R24</b>	<b>Best execution requirements</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K4.7
<ul style="list-style-type: none"> <li>• FINRA 5310 (Best Execution and Inter-positioning)</li> <li>• SEC Regulation NMS</li> </ul>			
<b>R25</b>	<b>Short sale requirements (e.g., order marking, locate, borrow and delivery) (Short sale Strategies (Securities lending</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K4.4, K4.5, K4.6
<ul style="list-style-type: none"> <li>• Federal Reserve Board Regulation T (Credit by Broker-Dealers)</li> <li>• FINRA 4320 (Short Sale Delivery Requirements)</li> <li>• NYSE 13 (Definition of Orders) (K4.2) (K4.3)</li> <li>• SEC, Regulation SHO</li> <li>• SEA, Rule 8c-1 (Hypothecation of Customers' Securities)</li> </ul>			
<b>R26</b>	<b>Erroneous reports, errors, cancels and re-bills</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K4.9
<ul style="list-style-type: none"> <li>• FINRA 11892 (Clearly Erroneous Transactions in Exchange-Listed Securities)</li> <li>• FINRA 11893 (Clearly Erroneous Transactions in OTC Equity Securities)</li> <li>• FINRA 4510 (Books and Records Requirements) (K4.3)</li> <li>• FINRA 4515 (Approval and Documentation of Changes in Account Name or Designation)</li> <li>• SEA, Rule 17a-4 (Records to Be Preserved by Certain Exchange Members, Brokers and Dealers)</li> </ul>			
<b>R27</b>	<b>Customer confirmations and statements</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K4.10
<ul style="list-style-type: none"> <li>• FINRA 2266 (SIPC Information) (K4.8)</li> <li>• FINRA 2232 (Customer Confirmations)</li> <li>• NASD 2340 (Customer Account Statements)</li> <li>• NYSE 409 (Statements of Accounts to Customers)</li> <li>• SEA, Rule 10b-10 (Confirmation of Transactions)</li> </ul>			
<b>R28</b>	<b>Delivery requirements</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K4.11
<ul style="list-style-type: none"> <li>• FINRA 11000 Series (Uniform Practice Code)</li> <li>• NYSE 63 (“When Issued” — “When Distributed”)</li> <li>• NYSE 64 (Bonds, Rights and 100-Share Unit Stocks)</li> <li>• NYSE 130 Series (Comparison and Exchange of Contracts)</li> </ul>			

<ul style="list-style-type: none"> <li>• NYSE 133 (Comparison—Non-cleared Transactions)</li> <li>• NYSE 135 (Differences and Omissions—Cleared Transactions (“DK’s”))</li> <li>• NYSE 136 (Comparison—Transactions Excluded from a Clearance)</li> <li>• SEA, Rule 15c6-1 (Settlement Cycle)</li> </ul>			
<b>R29</b>	<b>Trade reporting requirements (e.g., OATS, TRF, TRACE)</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K4.12
<ul style="list-style-type: none"> <li>• FINRA 6000 Series (Quotation and Transaction Reporting Facilities)</li> <li>• FINRA 6700 Series (Trade Reporting and Compliance Engine)</li> <li>• FINRA 7000 Series (Clearing, Transactions and Order Data Requirements, and Facility Charges)</li> </ul>			
<b>R30</b>	<b>Professional conduct and ethical considerations</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K5, K6, K7
<ul style="list-style-type: none"> <li>• Investment Company Act of 1940, Section 35 (Unlawful Representations and Names)</li> <li>• Investment Company Act of 1940, Section 36 (Breach of Fiduciary Duty)</li> <li>• FINRA 2010 (Standards of Commercial Honor and Principles of Trade)</li> <li>• FINRA 2020 (Use of Manipulative, Deceptive or Other Fraudulent Devices)</li> <li>• FINRA 2060 (Use of Information Obtained in Fiduciary Capacity)</li> <li>• Regulation S-P (Privacy of Consumer Financial Information and Safeguarding Personal Information)</li> </ul>			
<b>R31</b>	<b>Required disclosures by an RR (outside business activities, personal investment accounts, private securities transactions, conflicts of interest)</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F1 (T1.1 – T1.5) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K5.1
<ul style="list-style-type: none"> <li>• FINRA 3210 (Accounts At Other Broker-Dealers and Financial Institutions) FINRA 3240 (Borrowing From or Lending to Customers)</li> <li>• FINRA 3270 (Outside Business Activities of Registered Persons)</li> <li>• FINRA 4530 (Reporting Requirements)</li> <li>• FINRA 3280 (Private Securities Transactions of an Associated Person)</li> </ul>			
<b>R32</b>	<b>Requirements for addressing customer complaints and consequences of improper handling of complaints</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F1 (T1.1 – T1.5) F3 (T3.1 – T3.8) F5 (T5.1 – T5.7)	K5.4
<ul style="list-style-type: none"> <li>• FINRA 3110 (Supervision)</li> <li>• FINRA 4513 (Records of Written Customer Complaints)</li> <li>• FINRA 4530 (Reporting requirements)</li> </ul>			

<b>R33</b>	<b>Arbitration, mediation and litigation</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F1 (T1.1 – T1.5) F3 (T3.1 – T3.8) F5 (T5.1 – T5.7)	K5.6
<ul style="list-style-type: none"> <li>• FINRA 10000 Series (Code of Arbitration Procedure)</li> <li>• FINRA 12000 Series (Code of Arbitration Procedure For Customer Disputes)</li> <li>• FINRA 13000 Series (Code of Arbitration Procedure For Industry Disputes)</li> <li>• FINRA 14000 Series (Code of Mediation Procedure)</li> </ul>			
<b>R34</b>	<b>Business continuity and disaster recovery plans</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F1 (T1.1 – T1.5) F3 (T3.1 – T3.8)	K5.7
<ul style="list-style-type: none"> <li>• FINRA 4370 (Business Continuity Plans and Emergency Contact Information)</li> </ul>			
<b>R35</b>	<b>The primary marketplace</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F1 (T1.1 – T1.5) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K3.4, K6
<ul style="list-style-type: none"> <li>• FINRA 2040 (Payments to Unregistered Persons)</li> <li>• FINRA 2262 (Disclosure of Control Relationship with Issuer)</li> <li>• FINRA 2269 (Disclosure of Participation or Interest in Primary or Secondary Distribution)</li> <li>• FINRA 5110 (Corporate Financing Rule—Underwriting Terms and Arrangements)</li> <li>• FINRA 5121 (Public Offerings of Securities With Conflicts of Interest)</li> <li>• FINRA 5130 (Restrictions on the Purchase and Sale of Initial Equity Public Offerings)</li> <li>• FINRA 5131 (New Issue Allocations and Distributions)</li> <li>• FINRA 5141 (Sale of Securities in a Fixed Price Offering)</li> <li>• FINRA 5160 (Disclosure of Price and Concessions in Selling Agreements)</li> <li>• FINRA 5190 (Notification Requirements for Offering Participants)</li> <li>• Securities Act of 1933, Section 5 (Prohibitions Relating to Interstate Commerce and the Mails)</li> <li>• Securities Act of 1933, Section 7 (Information Required in a Registration Statement)</li> <li>• Securities Act of 1933, Section 8 (Taking Effect of Registration Statements and Amendments Thereto)</li> <li>• Securities Act of 1933, Section 10 (Information Required in Prospectus)</li> <li>• Securities Act of 1933, Schedule A (Schedule of Information Required in Registration Statement)</li> <li>• Securities Act of 1933, Schedule B (Schedule of Information Required in Registration Statement)</li> <li>• Securities Act of 1933, Regulation A (Conditional Small Issues Exemption)</li> <li>• Securities Act of 1933, Regulation D (Rules Governing the Limited Offer and Sale of Securities Without Registration Under the Securities Act of 1933)</li> <li>• Securities Act of 1933, Rule 144 (Persons Deemed Not to Be Engaged in a Distribution and Therefore Not Underwriters)</li> <li>• Securities Act of 1933, Rule 144A (Private Re-sales of Securities to Institutions)</li> <li>• Securities Act of 1933, Rule 145 (Reclassification of Securities, Mergers, Consolidations and Acquisitions of Assets)</li> <li>• Securities Act of 1933, Rule 147 ["Part of an Issue," "Person Resident," and "Doing Business Within" for Purposes of Section 3(a)(11)]</li> </ul>			

- Securities Act of 1933, Rule 147A (Exemptions to facilitate intrastate and regional securities offerings)
- Securities Act of 1933, Rule 164 (Post-Filing Free Writing Prospectuses in Connection with Certain Registered Offerings)
- Securities Act of 1933, Rule 215 (Accredited Investor)
- Securities Act of 1933, Rule 405 (Definition of Terms)
- Securities Act of 1933, Rule 415 (Delayed or Continuous Offering and Sale of Securities)
- Securities Act of 1933, Rule 427 (Contents of Prospectus Used After Nine Months)
- Securities Act of 1933, Rule 430 (Prospectus for Use Prior to Effective Date)
- Securities Act of 1933, Rule 430A (Prospectus in a Registration Statement At The Time of Effectiveness)
- Securities Act of 1933, Rule 430B (Prospectus in a Registration Statement After Effective Date)
- Securities Act of 1933, Rule 433 (Conditions to Permissible Post-filing Free Writing Prospectuses)
- SEA, 15c2-8 (Delivery of Prospectus)
- SEC, Regulation M
- State Laws, Blue Sky and Registration of Broker-Dealers (General Knowledge)

<b>R36</b>	<b>Equity securities</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K3.4, K4.11, K4.12, K7.2, K8

- SEA, Rule 3a11-1 (Definition of the Term "Equity Security")
- SEA, Section 3(a)(38) (Definition and Applications—"Market Maker")
- SEC, Regulation M
- SEC, Regulation NMS
- SEA, 10b-18 (Purchases of Certain Equity Securities by the Issuer and Others)
- NYSE Listing requirements—general factors, numerical values not tested
- Nasdaq Listing requirements—general factors, numerical values not tested

**Auction market**

- NYSE 13 (Definitions of Orders)
- NYSE 54 (Dealings on the Floor—Persons)
- NYSE 61 (Recognized quotations)
- NYSE 65 (Less Than 100-Share—Unit Stocks)
- NYSE 70 ("Below Best Bid—Above Best Offer")
- NYSE 71 (Precedence of Highest Bid and Lowest Offer)
- NYSE 72 (Priority and Precedence of Bids and Offers and Allocation of Executions)
- NYSE 73 ("Seller's Option")
- NYSE 74 (Publicity of Bids and Offers)
- NYSE 75 (Disputes as to Bids and Offers)
- NYSE 76 ("Crossing" Orders)
- NYSE 77 (Prohibited Dealings and Activities)
- NYSE 79A (Miscellaneous Requirements on Stock Market Procedures)
- NYSE 80B (Trading Halts Due to Extraordinary Market Volatility)
- NYSE 104 (Dealings and Responsibilities of DMMs)
- NYSE 115A (Orders at opening or unusual situations)

- NYSE 123A (Miscellaneous Requirements)
- NYSE 123C (The Closing Procedures)
- NYSE 123D (Openings and halts in trading)
- NYSE 127 (Block Crosses Outside of the Prevailing NYSE Quotation)
- Nasdaq OMX PHLX 100 Series (Dealings Upon the Exchange)

**Automatic Execution Systems**

- NYSE 1000 (Automatic Execution of Limit Orders Against Orders Reflected in NYSE Published Quotation)
- NYSE 1001 (Execution of Automatically Executing Orders)
- NYSE 1002 (Availability of Automatic Execution Feature)
- NYSE 1003 (Application of Tick Tests)
- NYSE 1004 (Election of Stop Orders and Percentage Orders)

**Markets Regulated by FINRA (Nasdaq, OTC, ECNs)**

- FINRA 5210 (Publication of Transactions and Quotations)
- FINRA 5220 (Offers at Stated Prices)
- FINRA 5260 (Prohibition on Transactions, Publication of Quotations, or Publication of Indications of Interest During Trading Halts)
- FINRA 5290 (Order Entry and Execution Practices)
- FINRA 5310 (Best Execution and Inter-positioning)
- FINRA 6100 Series (Quoting and Trading in NMS stocks)
- FINRA 6110 (Trading Otherwise than on an Exchange)
- FINRA 6120 (Trading Halts)
- FINRA 6130 (Transactions Related to Initial Public Offerings)
- FINRA 6121 (Trading Halts Due to Extraordinary Market Volatility)
- FINRA 6140 (Other Trading Practices)
- FINRA 6400 Series (Quoting and Trading in OTC Equity Securities)
- FINRA 6500 Series (OTC Bulletin Board® Service)
- FINRA 6600 Series (OTC Reporting Facility)
- Nasdaq OMX PHLX 4600 Series (Requirements for Nasdaq Market Makers and Other Nasdaq Market Center Participants)
- Nasdaq OMX PHLX 4750 Series (Nasdaq Market Center—Execution Services)
- SEA, Rule 15c2-7 (Identification of Quotations)
- SEA, Rule 15c2-11 (Initiation or Resumption of Quotations without Specified Information)
- SEC, Regulation ATS (Alternative Trading Systems)

**Penny Stock Regulations**

- SEA, Rule 3a51-1 (Definition of "Penny Stock")
- SEA, Rule 15g-1 (Exemptions for Certain Transactions)
- SEA, Rule 15g-2 (Risk Disclosure Document Relating to the Penny Stock Market)
- SEA, Rule 15g-3 (Broker or Dealer Disclosure of Quotations and Other Information Relating to the Penny Stock Market)
- SEA, Rule 15g-4 (Disclosure of Compensation to Brokers or Dealers)
- SEA, Rule 15g-5 (Disclosure of Compensation of Associated Persons in Connection With Penny Stock Transactions)
- SEA, Rule 15g-6 (Account Statements for Penny Stock Customers)
- SEA, Rule 15g-9 (Sales Practice Requirements for Certain Low-Priced Securities)

	<b>Debt instruments</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
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<b>R37</b>		F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K3.4, K7.6, K9
<ul style="list-style-type: none"> <li>• Treasury Department Regulations Governing the Issuance, Sale and Settlement of Government Securities (31 CFR)</li> <li>• Trust Indenture Act of 1939</li> </ul>			
<b>R38</b>	<b>Packaged securities and other managed products (general)</b>	<b>Function &amp; Associated Tasks</b> F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	<b>Knowledge</b> K3.4, K7, K10
<ul style="list-style-type: none"> <li>• FINRA 2212 (Use of Rankings in Investment Companies Advertisements and Sales Literature)</li> <li>• FINRA 2341 (Investment Company Securities)</li> <li>• FINRA 2342 (“Breakpoint” Sales)</li> <li>• Investment Company Act of 1940, Section 2(a) (Definitions—“Advisory board”)</li> <li>• Investment Company Act of 1940, Section 3(a) (Definitions—“Investment company”)</li> <li>• Investment Company Act of 1940, Section 4 (Classification of Investment Companies)</li> <li>• Investment Company Act of 1940, Section 5 (Sub-classification of Management Companies)</li> <li>• Investment Company Act of 1940, Section 10 (Affiliations or Interest of Directors, Officers, and Employees)</li> <li>• Investment Company Act of 1940, Section 12(a) (Functions and Activities of Investment Companies)</li> <li>• Investment Company Act of 1940, Section 13(a) (Changes in Investment Policy)</li> <li>• Investment Company Act of 1940, Section 15(a) (Contracts of Advisors and Underwriters)</li> <li>• Investment Company Act of 1940, Section 16(a) (Board of Directors—“Election of directors”)</li> <li>• Investment Company Act of 1940, Section 17(a) (Transactions of Certain Affiliated Persons and Underwriters)</li> <li>• Investment Company Act of 1940, Section 18 (Capital Structure of Investment Companies)</li> <li>• Investment Company Act of 1940, Section 19 (Payments or Distributions)</li> <li>• Investment Company Act of 1940, Section 22 (Distribution, Redemption, and Repurchase of Securities; Regulations by Securities Associations)</li> <li>• Investment Company Act of 1940, Section 23 (Closed-End Companies)</li> <li>• Investment Company Act of 1940, Section 30 (Reports and Financial Statements of Investment Companies and Affiliated Persons)</li> <li>• Investment Company Act of 1940, Section 35 (Unlawful Representations and Names)</li> <li>• Investment Company Act of 1940, Section 36 (Breach of Fiduciary Duty)</li> <li>• Investment Company Act of 1940, Section 37 (Larceny and Embezzlement)</li> </ul> <p><b>Types of closed-end funds (ETFs)</b></p> <ul style="list-style-type: none"> <li>• NYSE Amex 1000 (Portfolio Depositary Receipts)</li> <li>• NYSE Amex 1000A (Index Fund Shares)</li> <li>• NYSE Amex 1200 (Trading of Trust Issued Receipts—Rules of General Applicability)</li> <li>• NYSE Amex 1400 (Trading of Paired Trust Shares—Rules of General Applicability)</li> <li>• NYSE Amex 1500 (Trading of Partnership Units)</li> </ul> <p><b>Variable life insurance/ Annuity contracts</b></p> <ul style="list-style-type: none"> <li>• FINRA 2320 (Variable Contracts of an Insurance Company)</li> </ul>			

<ul style="list-style-type: none"> <li>• FINRA 2330 (Members' Responsibilities Regarding Deferred Variable Annuities)</li> </ul> <p><b>Real Estate Investment Trusts (REITs)</b></p> <ul style="list-style-type: none"> <li>• REIT Modernization Act of 1999</li> </ul> <p><b>Direct Participation Programs (DPPs)</b></p> <ul style="list-style-type: none"> <li>• FINRA 2310 (Direct Participation Programs)</li> </ul>			
<b>R39</b>	<b>General supervision and supervisory approvals</b>	<b>Function &amp; Associated Tasks</b>	<b>Knowledge</b>
		F1 (T1.1 – T1.5) F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K1, K2, K4, K6, K7–K13
<ul style="list-style-type: none"> <li>• FINRA 3110 (Supervision)</li> <li>• FINRA 3120 (Supervisory Control System)</li> <li>• FINRA 3170 (Tape Recording of Registered Persons by Certain Firms)</li> </ul>			

## SAMPLE QUESTIONS

The following sample questions are not necessarily reflective of the topics covered on the examination or the difficulty level of the examination questions.

**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:** EE savings bonds can be described as which of the following?

- (A) Direct obligations of municipalities
- (B) Direct obligations of the federal government \*
- (C) Moral obligations of a local zoning board
- (D) Moral obligations of state governments

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

**Example:** Liquidity is the degree of ease with which assets can be:

- (A) purchased on credit.
- (B) converted into cash. \*
- (C) used as collateral.
- (D) transferred to other ownership.

**Most/Least/Best:** This case of the multiple-choice question requires selecting an option that is either better or worse than the others. The basis on which the evaluation is to be made is stated in the stem.

**Example:** Which of the following responses **best** describes an aspect of partnership democracy?

- (A) An equal sharing agreement among limited and general partners
- (B) The right of limited partners to examine partnership books and records \*
- (C) Management by both limited and general partners
- (D) Prohibitions against control by a single limited partner

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

**Example:** All of the following responses are considered advantages of registered limited partnerships **except**:

- (A) professional management
- (B) limited liability.
- (C) diversification of risk. \*
- (D) flow-through of income and expense.

**Complex Multiple-choice ("Roman Numeral" Format):** This type of question is used in two ways. In the following example, the task is to determine the correct sequence of a set of events or the correct ranking of a set of items from high to low.

**Example:** In which order, from first to last, are the following actions performed during the underwriting of an issue of corporate securities?

- I. The holding of a due diligence meeting
  - II. Investigation and analysis of the issuer
  - III. The filing of a registration statement
  - IV. The assignment of the effective date by the SEC
- (A) I, II, III, IV
  - (B) II, III, I, IV \*
  - (C) III, I, II, IV
  - (D) IV, II, III, I

A second way in which the Roman numeral format is used is when more than one of the options may be a correct response.

**Example:** Which **two** of the following statements are true of all options sales literature?

- I. It must be preceded or accompanied by an options disclosure document.
  - II. It must be approved by CBOE prior to use.
  - III. It must contain projected performance figures for the firm's recommendations.
  - IV. It may portray past performances of a member firm's recommendations.
- (A) I and II
  - (B) I and IV \*
  - (C) II and III
  - (D) II and IV

## REFERENCES

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

**Chicago Board Options Exchange**  
[www.cboe.com](http://www.cboe.com)

**The Options Industry Council**  
[www.888options.com](http://www.888options.com)

**Financial Industry Regulatory Authority (FINRA)**  
[www.finra.org](http://www.finra.org)

**Securities and Exchange Commission**  
**Office of Investor Education and Advocacy**  
[www.sec.gov](http://www.sec.gov)

**Internal Revenue Service**  
[www.irs.gov](http://www.irs.gov)

**United States Treasury**  
[www.treasury.gov](http://www.treasury.gov)

**Nasdaq OMX PHLX**  
[www.nasdaqomx.com](http://www.nasdaqomx.com)

**Board of Governors of the**  
**Federal Reserve System**  
[www.federalreserve.gov](http://www.federalreserve.gov)

**New York Stock Exchange (NYSE)**  
[www.nyse.com](http://www.nyse.com)

**Securities Industry/Regulatory Council**  
**On Continuing Education**  
[www.cecouncil.com](http://www.cecouncil.com)

**Options Clearing Corporation**  
[www.theocc.com](http://www.theocc.com)

**The Financial Industry Regulatory Authority Content Outline for the Canada Securities Representative Qualification Examination is available in PDF format on the Financial Industry Regulatory Authority's website: [www.finra.org](http://www.finra.org)**