



General Securities Representative Qualification Examination

(Series 7)

Content Outline

TABLE OF CONTENTS

INTRODUCTION	3
THE PURPOSE OF THE SERIES 7 EXAM	3
ELIGIBILITY REQUIREMENTS	3
APPLICATION PROCEDURES	3
DEVELOPMENT OF THE SERIES 7 CONTENT OUTLINE	3
Organization of the Series 7 Content Outline.....	4
EXAM DEVELOPMENT AND MAINTENANCE	4
ADMINISTRATION AND SCORING OF THE SERIES 7 EXAM.....	5
ADMINISTRATION OF THE EXAM	5
HOW THE EXAM IS SCORED.....	6
How the Passing Score is Determined.....	6
Equating of Test Scores	6
Candidates' Test Results.....	6
FUNCTIONS, TASKS, KNOWLEDGE AND RULES	7
KNOWLEDGE STATEMENTS.....	9
RULES AND REGULATIONS.....	26
SAMPLE TEST QUESTIONS	43
REFERENCES	45
 Table 1- Number of Test Questions on the Series 7 by Major Job Functions.....	 5

INTRODUCTION

The Series 7 exam is the General Securities Representative 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 7 exam. The outline is intended to familiarize examination candidates with the range of subjects covered on the exam, 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 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.

THE PURPOSE OF THE SERIES 7 EXAM

The Series 7 exam is designed to assess the competency of entry-level General Securities Representatives. It is intended to safeguard the investing public by helping to ensure that General Securities Representatives are competent to perform their jobs. Given this purpose, the Series 7 exam seeks to measure the degree to which each candidate possesses the knowledge, skills and abilities needed to perform the critical functions of a registered representative (RR). For more information about the permissible activities of a General Securities Representative, please see NASD Rule 1032, which is viewable in the FINRA Rule Manual through the following web link: www.finra.org.

ELIGIBILITY REQUIREMENTS

The candidate must be associated with and sponsored by a FINRA member firm or other applicable self-regulatory (SRO) member firm to be eligible to take the Series 7 Exam. For more information on eligibility requirements, please see NASD Rule 1031, which can be viewed in the FINRA Rule Manual through the following web link: www.finra.org or other applicable SRO rules.

APPLICATION PROCEDURES

The FINRA member firm or other applicable SRO 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 Representative position on the Form U4.

DEVELOPMENT OF THE SERIES 7 CONTENT OUTLINE

The Series 7 content outline was developed based on the results of a job analysis study of General Securities Representatives. The job analysis process included collecting data about the job functions, tasks and required knowledge of General Securities Representatives from a wide variety of firms using a variety of data collection techniques. 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.

ORGANIZATION OF THE SERIES 7 CONTENT OUTLINE

The Series 7 content outline is comprised of *inter-related* components: functions, tasks, knowledge statements and rule knowledge. The outline provides an overview of the exam'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, K1.1.1). There are 17 major knowledge groups (K1 to K17).
- **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 43 rule groups (R1 to R43).

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 17 major knowledge groups are referenced to applicable functions, associated tasks and rule knowledge. The 43 rule groupings are referenced to associated functions, tasks and knowledge statements.

EXAM DEVELOPMENT AND MAINTENANCE

To ensure and sustain the job relevance of the exam, under the guidance of FINRA staff, a committee of RRs (Committee) writes, reviews and validates all test items. Test items are subjected to multiple reviews prior to inclusion on the exam and each item is linked directly to a component of the content outline. The Series 7 Exam intends to measure competence at entry level and requires candidates to apply knowledge in the context of work-related situations. Test items vary in difficulty and complexity. Each item will have one correct or best answer. The purpose of the Series 7 Exam is to determine if a candidate has attained the level of competency required to function as an RR.

The bank of test items 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 exam. Exam items and their statistical performance are analyzed routinely by FINRA staff and the Committee to ensure that test items continue to be relevant to the functions of registered representatives. Exam items 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 exam is updated when new rules are introduced and when the rules are amended.**

ADMINISTRATION AND SCORING OF THE SERIES 7 EXAM

The exam consists of 250 multiple-choice items and each item consists of four answer choices. The allocation of test items for each major function is listed in Table 1.

Table 1 - Number of Exam Items on the Series 7 by Major Job Functions

Major Job Functions	Percentage of Exam Items	Number of Items
F1 Seeks Business for the Broker-Dealer through Customers and Potential Customers	27%	68
F2 Evaluates Customers' Other Security Holdings, Financial Situation and Needs, Financial Status, Tax Status, and Investment Objectives	11%	27
F3 Opens Accounts, Transfers Assets, and Maintains Appropriate Account Records	11%	27
F4 Provides Customers with Information on Investments and Makes Suitable Recommendations	28%	70
F5 Obtains and Verifies Customer's Purchase and Sales Instructions, Enters Orders, and Follows Up	23%	58
TOTAL	100%	250

ADMINISTRATION OF THE EXAM

The exam is administered via computer. A tutorial on how to take the exam via computer is provided prior to taking the exam. Candidates are given six (6) hours to complete the exam, and the administration is conducted in two (2) sessions (3 hours per session). No two candidates' exams are identical, because the items comprising the exams are randomly selected from the bank of test items, based on the test content outline presented in Table 1. To ensure that new items meet acceptable measurement standards prior to use for scoring purposes, each test item is pretested. 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 260 items (250 scored and 10 unscored). There is no penalty for guessing. Therefore, candidates should attempt to answer all items.

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 administrators are allowed for use during the exam.

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

HOW THE EXAM IS SCORED

HOW THE PASSING SCORE IS DETERMINED

Following a well-established process known as standard setting, FINRA determines the passing score for the exam 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 7 exam, the passing score is 72%. 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 items 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 items he or she received.

CANDIDATES' TEST RESULTS

On the day of the test, candidates will receive a report of their test results. The score report will indicate pass/fail status, the total equated score, and a score profile indicating performance based on the major job functions covered on the exam. It is recommended that candidates who fail the exam review the information provided on the score report, as they may want to focus on the areas that they performed poorly on when preparing to retake the exam. The test results are final and there are no adjustments or special considerations made to the passing score and/or the candidates' test scores. For security reasons, the exam and/or individual test items are not available for review after taking the exam.

THE SERIES 7 CONTENT OUTLINE

FUNCTIONS, TASKS, KNOWLEDGE AND RULES

The content outline provides an overview of the exam'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.

F1	FUNCTION 1: Seeks Business for the Broker-Dealer through Customers and Potential Customers (27% of the Exam, 68 Items)	Knowledge	Rule Knowledge
		K1, K4, K6 – K14, K17	R1 – R10, R17 – R25, R32 – R43

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

F2	FUNCTION 2: Evaluates Customers' Other Security Holdings, Financial Situation and Needs, Financial Status, Tax Status, and Investment Objectives (11% of the Exam, 27 Items)	Knowledge	Rule Knowledge
		K2, K4, K5, K6, K11 – K17	R11, R12, R17 – R25, R32, R39 – R42

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

F3	FUNCTION 3: Opens Accounts, Transfers Assets, and Maintains Appropriate Account Records (11% of the Exam, 27 Items)	Knowledge	Rule Knowledge
		K2 – K8, K11 – K17	R10 – R25, R27 – R30, R32 – R43

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		
F4	FUNCTION 4: Provides Customers with Information on Investments and Makes Suitable Recommendations (28% of the Exam, 70 Items)	Knowledge	Rule Knowledge
		K1 – K17	R1 – R34, R37 – R43
<u>TASKS:</u>			
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		
F5	FUNCTION 5: Obtains and Verifies Customer's Purchase and Sales Instructions, Enters Orders, and Follows Up (23% of the Exam, 58 Items)	Knowledge	Rule Knowledge
		K3 – K17	R10 – R13, R15, R17 – R35, R37– R43
<u>TASKS:</u>			
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 17 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 17 major knowledge areas is referenced to a major function and its associated tasks, and applicable rule knowledge.

K1	Knowledge associated with regulatory requirements, including communications	Function & Associated Tasks	Rule Knowledge
		F1 (T1.1 – T1.5) F4 (T4.1 – T4.5)	R1 – R9, R43
K1.1	SEC, SRO and State requirements for registration		
	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	
K1.2	Standards and required approvals of public communications		
	K1.2.1	Product specific disclosures and review (e.g., options, municipals, mutual funds, and research)	
	K1.2.1.1	Definition and approval of options-related advertisements, sales literature; Options Disclosure Document (ODD)	
	K1.2.1.2	Definition, specific standards for, and approval of municipal securities advertisements including professional, product advertisements, new issue advertisements and advertisements for municipal fund securities	
	K1.2.1.3	Requirements for advertisements of investment company products, variable contracts, and mutual funds	
	K1.2.1.4	Requirements for advertisements of other securities (e.g., government securities, collateralized mortgage obligations (CMOs), Certificates of Deposit (CDs))	
	K1.2.1.5	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	
K1.3	Regulations regarding gifts and gratuities, non-cash compensation and guidelines for business entertainment		
K1.4	Regulations regarding political contributions		
K2	Knowledge associated with evaluating customer's investment profile, including, among other factors, the customer's other security holdings, financial situation and needs, financial status, tax status, and investment objectives	Function & Associated Tasks	Rule Knowledge
		F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5)	R12, R19
K2.1	Investment profile of a customer		

	<p>K2.1.1 Financial factors generally relevant to assessing a customer’s investment profile</p> <p style="padding-left: 20px;">K2.1.1.1 Security holdings, other assets, liabilities, annual income, expenses , net worth, liquid net worth, federal tax rate</p> <p style="padding-left: 20px;">K2.1.1.2 Other financial considerations (e.g., home ownership, employee stock options, life and disability insurance, credit worthiness, liquidity needs, household income, the existence of a retirement plan)</p> <p>K2.1.2 Other potential considerations about the customer (e.g., age, marital status, dependents, employment, educational needs of account owner or dependents, investment experience)</p> <p>K2.2 Other customer specific factors that generally affect the selection of securities, including: the customer’s risk tolerance, investment time horizon and investment objectives (e.g., preservation of capital, current income, capital growth, total return (growth with income), tax advantages provided by certain products, portfolio/account diversification, liquidity, speculation, trading profits, and long-term versus short-term risks)</p> <p>K2.3 Portfolio or account analysis and its application to security selection (e.g., portfolio/account diversification, asset allocation principles, concentration, volatility, potential tax ramifications)</p> <p style="padding-left: 20px;">K2.3.1 Portfolio theory (e.g., alpha and beta considerations, Capital Asset Pricing Model (CAPM))</p> <p style="padding-left: 20px;">K2.3.2 Diversification of municipal investments: geographical, type, and rating</p>		
K3	Knowledge associated with opening and maintaining customer accounts	Function & Associated Tasks	Rule Knowledge
	<p>K3.1. Requirements for opening customer accounts, including approvals</p> <p style="padding-left: 20px;">K3.1.1 Account types (e.g., cash, margin, option, retirement, day trading, prime brokerage, DVP/RVP, advisory or fee-based, discretionary)</p> <p style="padding-left: 20px;">K3.1.2 Account registration types (e.g., individual, institutional, joint (Joint Tenants with Right of Survivorship (JTWRROS), 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)</p> <p style="padding-left: 20px;">K3.1.3 Account authorizations (e.g., power of attorney, corporate resolutions, trading authority, discretionary)</p> <p style="padding-left: 20px;">K3.1.4 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)</p> <p style="padding-left: 20px;">K3.1.5 Required disclosures related to specific account types (e.g., margin, day trading, and options disclosure document)</p> <p>K3.2 Requirements related to the maintenance of accounts</p> <p style="padding-left: 20px;">K3.2.1 Customer account records (e.g., updating for change of address, sending required notifications, holding of customer mail, investment objectives)</p>	<p>F3 (T3.1 – T3.8)</p> <p>F4 (T4.1 – T4.5)</p> <p>F5 (T5.1 – T5.7)</p>	<p>R11 – R19,</p> <p>R43</p>

K3.2.2	Physical receipt, delivery and safeguarding of cash or cash equivalents, checks and securities		
K3.2.3	Circumstances for refusing or restricting activity in an account and/or closing accounts		
K3.2.4	Transferring accounts between broker-dealers (e.g., Automated Customer Account Transfer Service [ACATS])		
K3.2.5	Account registration changes and internal transfers (e.g., Transfer on Death [TOD], divorce)		
K3.2.6	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])		
K3.2.7	Delivery of annual reports and notices of corporate actions (e.g., splits, tenders, proxies, repurchases)		
K3.2.8	Books and records (e.g., retention of customer and firm-related records)		
K3.2.9	Privacy regulations (e.g., Regulation S-P)		
K3.3	Margin accounts		
K3.3.1	Key terms: margin, portfolio margin, hypothecation, rehypothecation, marginable securities, exempt and nonexempt securities, loan value, margin calls, special memorandum account (SMA)		
K3.3.2	Requirements and characteristics of margin accounts (e.g., approvals, ineligible accounts, eligible/ineligible securities), and required disclosures (e.g., interest rate disclosure and hypothecation)		
K3.3.3	Product or strategy specific requirements (e.g., Treasuries, mutual funds)		
K3.3.4	Calculations in margin accounts (e.g., long and/or short positions)		
K3.3.4.1	Initial margin: long market value, short market value, debit balance, credit balance, initial Reg. T margin requirement on long or short positions, Reg. T requirement for established accounts, loan value, excess equity, buying power of deposited securities		
K3.3.4.2	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		
K3.3.4.3	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		
K3.3.5	Other margin accounts (e.g., portfolio margin, day trading)		
		Function & Associated Tasks	Rule Knowledge

K4	Knowledge associated with appropriate business conduct, providing customers with information on investments and making suitable recommendations	F1 (T1.1 – T1.5)	R11, R18 – R24, R37 – R42
		F2 (T2.1 – T2.3)	
		F3 (T3.1 – T3.8)	
		F4 (T4.1 – T4.5)	
		F5 (T5.1 – T5.7)	
		K4.1 Prohibited activities (e.g., spreading market rumors, front running, churning, commingling, unauthorized trading, guarantees against losses, paying for referrals, unsuitable recommendations)	
		K4.2 Sources of market and investment information (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), Electronic Municipal Market Access (EMMA), MIG-1 ratings)	
		K4.3 Sources of data on business conditions, business activity, and corporate profits (e.g., media outlets, business indices and statistics, U.S. government sources)	
		K4.4 Types of investment risk (e.g., call, capital, credit, currency, inflationary, interest rate, liquidity, market (systematic), nonsystematic, political (legislative), prepayment, reinvestment, timing)	
		K4.5 Types of investment returns (e.g., dividends, interest, tax-exempt interest, capital gains, return of capital)	
K4.6 Required disclosures on specific transactions (e.g., offering documents, prospectus, material aspects of investments, red herring, statement of additional information, material events, control relationships)			
K4.7 Costs and fees associated with investments (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)			
K4.8 Protections afforded under Securities Investor Protection Corporation (SIPC) and Federal Deposit Insurance Corporation (FDIC)			
K4.9 Tax considerations (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)			
K5	Knowledge associated with orders and transactions in customer accounts	Function & Associated Tasks	Rule Knowledge
		F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	R17, R19, R25 – R31, R39 – R43
K5.1	Types of securities quotes (e.g., bid, ask, spread, firm, subject, not held, municipal securities and OTCBB quote requirements; workout, fast markets)		
K5.2	Types of orders (e.g., buy, sell, sell short, market, limit, stop, day, good til cancelled (GTC); options (open/close, spread, straddle), all-or-none, fill or kill, immediate or cancel, not held, market on close)		
K5.3	Information required on an order ticket (e.g., symbol, account number, price limit versus purchase)		
K5.4	Short sale requirements (e.g., order marking, locate, borrow and delivery)		
K5.5	Short sale strategies (e.g., speculation, hedging, arbitrage)		
K5.6	Securities lending (easy to borrow, hard to borrow, failure to deliver)		
K5.7	Best execution obligations		

K5.8 Soft dollar arrangements K5.9 Erroneous reports, errors, cancels and rebills K5.10 Customer confirmations, including components, timing, mailings to third parties, and exceptions K5.11 Delivery requirements K5.11.1 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) K5.11.2 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, option exercise/assignment, don't know (DK), extensions) K5.12 Regulatory reporting requirements (e.g., OATS, TRF, TRACE, Real-time transaction reporting system (RTRS))			
K6	Professional conduct and ethical considerations	Function & Associated Tasks	Rule Knowledge
		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, R10, R22, R32 – R36
K6.1 Required disclosures by an RR K6.1.1 Outside business activities K6.1.2 Personal investment accounts K6.1.3 Private securities transactions K6.1.4 Potential conflicts of interest K6.2 Regulation of insider activities and use of material, non-public information (primary markets, secondary markets, customer, RR) K6.3 Information security (e.g., protect proprietary and customers' personal information, safeguard laptops, encrypted e-mail) K6.4 Requirements for addressing customer complaints and consequences of improper handling of complaints K6.5 Regulatory bodies, their jurisdiction, rule making authority, and disciplinary authority (e.g., SEC, FINRA, MSRB, CBOE) K6.6 Arbitration, mediation and litigation K6.7 Business continuity and disaster recovery plans			
K7	The primary marketplace	Function & Associated Tasks	Rule Knowledge
		F1 (T1.1 – T1.5) F3 (T3.1 – T3.8)	R19, R22, R32, R37, R38, R43

		F4 (T4.1 – T4.5)	
		F5 (T5.1 – T5.7)	
K7.1	The functions of capital markets, investment banking, and the underwriting syndicate		
	K7.1.1 Advisory, distribution and the formation of the underwriting syndicate: types of selling groups, underwriting commitments, offerings		
K7.2	Process for bringing new issues to market (e.g., due diligence, registration statement, preliminary prospectus, final prospectus, underwriting agreement, selling group agreement, blue sky laws and procedures)		
	K7.2.1 Pricing practices and components of underwriters' spread and determination of underwriters' compensation, and selling practices		
	K7.2.2 Stabilizing: purpose of syndicate bid		
	K7.2.3 Penalty fees to syndicate members		
	K7.2.4 Overallotments		
	K7.2.5 Selling group concession and reallowance		
	K7.2.6 Tombstone advertisements: contents and purposes		
	K7.2.7 Shelf registrations and distributions: definition and purpose		
K7.3	Regulatory requirements for initial public offerings (IPOs) (e.g., prospectus requirements, restrictions on prospecting or soliciting, securities and/or transactions exempted from registration)		
	K7.3.1 The Securities Act of 1933 ("Securities Act"): definition and purposes		
	K7.3.2 Information required in a registration statement		
	K7.3.3 Filing period, filing date, cooling-off period and effective date of registration		
	K7.3.4 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		
	K7.3.5 Prospectus requirements (e.g., registration statement, timeliness of information, preliminary prospectus (red herring), final prospectus)		
	K7.3.6 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		
	K7.3.7 Requirements for qualification of a Regulation A offering, filing of abbreviated registration statement and offering circular		
	K7.3.8 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		
K7.4	Regulatory requirements for private placements/resales		
	K7.4.1 Securities Act Rule 144, purpose and terminology: control securities, control persons, restricted securities, reporting companies; basic requirements: holding period, quantity limitations, filing requirements		

	K7.4.2	Securities Act Rule 144A, non-registered foreign securities sold to institutions qualified in the U.S.		
	K7.4.3	Securities Act, Regulation D, Section 4(2), Section 4(6), and Regulation S, foreign securities prohibited from being sold to U.S. investors		
	K7.5	The primary market for municipal securities		
	K7.5.1	Methods for primary financing (e.g., competitive sale, negotiated sale, public offering, private placement, advance refundings)		
	K7.5.2	Official statements, preliminary official statements, Notice of Sale (e.g., purpose, contents, requirements)		
	K7.5.3	Syndicate formation procedures (e.g., account formation procedures, determining members and participations, underwriting agreements, types of accounts (undivided (Eastern account))), roles and responsibilities of underwriters and factors relevant to members' acceptance of bid		
	K7.5.4	Syndicate operational procedures (e.g., priority provisions, order period, concessions and takedowns)		
	K7.5.5	Prohibition on municipal securities business based on political contributions		
K8	The secondary and other marketplaces	Function & Associated Tasks	Rule Knowledge	
		F1 (T1.1 – T1.5) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	R32, R39 – R43	
K8.1	Regulation of activities of broker-dealers (e.g., trading for own accounts, Designated Market Maker/Specialist' 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)			
K8.2	U.S. equity securities			
	K8.2.1	Over-The-Counter (OTC) market (e.g., OTC Pink market, bulletin board stocks)		
	K8.2.2	Electronic exchanges, auction markets (e.g., Nasdaq OMX PHLX, NYSE Euronext, NYSE American, NYSE Arca)		
	K8.2.2.1	Exchange auction market: role and functions of the designated market maker/specialist, listing requirements, limitations on trading during significant market declines		
	K8.2.2.2	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		
	K8.2.2.3	Electronic communications networks (ECNs)		
	K8.2.2.4	Dark pools of liquidity		
	K8.2.2.5	Convertibles and preferreds		
	K8.2.2.6	Exchange-traded funds (ETFs)		

K8.3	Listed options, including listed options markets: nature and functioning, trading participants		
K8.4	Secondary market for municipal securities		
	K8.4.1 Types of orders or offerings: at advertised yield, at a down bid		
	K8.4.2 Types of business activity: institutional, retail, interdealer, broker's broker		
K8.5	U.S. Treasuries		
K8.6	Government agency securities (e.g., general characteristics, primary dealers, distribution)		
K8.7	Debt securities: 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))		
K8.8	Structured products (e.g., equity-linked securities, ETFs, ETNs, HOLDRs, OTC options)		
K8.9	Non-U.S. market securities (e.g., ADRs, sovereign debt, corporate debt and equity)		
K8.10	The currency market (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)		
K9	Principal factors affecting securities markets and prices	Function & Associated Tasks	Rule Knowledge
		F1 (T1.1 – T1.5) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	R32
K9.1	Business cycle characteristics (e.g., depression, recession, inflation), indicators (e.g., leading, coincident, and lagging economic indicators, inflation indicators, yield curves) and their effect on bond and equity markets, and principal economic theories (e.g., Keynesian and Monetarist)		
	K9.1.1 Bond markets: effect of inflation/deflation on interest rates, impact of economic and financial conditions on yield spreads, yield curve analysis (normal, inverted, flat yield curves and their implications)		
	K9.1.2 Equities markets: effects of inflation/deflation on the relationship between yields on fixed-income securities and equities; interest-rate-sensitive stocks; cyclical stocks and defensive stocks; effects on current stock prices of changes in expectations of future business profits		
K9.2	The role of the Federal Reserve Board in influencing the level of business activity and market stability (e.g., open-market activities, interest rates, discount rate, reserve requirements, margin requirements); and effects on interest rates and economic activity as a result of changes in the money supply		
K9.3	Effects of international economic factors on securities markets (e.g., U.S. balance of payments, exchange rates, and comparison of domestic interest rates to foreign interest rates)		
K10	Analysis of securities and markets	Function & Associated Tasks	Rule Knowledge
		F1 (T1.1 – T1.5) F4 (T4.1 – T4.5)	R32

K10.1	Market analysis considerations, which may include any or all of the following: market sentiment, market indices, options volatility, put/call ratio, market momentum, available funds, trading volume, short interest, index futures
	K10.1.1 Market analysis considerations for municipal securities , including Bond Buyer Indices (<i>e.g.</i> , Twenty-five Revenue Bonds Index, Eleven G.O. Bonds Index, Municipal Bond Index (40 Bond), Twenty G.O. Bonds Index)
K10.2	Technical analysis of basic chart patterns and key terms, including, but not limited to: trend lines, saucer, inverted saucer, head-and-shoulders, inverted head-and-shoulders, breakouts, resistance levels, support levels, accumulation/distribution, moving averages, trading channels, consolidation, stabilization, overbought, and oversold
K10.3	Fundamental analysis of financial statements (<i>e.g.</i>, capital, cash flow, income, EPS, book value)
K10.3.1	Financial statements and types of financial statements included in an annual report, importance of footnotes, material risk disclosures and key terms (<i>e.g.</i> , assets, liabilities, shareholders' equity, depreciation, depletion, goodwill)
K10.3.2	Components of a balance sheet and methods of inventory valuation: LIFO, FIFO, and methods of depreciation
K10.3.3	Components of an income statement and calculations derived from an income statement: earnings before interest and taxes (EBIT), earnings before taxes (EBT), net profit, and earnings before interest, taxes, depreciation, and amortization (EBITDA)
K10.3.4	Principal tools to measure financial health
K10.3.4.1	Liquidity: working capital, current ratio, quick assets, acid test ratio
K10.3.4.2	Risk of bankruptcy: bond ratio, debt-to-equity ratio
K10.3.4.3	Efficient use of assets: inventory turnover ratio, cash flow
K10.3.4.4	Profitability: margin-of-profit ratio, net profit ratio
K10.3.4.5	Asset coverage and safety of income: net asset value per bond, bond interest coverage, book value per share
K10.3.4.6	Earnings per share: earnings per common share (EPS), fully diluted EPS, price-earnings ratio, dividend payout ratio, current yield
K10.3.4.7	Competitiveness (comparative performance): return on common equity
K10.4	Analysis of Municipal Securities
K10.4.1	Analysis of general obligation bonds (GO) bonds, including: characteristics of the issuer, nature of the issuer's debt, factors affecting the issuer's ability to pay, municipal debt ratios
K10.4.2	Analysis of revenue bonds, including feasibility studies, sources of revenue, security (protective covenants of bond indenture), financial reports and outside audits, restrictions on the issuance of additional bonds, flow of funds, earnings coverage, sources of credit information, rating services, credit enhancements

K11	Equity securities	Function & Associated Tasks	Rule Knowledge
		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)	R4, R19, R24, R39, R43
K11.1	Terms and procedures associated with equity securities and their negotiability (e.g., authorized, issued, outstanding, treasury stock, no par value, par value, stated value, limited liability, stock certificate, escrow receipt, transfer agent, registrar, endorsements, transfer procedures); risks related to various types of investment recommendations		
K11.2	Common stock		
K11.2.1	Characteristics of common stock (e.g., residual claims on corporate assets, dividends; cash and stock)		
K11.2.2	Rights of common stockholders (e.g., preemptive right, pro rata share of dividends, access to corporate books, voting power (statutory, cumulative, proxies, nonvoting))		
K11.2.3	Characteristics of dividends (e.g., cash and stock dividends), and how to calculate dividends		
K11.2.4	Splits, reverse splits and spin-offs		
K11.2.5	Stock acquired through a consolidation or transfer		
K11.2.6	Penny stocks and rules associated with penny stock transactions		
K11.3	Types of preferred stock (e.g., cumulative, non-cumulative, participating, non-participating, convertible, callable, sinking fund provisions, adjustable-rate and variable-rate)		
K11.3.1	Characteristics of preferred stock (e.g., preference upon corporate dissolution, dividend payment, conversions) and rights of preferred stockholders		
K11.3.2	Characteristics of dividends, how to calculate dividends, and payment schedules		
K11.4	Current tax treatment of equity securities transactions		
K11.4.1	Definition and tax treatment of capital gains and losses, dividend distributions (qualified and non-qualified), holding periods		
K11.4.1.1	Determination of net long-term and short-term gains or losses		
K11.4.1.2	"When issued" securities, securities acquired through conversion, securities received as gifts or bequests		
K11.4.1.3	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		
K11.4.1.4	Methods of selling part of a position: FIFO, LIFO, identified shares		
K11.4.1.5	Tax treatment of wash sales		
K11.5	Other types of equity securities		
K11.5.1	Rights offering: definition and purpose, origination, exercise of rights		

	K11.5.2	Warrants: definition and purpose, origination, exercise terms, relationship of subscription price to market price of underlying stock, anti-dilution agreement		
	K11.5.3	American Depositary Receipts (ADRs): definition, characteristics, purposes, and dividends		
K12	Debt securities		Function & Associated Tasks	Rule Knowledge
			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)	R3, R19, R24, R40, R43
K12.1	U.S. Treasury securities (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))			
	K12.1.1	Characteristics such as maturities, denominations, issue form, quotations, calculating a spread, pricing, advantages and risks		
	K12.1.2	How interest is accrued, computation of accrued interest, interest payments		
	K12.1.3	Yields: coupon (nominal), current, yield-to-maturity, yield-to-call, yield-to-worst, and discount yield (T-bills only)		
K12.2	U.S. government agency securities (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)			
K12.3	Asset-backed securities (e.g., Collateralized Mortgage Obligations (CMOs), Collateralized Debt Obligations (CDOs)); general characteristics, types, structures, potential risks and rewards			
K12.4	Corporate bonds			
	K12.4.1	General characteristics (e.g., indenture, maturities, form of ownership, interest payment periods, call and put features, calculation of accrued interest, bonds traded flat, relationship of yields to prices, analysis and calculation of yields; coupon (nominal), current, yield-to-maturity, yield-to-call, corporate bond ratings, credit rating agencies, and types of ratings) and specific characteristics (e.g., maturity, type of collateral, priority of claim, call provisions, make whole call)		
	K12.4.2	Types of corporate bonds (e.g., mortgage bonds, equipment trust certificates, debentures, step coupon bonds, zero-coupon, convertible, high-yield, and income bonds) and their characteristics		
	K12.4.2.1	Convertible bonds: general characteristics, (e.g., conversion privilege, fixed versus variable; conversion ratio or price; calculation of parity price of underlying security; arbitrage, factors influencing conversion, including forced conversions)		
K12.5	Tax implications of taxable debt securities (including OID rules): interest, principal, premiums, discounts, and capital gains and losses			
K12.6	Other types of debt securities and money market instruments including but not limited to: corporate commercial paper, brokered certificates of deposit (CDs), Eurodollar bonds, and variable-rate preferreds			

K12.7 Municipal securities			
K12.7.1 General characteristics of municipal securities, method of quotations (e.g., yield/basis price, dollar price), interest rate, payment periods, denominations, diversity of maturities (e.g., serial, term), and legal opinion (purpose and contents)			
K12.7.2 Definitions and characteristics of the following specific types of municipal securities:			
K12.7.2.1	Types of municipal bonds: General obligation (GO) bonds, limited tax general obligation (LTGO) bonds and notes, revenue bonds, short-term municipal obligations (e.g., tax anticipation notes (TANs), bond anticipation notes (BANs), revenue anticipation notes (RANs), tax-exempt commercial paper, Grant anticipation notes (GANs), tax and revenue anticipation notes (TRANS))		
K12.7.2.2	Characteristics of municipal bonds: special tax, special assessment, moral obligation, advance or pre-refunded, double-barreled, taxable (e.g., Build America bonds), original-issue discount (OIDs), zero-coupon (capital appreciation bonds), Certificates of Participation (COPs), alternative minimum tax (AMT), lease revenue, variable rate securities, auction rate securities		
K12.7.2.3	Municipal fund securities (including 529 College Savings Plans) (e.g., change in beneficiary, rollovers, ownership, tax consequences of unqualified withdrawals)		
K12.7.3 Early retirement of municipal securities			
K12.7.3.1	Call features (e.g., par or premium, optional, mandatory, partial call, sinking fund, extraordinary calls, make whole calls); advantages/disadvantages to issuers and investors		
K12.7.3.2	Put or tender options		
K12.7.3.3	Refunding methods: direct exchange versus sale of new issue, advance refunding, refunding at call dates, current refunding (i.e., refunding at a call date), escrow to maturity, crossover refunding		
K12.7.4 Factors affecting the marketability of municipal bonds: quality (rating), maturity, call features, interest (coupon) rate, block size, liquidity (ability to sell the bond in the secondary market), dollar price, issuer name (local or national reputation), credit enhancement			
K12.7.5 Pricing of municipal securities and other mathematical calculations: dollar price, yield, accrued interest (regular coupon, odd first coupon), computations of accrued interest (30/360), amortization of premium, accretion of discount, relationship of bond prices to changes in maturity, coupon, various yield calculations (taxable equivalent yield, net yield after capital gains tax, current yield, yield-to-call on premium bonds) value of basis point, in default, trading "flat"			
K12.7.6 Tax treatment of municipal securities: securities bought at a discount or premium in the secondary market, OID, federal income tax status, state and local tax status, computation of taxable equivalent yield, accrued interest, AMT, bonds, taxable bonds, bank qualified bonds			
	Packaged securities and other managed investments	Function & Associated Tasks	Rule Knowledge

K13		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)	R19, R24, R41, R43
<p>K13.1 Mutual funds</p> <p>K13.1.1 Structure of mutual funds (i.e., open ended investment companies)</p> <p>K13.1.2 Types of mutual funds by objective (e.g., value, growth, income, balanced, international, sector, lifecycle, money market,)</p> <p>K13.1.3 Characteristics (e.g., 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)</p> <p>K13.1.4 Sales practices (e.g., dollar cost averaging, computing the sales charge, breakpoints, letters of intent, rights of accumulation, share class, market timing, late trading)</p> <p>K13.1.5 Redemption (e.g., redemption price, payout or withdrawal plans, conversion privilege, restrictions, contingent deferred sales charge, tenders)</p> <p>K13.1.6 Tax treatment of mutual funds: dividends, capital gains, distributions, exchanges</p> <p>K13.2 Closed-end funds, including exchange-traded funds (ETFs)</p> <p>K13.2.1 Structure (e.g., finite number of shares, distributed in primary market at IPO price, traded in secondary market, premiums and discounts to NAV)</p> <p>K13.2.2 Types (e.g., growth, income, balanced, international, sector, ETF)</p> <p>K13.2.3 Characteristics (e.g., not traded at NAV, reinvestment of dividends and/or capital gains, charges and expenses)</p> <p>K13.2.4 Tax treatment of closed end funds: dividends, capital gains, distributions</p> <p>K13.3 Unit investment trusts</p> <p>K13.3.1 Structure (e.g., finite number of shares and duration, distributed in primary market at IPO price, limited liquidity)</p> <p>K13.3.2 Types (e.g., growth, income, balanced, international)</p> <p>K13.3.3 Charges and expenses</p> <p>K13.3.4 Tax treatment of unit investment funds: dividends, capital gains, capital distributions or return of principal</p> <p>K13.4 Variable life insurance/annuity contracts</p> <p>K13.4.1 Definition, characteristics, insurance aspects (e.g., minimum guarantees, death benefits, living benefits, riders)</p>			

- K13.4.2 Separate accounts (*e.g.*, purpose, management of portfolio, investment policies, performance of account)
- K13.4.3 Valuation of a variable annuity contract (*e.g.*, accumulation units and their surrender value, annuity units)
- K13.4.4 Purchasing or exchanging variable annuities (*e.g.*, immediate annuity, charges, fees, penalties, rights of accumulation, waiver of premium)
- K13.4.5 Annuitization: types of election, the variable payout, assumed interest rate (AIR), relationship between AIR and actual rate of return
- K13.4.6 Tax treatment of variable annuity contracts: during accumulation period, during annuity period, taxation at surrender of contract, death benefits during accumulation period

K13.5 Real Estate Investment Trusts (REITs)

- K13.5.1 Structure (*e.g.*, finite number of shares, distributed in primary market at IPO price, traded in secondary market, premiums and discounts to NAV)
- K13.5.2 Types and characteristics (*e.g.*, equity REIT, mortgage REIT, hybrid REIT)
- K13.5.3 Tax treatment of REITs: dividends, capital gains, distributions

K13.6 Other investment types

K13.6.1 Direct participation programs (DPPs)

- K13.6.1.1 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
- K13.6.1.2 Various types of DPPs, investment advantages and risks, tax implications for real estate DPPs, oil and gas programs, and equipment leasing programs
- K13.6.1.3 Subscription agreements, including the responsibility of the RR regarding representation in the subscription agreement, sales conditioned upon acceptance by general partners
- K13.6.1.4 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

K13.6.2 Registered hedge funds and funds of hedge funds

- K13.6.2.1 Structure (*e.g.*, private placements, registered, exemption from registration under the Investment Company Act of 1940, blind pool/ blank check)

	K13.6.2.2	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)		
	K13.6.2.3	Tax treatment of distributions		
	K13.6.3	Private equity General characteristics		
	K13.6.4	Structured products General characteristics		
K14	Options		Function & Associated Tasks	Rule Knowledge
			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)	R11, R19, R24, R42, R43
K14.1	Listed options (e.g., equity, index, yield-based) and their characteristics, contract specifications (e.g., exercise and assignment), contract adjustments (e.g., splits and dividends), and how to read published data			
K14.1.1	Call, put, expiration date, exercise price (strike price) underlying security or instrument, type, class, series			
K14.1.2	Long-term options (LEAPS)			
K14.1.3	Opening and closing transactions			
K14.1.4	Assignment, American style exercise, European style exercise			
K14.1.5	Settlement date, exercise, assignment (understand and calculate)			
K14.1.6	Premium (uses proper resources to identify the premium); understanding the meaning of and calculate: intrinsic value, time value			
K14.1.7	Volume, open interest, position limits, exercise limits			
K14.1.8	The Options Clearing Corporation (OCC), OCC settlement date			
K14.1.9	Dividends, exercise/assignment close to ex-dividend date			
K14.1.10	Contract adjustments for corporate actions			
K14.1.11	Minimum and maintenance margin requirements			
K14.2	Option strategy selection			
K14.2.1	Basic strategies (e.g., purchasing, covered writing and hedging for equity, index, foreign currency and yield-based options)			
K14.2.1.1	Protective put for equity and index options			
K14.2.1.2	Covered call and put writing for equity option			
K14.2.2	Advanced strategies (e.g., spreads, straddles, combinations, uncovered writing)			
K14.2.2.1	Long (debit) spreads			
K14.2.2.2	Short (credit) spreads			

	K14.2.2.3	Long straddle/combination for equity and index options		
	K14.2.2.4	Straddle/combination writing		
	K14.2.2.5	Uncovered (naked) call or put writing for equity, index and yield-based options		
	K14.3	Profit and loss calculations, breakeven points, economics of positions		
	K14.4	Tax treatment of option transactions (equity, index, foreign currency, yield based)		
K15	Retirement plans and other tax advantaged accounts	Function & Associated Tasks	Rule Knowledge	
		F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	R11, R19, R24, R43	
K15.1	Individual Retirement Accounts types (Traditional IRAs, Roth IRAs and SEP-IRAs) 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			
K15.2	Employer-sponsored plans and ERISA (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			
K16	Custodial, Educational and Health Savings Accounts	Function & Associated Tasks	Rule Knowledge	
		F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	R11, R19, R24, R43	
K16.1	UGMA/UTMA accounts			
K16.2	Coverdell Education Savings accounts			
K16.3	529 College Savings Plan accounts			
K16.4	Health Savings Accounts			
K17	Special product emphasis and/or new or amended rules or regulations	Function & Associated Tasks	Rule Knowledge	
		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)	R1 – R43	

May include new products, additional emphasis on products listed elsewhere, and/or new or amended rules or regulations as determined by FINRA.

RULES AND REGULATIONS

Listings of rules and regulations are grouped by topic. Each rule group is preceded by an “R.” Each of the 43 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. Items on the exam will be updated to reflect the current interpretations of the rules and regulations on which they are based. Items on new rules will be added to the bank of items for the exam within a reasonable time period after their effective dates. Items on rescinded rules will be removed from the bank of items. Candidates are responsible for keeping abreast of rule changes and Regulatory Notices that relate to topics covered in the exam.

R1	SEC, SRO and State requirements for registration of individuals	Function & Associated Tasks	Knowledge
		F1 (T1.1 – T1.5) F4 (T4.1 – T4.5)	K1.1
<ul style="list-style-type: none"> • CBOE 9.3A (Continuing Education for Registered Persons) • CBOE 9.3 (Registration and Termination of Representatives) • CBOE 9.4 (Other Affiliations of Registered Associated Persons) • FINRA 1250 (Continuing Education Requirements) • FINRA 4530 (Reporting Requirements) (K1.1, K6.4) • MSRB G-3 (Professional Qualification Requirements) • NASD 1021(Registration Requirements) • NASD 1022 (Categories of Principal Registration) • NASD 1030 (Registration of Representatives) • NASD 1031 (Registration Requirements) • NASD 1032 (Categories of Representative Registration) • NASD 1050 (Registration of Research Analysts) (K1.2.1.5) • NYSE 10 (“Registered Representative”) • NYSE 344 (Research Analysts and Supervisory Analysts) (K1.2.1.5) • NYSE 345 (Employees–Registration, Approval, and Records) • NYSE 345A (Continuing Education For Registered Persons) 			
R2	Standards and required approvals of public communications	Function & Associated Tasks	Knowledge
		F1 (T1.1 –T1.5) F4 (T4.1 – T4.5)	K1.2
<ul style="list-style-type: none"> • FINRA 2210 (Communications with the Public) • FINRA 2214 (Requirements for the Use of Investment Analysis Tools) • FINRA 3110 (Supervision) • FINRA 3120 (Supervisory Control System) • Nasdaq OMX PHLX 605 (Advertisements, Market Letters, Research Reports and Sales Literature) • Nasdaq OMX PHLX 1049 (Communications to Customers) • Securities Act of 1933, Rule 134 (Communications Not Deemed a Prospectus) (K7) 			

R3	Options Communications	Function & Associated Tasks	Knowledge
		F1 (T1.1 – T1.5) F4 (T4.1 – T4.5)	K1.2.1.1, K14
<ul style="list-style-type: none"> • CBOE 9.15 (Delivery of Current Options Disclosure Documents) (K3.1.5) • CBOE 9.21 (Options Communications) • FINRA 2220 (Options Communications with the Public) • FINRA 2360 (Options) (K3.1.1, K14) • NYSE 726 (Delivery of Current Prospectus) <i>Options</i> • NYSE 791 (Communications to Customers) <i>Options</i> • Nasdaq OMX PHLX 1029 (Delivery of Options Disclosure Documents) • Securities Act of 1933, Rule 134a (Options Material Not Deemed a Prospectus) • Options Clearing Corporation, “Characteristics and Risks of Standardized Options,” Options Disclosure Document 			
R4	Municipal Securities Advertisements	Function & Associated Tasks	Knowledge
		F1 (T1.1 – T1.5) F4 (T4.1 – T4.5)	K1.2.1.2, K12.7
<ul style="list-style-type: none"> • MSRB G-21 (Advertising) • MSRB G-27 (Supervision) 			
R5	Investment Company Products, Variable Contracts, and Mutual Fund Advertisements	Function & Associated Tasks	Knowledge
		F1 (T1.1 – T1.5) F4 (T4.1 – T4.5)	K1.2.1.3, K13
<ul style="list-style-type: none"> • FINRA 2211 (Communications with the Public about Variable Life Insurance and Variable Annuities) • FINRA 2212 (Use of Rankings in Investment Companies Advertisements and Sales Literature) • FINRA 2213 (Requirements for the Use of Bond Mutual Fund Volatility Ratings) • FINRA 2330 (Members’ Responsibilities Regarding Deferred Variable Annuities) • Securities Act of 1933, Rule 156 (Investment Company Sales Literature) • Securities Act of 1933, Rule 482 (Advertising by an Investment Company as Satisfying Requirements of Section 10) 			
R6	Government Securities, Collateralized Mortgage Obligations (CMOs), Certificates of Deposit (CDs) Advertisements	Function & Associated Tasks	Knowledge
		F1 (T1.1 – T1.5) F4 (T4.1 – T4.5)	K1.2.1.4, K12
<ul style="list-style-type: none"> • FINRA 2216 (Communications with the Public About Collateralized Mortgage Obligations (CMOs)) 			
R7	Research reports	Function & Associated Tasks	Knowledge
		F1 (T1.1 – T1.5) F4 (T4.1 – T4.5)	K1.2.1.5
<ul style="list-style-type: none"> • FINRA 2210 (Communications with the Public) • FINRA 2241 (Research Analysts and Research Reports) • NASD 1050 (Registration of Research Analysts) (K1.1) • NYSE 344 (Research Analysts and Supervisory Analysts) (K1.1) • SEC Regulation AC (Analyst Certification) • SEC Regulation FD (Fair Disclosure) 			

<ul style="list-style-type: none"> Securities Exchange Act 1934, Section 28(e) (Exchange, broker, and dealer commissions; brokerage and research services) (K5.8) 			
R8	Regulation of telephone solicitations	Function & Associated Tasks	Knowledge
		F1 (T1.1 – T1.5) F4 (T4.1 – T4.5)	K1.2.2
<ul style="list-style-type: none"> CBOE 9.24 (Telephone Solicitation) FINRA 3230 (Telemarketing) Junk Fax Protection Act of 2005 MSRB G-39 (Telemarketing) Telephone Consumer Protection Act of 1991 			
R9	Regulations regarding gifts and gratuities, non-cash compensation, guidelines for business entertainment and political contributions	Function & Associated Tasks	Knowledge
		F1 (T1.1 – T1.5) F4 (T4.1 – T4.5)	K1.4, K6.1
<ul style="list-style-type: none"> CBOE 4.4 (Gratuities) FINRA 3220 (Influencing or Rewarding Employees of Others) MSRB G-20 (Gifts, gratuities and non-cash compensation) MSRB G-37 (Political contributions and prohibitions on municipal securities business) (K1.3, K7.5) 			
R10	Regulatory bodies, their jurisdiction, rule making authority, and disciplinary authority (e.g., SEC, FINRA, MSRB, CBOE)	Function & Associated Tasks	Knowledge
		F1 (T1.1 – T1.5) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K6.5
<ul style="list-style-type: none"> CBOE 9.5 (Discipline, Suspension, Expulsion of Registered Persons) CBOE 17.1 (Disciplinary Jurisdiction) FINRA By-Laws, Article V (Registered Representatives and Associated Persons, Section 4– Retention of Jurisdiction) FINRA By-Laws, Article XII (Disciplinary Proceedings) FINRA 8000 Series (Investigations and Sanctions) FINRA 9000 Series (Code of Procedure) MSRB G-4 (Statutory Disqualifications) MSRB G-5 (Disciplinary actions by appropriate regulatory agencies) NYSE 475 (Prohibition of services) 			
R11	Requirements for opening and maintaining accounts	Function & Associated Tasks	Knowledge
		F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K3, K4.6, K14, K15, K16
<ul style="list-style-type: none"> CBOE 9.7 (Opening of Accounts) CBOE 9.8 (Supervision of Accounts) CBOE 9.10 (Discretionary Accounts) CBOE 9.20 (Transfer of Accounts) Employee Retirement Income Security Act of 1974 (ERISA) 			

- Federal Reserve Board Regulation T (Credit by Broker-Dealers)
- FINRA 2070 (Transactions Involving FINRA Employees)
- FINRA 2130 (Approval Procedures for Day-Trading Accounts)
- FINRA 2261 (Disclosure of Financial Condition)
- FINRA 2264 (Margin Disclosure Statement)
- FINRA 2267 (Investor Education and Protection)
- FINRA 2270 (Day-Trading Risk Disclosure Statement)
- FINRA 2360 (Options) **(K14)**
- FINRA 3110 (Supervision)
- FINRA 3120 (Supervisory Control System)
- FINRA 3160 (Networking Arrangements Between Members and Financial Institutions)
- FINRA 3170 (Tape Recording of Registered Persons by Certain Firms)
- FINRA 3210 (Accounts At Other Broker-Dealers and Financial Institutions)
- FINRA 3250 (Designation of Accounts)
- FINRA 4210 (Margin Requirements)
- FINRA 4512 (Customer Account Information)
- NASD 2510 (Discretionary Accounts)
- Nasdaq OMX PHLX 1025 (Supervision of Accounts) *Options*
- NYSE 408 (Discretionary Power in Customers' Accounts)
- MSRB G-8 (Books and Records to be made by brokers, dealers and municipal securities dealers)
- MSRB G-19 (Suitability of Recommendations and Transactions)
- MSRB G-27 (Supervision)
- MSRB G-28 (Transactions between employees and partners of other municipal securities professionals)
- SEC Regulation S-P (Privacy of Consumer Financial Information)
- Securities Act of 1934, Section 3(a)35 (Definition and Applications—"Investment Discretion")
- OFAC, "Foreign Asset Control Regulations for the Securities Industry"
- Uniform Gift to Minors Act (UGMA)
- Uniform Transfer to Minors Act (UTMA)
- USA PATRIOT Act, Section 326 (Verification of Identification)

R12	Customer account records (e.g., updating for change of address, sending required notifications, holding of customer mail, investment objectives)	Function & Associated Tasks	Knowledge
		F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K2.1, K3.2.1

- CBOE 9.14 (Addressing of Communications to Customers)
- FINRA 3110 (Supervision)
- FINRA 3150 (Holding of Customer Mail)
- FINRA 4510 (Books and Records Requirements)
- FINRA 4512 (Customer Account Information)
- MSRB G-8 (Books and Records)
- NYSE 409 (Statements of Accounts to Customers)
- Securities Exchange Act of 1934, Rule 17a-3 (Records to Be Made by Certain Exchange Members, Brokers and Dealers)

<ul style="list-style-type: none"> Securities Exchange Act of 1934, Rule 17a-4 (Records to Be Preserved by Certain Exchange Members, Brokers and Dealers) 			
R13	Physical receipt, delivery and safeguarding of cash or cash equivalents, checks and securities	Function & Associated Tasks	Knowledge
		F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K3.2.2
<ul style="list-style-type: none"> FINRA 2150 (Improper Use of Customers' Securities or Funds; Prohibitions Against Guarantees and Sharing) FINRA 11860 (COD Orders) Securities Exchange Act of 1934, Rule 15c3-3 (Customer Protection--Reserves and Custody of Securities) 			
R14	Transferring accounts between broker-dealers (e.g., Automated Customer Account Transfer Service ACATS))	Function & Associated Tasks	Knowledge
		F3 (T3.1 – T3.8) F4 (T4.1 – T4.5)	K3.2.4
<ul style="list-style-type: none"> FINRA 11870 (Customer Account Transfer Contracts) MSRB G-26 (Customer Account Transfers) 			
R15	Anti-money laundering compliance procedures and reporting	Function & Associated Tasks	Knowledge
		F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K3.2.6
<ul style="list-style-type: none"> FINRA 3310 (Anti-Money Laundering Compliance Program) MSRB G-41 (Anti-money laundering compliance program) OFAC, "Foreign Asset Control Regulations for the Securities Industry" USA PATRIOT Act Section 352 (Anti-Money Laundering Programs) 			
R16	Delivery of annual reports and notices of corporate action (e.g., splits, tenders, proxies, repurchases)	Function & Associated Tasks	Knowledge
		F3 (T3.1 – T3.8) F4 (T4.1 – T4.5)	K3.2.7
<ul style="list-style-type: none"> FINRA 2251 (Forwarding of Proxy and Other Issuer-related Materials) Securities Exchange Act of 1934, Section 14 (Proxies) 			
R17	Books and records (e.g., retention of customer and firm-related records)	Function & Associated Tasks	Knowledge
		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)	K3.2.8, K5

<ul style="list-style-type: none"> • CBOE 15.1 (Maintenance, Retention and Furnishing of Books, Records and Other Information) • CBOE Chapter XV- Rules 15.1 - 15.12 (Records, Reports and Audits) • FINRA 4510 (Books and Records Requirements) • MSRB G-8 (Books and records to be made by brokers, dealers and municipal securities dealers) • MSRB G-9 (Preservation of Records) • Nasdaq OMX PHLX 760 (Maintenance, Retention and Furnishing of Books, Records and Other Information) • NYSE 793 (Furnishing of Books, Records and Other Information) <i>Options</i> • Securities Exchange Act of 1934, Rule 17a-3 (Records to Be Made by Certain Exchange Members, Brokers and Dealers) • Securities Exchange Act of 1934, Rule 17a-4 (Records to Be Preserved by Certain Exchange Members, Brokers and Dealers) 			
R18	Margin accounts	Function & Associated Tasks	Knowledge
		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)	K3.3, K4.6
<ul style="list-style-type: none"> • CBOE Chapter XII- Rule 12.1 - 12.12 (Margins) • FINRA 2264 (Margin Disclosure Statement) • FINRA 4210 (Margin Requirements) • Nasdaq OMX PHLX 722 (Margin Accounts) • Federal Reserve Board Regulation T (Credit by Broker-Dealers) • Securities Exchange Act of 1934, Rule 8c-1 (Hypothecation of Customers' Securities) • Securities Exchange Act of 1934, Section 11(d) (Trading by Exchange Members, Brokers and Dealers – “Prohibition on extension of credit by broker-dealer”) 			
R19	Suitable recommendations	Function & Associated Tasks	Knowledge
		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, K3, K4, K5, K7, K11 – K17)
<ul style="list-style-type: none"> • CBOE 9.9 (Suitability of Recommendations) • FINRA 2090 (Know Your Customer) • FINRA 2111 (Suitability) • FINRA 2114 (Recommendations to Customers in OTC Equity Securities) • FINRA 2330 (Members' Responsibilities Regarding Deferred Variable Annuities) • FINRA 2360 (Options) (K14) • MSRB G-13 (Quotations related to municipal securities) (K5.1, K12.7) • MSRB G-17 (Conduct of municipal securities activities) (K12.7) • MSRB G-19 (Suitability of Recommendations and Transactions)) (K12) • Nasdaq OMX PHLX 746 (Diligence as to Accounts) 			
R20	Costs and fees associated with investments (e.g., breakpoints, markups, commissions, net transactions,	Function & Associated Tasks	Knowledge
		F1 (T1.1 – T1.5)	K4.7

	share classes, fee-based accounts, 12b-1 fees , surrender charges, mortality and expense charges in variable products)	F2 (T2.1 – T2.3) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	
	<ul style="list-style-type: none"> • FINRA 2010 (Standards of Commercial Honor and Principals of Trade) • FINRA 2121 (Fair Prices and Commissions) • FINRA 2122 (Charges for Services Performed) • FINRA 2124 (Net Transactions with Customers) • FINRA 2211 (Communications with the Public about Variable Life Insurance and Variable Annuities) • FINRA 2330 (Members' Responsibilities Regarding Deferred Variable Annuities) • FINRA 2342 ("Breakpoint" Sales) • Investment Company Act of 1940, Rule 12b-1 (Distribution of Shares by Registered Open-End Management Investment Company) • MSRB G-30 (Prices and Commissions) • Securities Act of 1934, Section 28(e) (Exchange, Broker and Dealer Commissions; Brokerage and Research Services) (K5.8) 		
R21	Prohibited activities (e.g., spreading market rumors, front running, churning, commingling, unauthorized trading, guarantees against losses, unsuitable recommendations)	Function & Associated Tasks	Knowledge
		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
	<ul style="list-style-type: none"> • CBOE 9.18 (Prohibition Against Guarantees and Sharing in Accounts) • CBOE 9.19 (Assuming Losses) • FINRA 2020 (Use of Manipulative, Deceptive or Other Fraudulent Devices) • FINRA 2150 (Improper Use of Customers' Securities or Funds; Prohibitions Against Guarantees and Sharing) • FINRA 5240 (Anti-Intimidation/Coordination) • FINRA 5320 (Prohibition Against Trading Ahead of Customer Orders) • FINRA 5250 (Payments for Market Making) • FINRA 5280 (Trading Ahead of Research Reports) • FINRA 6140 (Other Trading Practices) • FINRA 5270 (Front Running) • NYSE 435 (Miscellaneous Prohibitions) • Securities Exchange Act of 1934, Section 9(a)(1) – (a)(6) (Prohibition against manipulation of security prices) • Securities Exchange Act of 1934, Rule 10b-1 (Prohibition of use of manipulative or deceptive devices or contrivances with respect to certain securities exempted from registration) • Securities Exchange Act of 1934, Rule 10b-3 (Employment of manipulative and deceptive devices by brokers or dealers) • Securities Exchange Act of 1934, Rule 14e-3 (Transactions in securities on the basis of material, nonpublic information in the context of tender offers) • Securities Exchange Act of 1934, Rule 14e-4 (Prohibited transactions in connection with partial tender offers) • Securities Exchange Act of 1934, Rule 15c1-2 (Fraud and misrepresentation) • Securities Exchange Act of 1934, Rule 15c1-3 (Misrepresentation by brokers, dealers and municipal securities dealers as to registration) 		

R22	Regulation of insider activities and use of material, non-public information (primary markets, secondary markets, customer, registered representative)	Function & Associated Tasks	Knowledge
		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, K6.2, K7, K8
<ul style="list-style-type: none"> Insider Trading and Securities Fraud Enforcement Act of 1988, Section 3 (Civil penalties of controlling persons for illegal insider trading by controlled persons) Securities Exchange Act of 1934, Rule 10b-5 (Employment of Manipulative and Deceptive Devices) Securities Exchange Act of 1934, Rule 10b5-1 (Trading on the Basis of "Material Nonpublic" Information in Insider Trading Cases) Securities Exchange Act of 1934, Rule 10b5-2 (Duties of Trust or Confidence in Misappropriation Insider Trading) 			
R23	Protections afforded under the Securities Investor Protection Corporation (SIPC) and Federal Deposit Insurance Corporation (FDIC)	Function & Associated Tasks	Knowledge
		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)	K4.8
<ul style="list-style-type: none"> FINRA 2266 (SIPC Information) Securities Investor Protection Act of 1970 			
R24	Tax consequences	Function & Associated Tasks	Knowledge
		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)	K4.9, K11 – K16
<ul style="list-style-type: none"> Internal Revenue Code, Sec. 219 (Retirement savings) Internal Revenue Code, Sec. 301 (Distributions of property) Internal Revenue Code, Sec. 316 (Dividend defined) Internal Revenue Code, Sec. 415 (Limitations on benefits and contributions under qualified plans) Internal Revenue Code, Sec. 529 (Qualified tuition programs) Internal Revenue Code, Sec. 530 (Coverdell education savings) Internal Revenue Code, Sec. 856 (Definition of real estate investment trust) Internal Revenue Code, Sec. 858 (Dividends paid by real estate investment trust after close of tax year) Internal Revenue Code, Sec. 1035 (Certain exchanges of insurance policies) Internal Revenue Code, Sec. 1091 (Loss from wash sales of stock or securities) Internal Revenue Code, Sec. 1233 (Gains and losses from short sales) Internal Revenue Code, Sec. 1256 (Contracts marked to market) Internal Revenue Code, Sec. 2503 (Taxable gifts) OCC Brochure, "Taxes and Investing" Tax Reform Acts 1984, 1986, 1990, 1993 <p>Candidates should be familiar with current tax laws related to investments, transaction types and account types covered in this content outline.</p>			

R25	Types of securities quotes, types of orders, information required on an order ticket	Function & Associated Tasks	Knowledge
		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)	K5.1, K5.2, K5.3
<ul style="list-style-type: none"> • CBOE 6.24 (Required Order Information) • CBOE 6.53 (Certain Types of Orders Defined) • FINRA 2360 (Options Orders) • FINRA 2010 (Standards of Commercial Honor and Principals of Trade) (K4.7) • FINRA 4515 (Approval and Documentation of Changes in Account Name or Designation) • FINRA 5210 (Publication of Transactions and Quotations Marking the close/Marking the opening) • FINRA 5220 (Offers and Stated Prices) • FINRA 5290 (Order Entry and Execution Practices) • FINRA 5330 (Adjustment of Open Orders) • FINRA 5310 (Best Execution and Interpositioning) • NYSE 13 (Definition of Orders) • SEC Regulation NMS 			
R26	Best execution requirements	Function & Associated Tasks	Knowledge
		F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K5.7
<ul style="list-style-type: none"> • FINRA 5310 (Best Execution and Interpositioning) • SEC Regulation NMS (K5.1, K5.2) 			
R27	Short sale requirements (e.g., order marking, locate, borrow and delivery) (Short sale Strategies (Securities lending))	Function & Associated Tasks	Knowledge
		F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K5.4, K5.5, K5.6
<ul style="list-style-type: none"> • Federal Reserve Board Regulation T (Credit by Broker-Dealers) • FINRA 4320 (Short Sale Delivery Requirements) • FINRA 5310 (Best Execution and Interpositioning) (K5.3) (K5.4) • NYSE 13 (Definition of Orders) (K5.2) (K5.3) • SEC, Regulation SHO • Securities Exchange Act of 1934, Rule 8c-1 (Hypothecation of Customers' Securities) 			
R28	Erroneous reports, errors, cancels and re-bills	Function & Associated Tasks	Knowledge
		F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K5.9
<ul style="list-style-type: none"> • CBOE 6.52 (Price Binding Despite Erroneous Report) • FINRA 4515 (Approval and Documentation of Changes in Account Name or Designation) • FINRA 11892 (Clearly Erroneous Transactions in Exchange-Listed Securities) 			

<ul style="list-style-type: none"> • FINRA 11893 (Clearly Erroneous Transactions in OTC Equity Securities) • NYSE 134 (Differences and omissions in cleared transactions) • NYSE 411 (Erroneous Reports) • Securities Exchange Act of 1934, Rule 17a-4 (Records to Be Preserved by Certain Exchange Members, Brokers and Dealers) 			
R29	Customer confirmations and statements	Function & Associated Tasks	Knowledge
		F3 (T3.1 – T3.8)	K5.10
		F4 (T4.1 – T4.5)	
F5 (T5.1 – T5.7)			
<ul style="list-style-type: none"> • CBOE 9.11 (Confirmation to Customers) • CBOE 9.12 (Statements of Accounts to Customers) • FINRA 2232 (Customer Confirmations) • FINRA 2266 (SIPC Information) (K4.8) • MSRB G-15 (Confirmations, clearance, settlement, and other uniform practice requirements with respect to transactions with customers) • NASD 2340 (Customer Account Statements) • NYSE 409 (Statements of Accounts to Customers) • NYSE 725 (Confirmations) <i>Options</i> • NYSE 730 (Statement of Accounts) <i>Options</i> • Nasdaq OMX PHLX 1028 (Confirmations) <i>Options</i> • Nasdaq OMX PHLX 1032 (Statements of Accounts) <i>Options</i> • Securities Exchange Act of 1934, Rule 10b-10 (Confirmation of Transactions) 			
R30	Delivery requirements	Function & Associated Tasks	Knowledge
		F3 (T3.1 – T3.8)	K5.11
		F4 (T4.1 – T4.5)	
F5 (T5.1 – T5.7)			
<ul style="list-style-type: none"> • CBOE Chapter XI- Rules 11.1 - 11.4 (Exercises and Deliveries) • FINRA 11000 Series (Uniform Practice Code) • MSRB G-12 (Uniform Practice) • NYSE 63 (“When Issued” – “When Distributed”) • NYSE 64 (Bonds, Rights and 100-Share Unit Stocks) • NYSE 130 Series (Comparison and Exchange of Contracts) • NYSE 133 (Comparison–Non-cleared Transactions) • NYSE 135 (Differences and Omissions–Cleared Transactions (“DK’s”)) • NYSE 136 (Comparison–Transactions Excluded from a Clearance) • Securities Exchange Act of 1934, Rule 15c6-1 (Settlement Cycle) 			
R31	Trade reporting requirements (e.g., OATS, TRF, TRACE)	Function & Associated Tasks	Knowledge
		F4 (T4.1 – T4.5)	K5.12
		F5 (T5.1 – T5.7)	
<ul style="list-style-type: none"> • FINRA 6000 Series (Quotation and Transaction Reporting Facilities) • FINRA 6700 Series (Trade Reporting and Compliance Engine) • FINRA 7000 Series (Clearing, Transactions and Order Data Requirements, and Facility Charges) 			

<ul style="list-style-type: none"> MSRB G-14 (Reports of sales or purchases) 			
R32	Professional conduct and ethical considerations	Function & Associated Tasks	Knowledge
		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)	K6, K7, K8
<ul style="list-style-type: none"> Investment Company Act of 1940, Section 35 (Unlawful Representations and Names) Investment Company Act of 1940, Section 36 (Breach of Fiduciary Duty) FINRA 2010 (Standards of Commercial Honor and Principles of Trade) FINRA 2020 (Use of Manipulative, Deceptive or Other Fraudulent Devices) FINRA 2060 (Use of Information Obtained in Fiduciary Capacity) Regulation S-P (Privacy of Consumer Financial Information and Safeguarding Personal Information) (K6.3) 			
R33	Required disclosures by an RR (outside business activities, personal investment accounts, private securities transactions, conflicts of interest)	Function & Associated Tasks	Knowledge
		F1 (T1.1 – T1.5) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K6.1
<ul style="list-style-type: none"> CBOE 9.25 (Borrowing From or Lending to Customers) FINRA 3210 (Accounts At Other Broker-Dealers and Financial Institutions) FINRA 3240 (Borrowing From or Lending to Customers) FINRA 3270 (Outside Business Activities of Registered Persons) FINRA 3280 (Private Securities Transactions) MSRB G-37 (Political contributions and prohibitions on municipal securities businesses) (K1.3, K6.1, K7.5) 			
R34	Requirements for addressing customer complaints and consequences of improper handling of complaints	Function & Associated Tasks	Knowledge
		F1 (T1.1 – T1.5) F3 (T3.1 – T3.8) F5 (T5.1 – T5.7)	K6.4
<ul style="list-style-type: none"> CBOE 9.23 (Customer Complaints) FINRA 3110 (Supervision) FINRA 4513 (Records of Written Customer Complaints) FINRA 4530 (Reporting Requirements) (K1.1, K6.1) MSRB G-10 (Delivery of Investor Brochure) NYSE 732 (Customer Complaints) <i>Options</i> Nasdaq OMX PHLX 1070 (Customer Complaints) <i>Options</i> 			
R35	Arbitration, mediation and litigation	Function & Associated Tasks	Knowledge
		F1 (T1.1 – T1.5) F3 (T3.1 – T3.8) F5 (T5.1 – T5.7)	K6.6
<ul style="list-style-type: none"> FINRA 10000 Series (Code of Arbitration Procedure) FINRA 12000 Series (Code of Arbitration Procedure For Customer Disputes) 			

<ul style="list-style-type: none"> • FINRA 13000 Series (Code of Arbitration Procedure For Industry Disputes) • FINRA 14000 Series (Code of Mediation Procedure) 			
R36	Business continuity and disaster recovery plans	Function & Associated Tasks	Knowledge
		F1 (T1.1 – T1.5) F3 (T3.1 – T3.8)	K6.7
<ul style="list-style-type: none"> • FINRA 4370 (Business Continuity Plans and Emergency Contact Information) 			
R37	The primary marketplace	Function & Associated Tasks	Knowledge
		F1 (T1.1 – T1.5) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K4.6, K7
<ul style="list-style-type: none"> • FINRA 2040 (Payments to Unregistered Persons) • FINRA 2262 (Disclosure of Control Relationship with Issuer) • FINRA 2269 (Disclosure of Participation or Interest in Primary or Secondary Distribution) • FINRA 5110 (Corporate Financing Rule–Underwriting Terms and Arrangements) • FINRA 5121 (Public Offerings of Securities with Conflicts of Interest) • FINRA 5130 (Restrictions on the Purchase and Sale of Initial Equity Public Offerings) • FINRA 5131 (New Issue Allocations and Distributions) • FINRA 5141 (Sale of Securities in a Fixed Price Offering) • FINRA 5160 (Disclosure of Price and Concessions in Selling Agreements) • FINRA 5190 (Notification Requirements for Offering Participants) • Securities Act of 1933, Section 5 (Prohibitions Relating to Interstate Commerce and the Mails) • Securities Act of 1933, Section 7 (Information Required in a Registration Statement) • Securities Act of 1933, Section 8 (Taking Effect of Registration Statements and Amendments Thereto) • Securities Act of 1933, Section 10 (Information Required in Prospectus) • Securities Act of 1933, Schedule A (Schedule of Information Required in Registration Statement) • Securities Act of 1933, Schedule B (Schedule of Information Required in Registration Statement) • Securities Act of 1933, Regulation A (Conditional Small Issues Exemption) • Securities Act of 1933, Regulation D (Rules Governing the Limited Offer and Sale of Securities Without Registration Under the Securities Act of 1933) • Securities Act of 1933, Rule 144 (Persons Deemed Not to Be Engaged in a Distribution and Therefore Not Underwriters) • Securities Act of 1933, Rule 144A (Private Resales of Securities to Institutions) • Securities Act of 1933, Rule 145 (Reclassification of Securities, Mergers, Consolidations and Acquisitions of Assets) • Securities Act of 1933, Rule 147 ("Part of an Issue," "Person Resident," and "Doing Business Within" for Purposes of Section 3(a)(11)) • 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) 			

<ul style="list-style-type: none"> • 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) • Securities Exchange Act of 1934, 15c2-8 (Delivery of Prospectus) • SEC, Regulation M • State Laws, Blue Sky and Registration of Broker-Dealers (General Knowledge) 			
R38	Primary Marketplace for Municipals	Function & Associated Tasks	Knowledge
		F1 (T1.1 – T1.5) F3 (T3.1 – T3.8) F4 (T4.1 – T4.5) F5 (T5.1 – T5.7)	K4.6, K7
<ul style="list-style-type: none"> • MSRB G-11 (New Issue Syndicate Practices) • MSRB G-34 (CUSIP numbers, new issue, and market information requirements) • MSRB G-32 (Disclosures in connection with new issues) • MSRB G-37 (Political contributions and prohibitions on municipal securities business) (K1.3, K6.1, K7.5) • MSRB G-38 (Solicitation of municipal securities business) 			
R39	Equity Securities	Function & Associated Tasks	Knowledge
		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)	K4.6, K5.11, K5.12, K8.2, K11
<ul style="list-style-type: none"> • Securities Exchange Act of 1934, Rule 3a11-1 (Definition of the Term "Equity Security") • Securities Exchange Act of 1934, Section 3(a)(38) (Definition and Applications—"Market Maker") • SEC, Regulation M • SEC, Regulation NMS • Securities Exchange Act of 1934, 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 <p>Auction market (K8.2.2)</p> <ul style="list-style-type: none"> • NYSE 13 (Definitions of Orders) • NYSE 54 (Dealings on the Floor- Persons) • NYSE 61 (Recognized quotations) • 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 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 (K8.2.2)

- 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 4551 (Requirements for Alternative Trading Systems to Record and Transmit Order and Execution Information for Security Futures)
- 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 Interpositioning)
- 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 4600 Series (Requirements for Nasdaq Market Makers and Other Nasdaq Market Center Participants)
- Nasdaq 4750 Series (Nasdaq Market Center–Execution Services)
- Securities Exchange Act of 1934, Rule 15c2-7 (Identification of Quotations)
- Securities Exchange Act of 1934, Rule 15c2-11 (Initiation or Resumption of Quotations without Specified Information)
- SEC, Regulation ATS (Alternative Trading Systems)

Penny Stock Regulations (K4.6, K11.2)

- Securities Exchange Act of 1934, Rule 3a51-1 (Definition of "Penny Stock")
- Securities Exchange Act of 1934, Rule 15g-1 (Exemptions for Certain Transactions)
- Securities Exchange Act of 1934, Rule 15g-2 (Risk Disclosure Document Relating to the Penny Stock Market)
- Securities Exchange Act of 1934, Rule 15g-3 (Broker or Dealer Disclosure of Quotations and Other Information Relating to the Penny Stock Market)
- Securities Exchange Act of 1934, Rule 15g-4 (Disclosure of Compensation to Brokers or Dealers)
- Securities Exchange Act of 1934, Rule 15g-5 (Disclosure of Compensation of Associated Persons in Connection With Penny Stock Transactions)
- Securities Exchange Act of 1934, Rule 15g-6 (Account Statements for Penny Stock Customers)
- Securities Exchange Act of 1934, Rule 15g-9 (Sales Practice Requirements for Certain Low-Priced Securities)

R40	Debt Instruments	Function & Associated Tasks	Knowledge
		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)	K4.6, K8, K12
<ul style="list-style-type: none"> • MSRB Constitution and Rules, Rules G-1 through G-41 and Rules D-8 through D-12 • Treasury Department Regulations Governing the Issuance, Sale and Settlement of Government Securities (31 CFR) • Trust Indenture Act of 1939 			
R41	Packaged Securities and other managed products (General)	Function & Associated Tasks	Knowledge
		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)	K4.6, K8, K13
<ul style="list-style-type: none"> • FINRA 2212 (Use of Rankings in Investment Companies Advertisements and Sales Literature) • FINRA 2341 (Investment Company Securities) • FINRA 2342 (“Breakpoint” Sales) • Investment Company Act of 1940, Section 2(a) (Definitions - “Advisory board”) • Investment Company Act of 1940, Section 3(a) (Definitions - “Investment company”) • Investment Company Act of 1940, Section 4 (Classification of Investment Companies) • Investment Company Act of 1940, Section 5 (Subclassification of Management Companies) • Investment Company Act of 1940, Section 10 (Affiliations or Interest of Directors, Officers, and Employees) • Investment Company Act of 1940, Section 12(a) (Functions and Activities of Investment Companies) • Investment Company Act of 1940, Section 13(a) (Changes in Investment Policy) • Investment Company Act of 1940, Section 15(a) (Contracts of Advisors and Underwriters) • Investment Company Act of 1940, Section 16(a) (Board of Directors – “Election of directors”) • Investment Company Act of 1940, Section 17(a) (Transactions of Certain Affiliated Persons and Underwriters) • Investment Company Act of 1940, Section 18 (Capital Structure of Investment Companies) • Investment Company Act of 1940, Section 19 (Payments or Distributions) • Investment Company Act of 1940, Section 22 (Distribution, Redemption, and Repurchase of Securities; Regulations by Securities Associations) • Investment Company Act of 1940, Section 23 (Closed-End Companies) • Investment Company Act of 1940, Section 30 (Reports and Financial Statements of Investment Companies and Affiliated Persons) • Investment Company Act of 1940, Section 35 (Unlawful Representations and Names) • Investment Company Act of 1940, Section 36 (Breach of Fiduciary Duty) • Investment Company Act of 1940, Section 37 (Larceny and Embezzlement) <p>Types of closed-end funds (ETFs) (K13.2)</p> <ul style="list-style-type: none"> • NYSE Amex 1000 (Portfolio Depositary Receipts) • NYSE Amex 1000A (Index Fund Shares) • NYSE Amex 1200 (Trading of Trust Issued Receipts-Rules of General Applicability) • NYSE Amex 1400 (Trading of Paired Trust Shares- Rules of General Applicability) • NYSE Amex 1500 (Trading of Partnership Units) 			

Variable life insurance/ Annuity contracts (K13.4)

- FINRA 2320 (Variable Contracts of an Insurance Company)
- FINRA 2330 (Members' Responsibilities Regarding Deferred Variable Annuities)

Real Estate Investment Trusts (REITs) (K13.5)

- REIT Modernization Act of 1999

Direct Participation Programs (DPPs)

- FINRA 2310 (Direct Participation Programs)

R42	Options	Function & Associated Tasks	Knowledge
		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)	K8.3, K14

- CBOE 1.1 (Definitions)
- CBOE 4.1 (Just and Equitable Principles of Trade)
- CBOE 4.11 (Position Limits)
- CBOE 5.7 (Adjustments)
- CBOE 5.8 (Long-Term Equity Option Series (LEAPS®))
- CBOE 6.53 (Certain Types of Orders Defined) **(K5.3)**
- CBOE 11.1 (Exercise of Option Contracts)
- CBOE 11.2 (Allocation of Exercise Notices)
- CBOE 12.3 (Margin Requirements)
- CBOE 12.10 (Margin Required is Minimum)
- CBOE 23.3 (Position Limits) *Interest Rate Options*
- CBOE 23.4 (Exercise Limits) *Interest Rate Options*
- CBOE 24.4 (Position Limits for Broad-Based Index Options)
- CBOE 24.4A (Position Limits for Industry Index Options)
- CBOE 24.5 (Exercise Limits) *Index Options*
- CBOE 24.18 (Exercise of American-style Index Options)
- FINRA 2220 (Options Communications) **(K1.2.1.1)**
- FINRA 2350 Series (Trading in Index Warrants, Currency Index Warrants, and Currency Warrants)
- FINRA 2360 (Options)
- Internal Revenue Code, Section 1256 (Contracts marked to market)
- FINRA 4210(f)(2) (Definitions Related to Options, Currency Warrants, Currency Index Warrants and Stock Index Warrant Transactions)
- Nasdaq OMX PHLX 1000 (Applicability, Definitions and References) *Options*
- Nasdaq OMX PHLX 1001 (Position Limits) *Options*
- Nasdaq OMX PHLX 1002 (Exercise Limits) *Options*
- Nasdaq OMX PHLX 1003 (Reporting Of Options Positions) *Options*
- Nasdaq OMX PHLX 1004 (Liquidation Of Positions) *Options*
- Nasdaq OMX PHLX 1005 (Limit On Uncovered Short Positions) *Options*
- Nasdaq OMX PHLX 1006 (Other Restrictions on Exchange Options Transactions and Exercises) *Options*
- Nasdaq OMX PHLX 1007 (Designation Of Securities) *Options*
- Nasdaq OMX PHLX 1008 (Rights And Obligations Of Holders And Writers) *Options*
- Nasdaq OMX PHLX 1024 (Conduct of Accounts for Options Trading) *Options*

<ul style="list-style-type: none"> Nasdaq OMX PHLX 1030 (Transactions With Issuers) <i>Options</i> Nasdaq OMX PHLX 1031 (Restricted Stocks) <i>Options</i> Nasdaq OMX PHLX 1064 (Crossing, Facilitation and Solicited Orders) <i>Options</i> Nasdaq OMX PHLX 1000A Series (Rules Applicable to Trading of Options on Indices) NYSE 700 Series (Options Rules) OCC Brochure, "Taxes and Investing" Options Disclosure Document, "Characteristics and Risks of Standardized Options" 			
R43	General supervision and supervisory approvals	Function & Associated Tasks	Knowledge
		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, K3, K5, K7, K8, K11– K17
<ul style="list-style-type: none"> FINRA 3110 (Supervision) FINRA 3170 (Tape Recording of Registered Persons by Certain Firms) FINRA 3120 (Supervisory Control System) MSRB G-27 (Supervision) 			

SAMPLE TEST ITEMS

Several sample items are presented at the end of this outline. The 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 test items. Candidates who familiarize themselves with these formats may be able to improve their test-taking skills so that their performance on the exam 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 exam. 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 exams are available on FINRA's website at: www.finra.org.

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

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 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 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 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 exam. 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 exam. 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 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.

Chicago Board Options Exchange
www.cboe.com

The Options Industry Council
www.888options.com

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

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

Internal Revenue Service
www.irs.gov

United States Treasury
www.treasury.gov

Municipal Securities Rulemaking Board
www.msrb.org

**Board of Governors of the
Federal Reserve System**
www.federalreserve.gov

Nasdaq OMX PHLX
www.nasdaqomx.com

New York Stock Exchange (NYSE)
www.nyse.com

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

Options Clearing Corporation
www.theocc.com