

OMB APPROVAL

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Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 51

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

File No.* SR - 2015 - * 039

Amendment No. (req. for Amendments *)

Filing by Financial Industry Regulatory Authority

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

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
			Rule		
Pilot	Extension of Time Period for Commission Action *	Date Expires *	<input checked="" type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

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

Section 806(e)(1) *

☐

Section 806(e)(2) *

☐

Section 3C(b)(2) *

☐

Exhibit 2 Sent As Paper Document



Exhibit 3 Sent As Paper Document



Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposed Rule Change Relating to the Series 28 Examination Program

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Adam Last Name * Arkel
 Title * Associate General Counsel
 E-mail * adam.arkel@finra.org
 Telephone * (202) 728-6961 Fax (202) 728-8264

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date 10/13/2015

By Patrice M. Gliniecki

(Name *)

Senior Vice President and Deputy General Counsel

Patrice Gliniecki,

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFT website.

Form 19b-4 Information *

Add Remove View

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

Add Remove View

Exhibit Sent As Paper Document

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

Add Remove View

The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

Add Remove View

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

Add Remove View

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “SEA”),¹ Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) revisions to the content outline and selection specifications for the Introducing Broker-Dealer Financial and Operations Principal (Series 28) examination program.² The proposed revisions update the material to reflect changes to the laws, rules and regulations covered by the examination and to incorporate the functions and associated tasks currently performed by an Introducing Broker-Dealer Financial and Operations Principal. In addition, FINRA is proposing to make changes to the format of the content outline. FINRA is not proposing any textual changes to the By-Laws, Schedules to the By-Laws or Rules of FINRA.

The revised content outline is attached. The Series 28 selection specifications have been submitted to the Commission under separate cover with a request for confidential treatment pursuant to SEA Rule 24b-2.³

(b) Not applicable.

(c) Not applicable.

¹ 15 U.S.C. 78s(b)(1).

² FINRA also is proposing corresponding revisions to the Series 28 question bank. FINRA is submitting this filing for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(1) thereunder, and is not filing the question bank. See Letter to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000. The question bank is available for SEC review.

³ 17 CFR 240.24b-2.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Board of Directors of FINRA Regulation, Inc. (f/k/a NASD Regulation, Inc.) at its meeting on January 24, 2001, which authorized the staff to propose modifications to examination programs, including content outlines, selection specifications and question banks, and to file the proposed modifications with the SEC, without obtaining further or specific authorization from the Board of Directors of FINRA Regulation, Inc. The Board of Governors of FINRA (f/k/a NASD) had an opportunity to review that action at its meeting on January 25, 2001. No other action by FINRA is necessary for the filing of the proposed rule change.

As further discussed below, FINRA is filing the proposed rule change for immediate effectiveness. FINRA proposes to implement the revised Series 28 examination program on December 14, 2015. FINRA will announce the proposed rule change and the implementation date in a Regulatory Notice.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

Section 15A(g)(3) of the Act⁴ authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. In accordance with that provision, FINRA has developed examinations that are designed to establish that persons associated with FINRA members have attained specified levels of competence and knowledge, consistent with applicable registration requirements under FINRA rules. FINRA periodically reviews the content of the examinations to determine

⁴ 15 U.S.C. 78o-3(g)(3).

whether revisions are necessary or appropriate in view of changes pertaining to the subject matter covered by the examinations.

NASD Rule 1022(c)(1) requires that every member that is subject to the requirements of SEA Rule 15c3-1,⁵ other than a member operating pursuant to SEA Rule 15c3-1(a)(1)(ii),⁶ SEA Rule 15c3-1(a)(2)(i)⁷ or SEA Rule 15c3-1(a)(8),⁸ shall designate as Introducing Broker-Dealer Financial and Operations Principal⁹ those persons associated with it, at least one of whom shall be its chief financial officer, who perform the duties described in paragraph (c)(2) of the rule. The rule provides that each person associated with a member who performs such duties shall be required to register as an Introducing Broker-Dealer Financial and Operations Principal with FINRA and shall pass an appropriate qualification examination before such registration may become effective. Paragraph (b)(2) of the rule provides that the term Introducing Broker-Dealer Financial and Operations Principal shall mean a person associated with a member whose duties include:

⁵ 17 CFR 240.15c3-1. SEA Rule 15c3-1 is the SEC's net capital rule for brokers and dealers.

⁶ 17 CFR 240.15c3-1(a)(1)(ii). SEA Rule 15c3-1(a)(1)(ii) addresses net capital requirements for brokers or dealers that elect not to be subject to the Aggregate Indebtedness Standard of paragraph (a)(1)(i) under Rule 15c3-1.

⁷ 17 CFR 240.15c3-1(a)(2)(i). SEA Rule 15c3-1(a)(2)(i) addresses net capital requirements for brokers or dealers that carry customer accounts.

⁸ 17 CFR 240.15c3-1(a)(8). SEA Rule 15c3-1(a)(8) addresses net capital requirements for municipal securities brokers' brokers, as defined under the rule.

⁹ The term "Limited Principal—Introducing Broker/Dealer Financial and Operations" as set forth in NASD Rule 1022(c) is referred to as "Introducing Broker-Dealer Financial and Operations Principal" for purposes of this filing. The term "principal" is defined in NASD Rule 1021(b) (Definition of Principal).

- final approval and responsibilities for the accuracy of financial reports submitted to any duly established securities industry regulatory body;
- final preparation of such reports;
- supervision of individuals who assist in the preparation of such reports;
- supervision of and responsibility for individuals who are involved in the actual maintenance of the member's books and records from which such reports are derived;
- supervision and/or performance of the member's responsibilities under all financial responsibility rules promulgated pursuant to the provisions of the Act;
- overall supervision of and responsibility for the individuals who are involved in the administration and maintenance of the member's back office operations; or
- any other matter involving the financial and operational management of the member.

NASD Rule 1022(c)(3) provides that, except as set forth in NASD Rule 1021(c),¹⁰ a person designated pursuant to the provisions of NASD Rule 1022(c)(1) shall not be required to take the Introducing Broker-Dealer Financial and Operations Principal examination and shall be qualified for registration as such if the person is qualified to be registered or is registered as a Financial and Operations Principal as defined in NASD

¹⁰ NASD Rule 1021(c) addresses requirements for examination on lapse of registration.

Rule 1022(b)(2).¹¹

NASD Rule 1022(c)(4) provides that a person registered solely as an Introducing Broker-Dealer Financial and Operations Principal shall not be qualified to function in a principal capacity with responsibility over any area of business activity not described in paragraph (c)(2) of the rule. The rule provides that such person shall not be qualified to function in a principal capacity at a member unless the member operates under paragraph (c)(1) of the rule.

In consultation with a committee of industry representatives, FINRA recently undertook a review of the Series 28 examination program. As a result of this review, FINRA is proposing to make revisions to the content outline to reflect changes to the laws, rules and regulations covered by the examination and to incorporate the functions and associated tasks currently performed by an Introducing Broker-Dealer Financial and Operations Principal. FINRA also is proposing to make changes to the format of the content outline.

Current Outline

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

1. Keeping And Preservation of Records and Broker-Dealer Financial Reporting Requirements, 16 questions;

¹¹ For purposes of this filing, the term “Financial and Operations Principal” is used interchangeably with the term “Limited Principal—Financial and Operations” as set forth in NASD Rule 1022(b). Rule 1022(b)(2) sets forth the duties of a Financial and Operations Principal. See SR-FINRA-2015-038 (establishing revisions to the content outline and selection specifications for the Financial and Operations Principal (Series 27) examination program).

2. Net Capital Requirements, 36 questions;
3. Customer Protection, 10 questions;
4. Uniform Practice Rules, 5 questions; and
5. Other Relevant Regulations and Interpretations, 28 questions.

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

Proposed Revisions

To develop the revised outline, FINRA conducted a job analysis study of Introducing Broker-Dealer Financial and Operations Principals, which included the use of a survey. The study provided detailed information regarding the day-to-day roles, responsibilities and job functions of Introducing Broker-Dealer Financial and Operations Principals. As a result, FINRA is proposing to revise the structure of the outline as described below to include functions and associated tasks that reflect the day-to-day activities of an Introducing Broker-Dealer Financial and Operations Principal.

Specifically, FINRA is proposing to divide the content outline into four major job functions that are performed by an Introducing Broker-Dealer Financial and Operations Principal. The following are the four major job functions, denoted Function 1 through Function 4, with the associated number of questions:

Function 1: Financial Reporting, 16 questions;

Function 2: Operations, General Securities Industry Regulations, and
Preservation of Books and Records, 30 questions;

Function 3: Net Capital, 31 questions; and

Function 4: Customer Protection, Funding and Cash Management, 18 questions.

As noted above, each major job function includes an assigned number of questions. FINRA determined the number of questions for each function based on the results of the job analysis study. Thus, compared to the existing outline, the allocation of questions in the revised outline more closely reflects the current day-to-day activities of an Introducing Broker-Dealer Financial and Operations Principal.

Each function also includes specific tasks describing activities associated with performing that function. There are five tasks (1.1 – 1.5) associated with Function 1; three tasks (2.1 – 2.3) associated with Function 2; seven tasks (3.1 – 3.7) associated with Function 3; and three tasks (4.1 – 4.3) associated with Function 4.¹² By way of example, one such task (Task 2.2) is prepare and preserve financial records to ensure accuracy and completeness of internal financial documents.¹³ Further, the outline lists the knowledge required to perform each function and associated tasks (e.g., general ledger and sub-ledgers).¹⁴ In addition, where applicable, the outline lists the laws, rules and regulations a candidate is expected to know to perform each function and associated tasks. These include the applicable FINRA Rules (e.g., FINRA Rule 4160), NASD Rules (e.g., NASD Rule 2340) and SEC rules (e.g., SEA Rule 17a-4).¹⁵

¹² See Exhibit 3a, Outline Pages 6-17.

¹³ See Exhibit 3a, Outline Page 10.

¹⁴ See Exhibit 3a, Outline Page 10.

¹⁵ See Exhibit 3a, Outline Page 10.

As noted above, FINRA also is proposing to revise the content outline to reflect changes to the laws, rules and regulations covered by the examination. Among other revisions, FINRA is proposing to revise the content outline to reflect the adoption of rules in the consolidated FINRA rulebook (e.g., NASD Rule 2430 (Charges for Services Performed) and NASD Rule 3110 (Books and Records) were adopted as FINRA Rule 2122 (Charges for Services Performed) and FINRA Rule 4510 Series (Books and Records Requirements), respectively).¹⁶

FINRA is proposing similar changes to the Series 28 selection specifications and question bank.

Finally, FINRA is proposing to make changes to the format of the content outline, including the preface, sample questions and reference materials. Among other changes, FINRA is proposing to: (1) add a table of contents;¹⁷ (2) provide more details regarding the purpose of the examination;¹⁸ (3) provide more details on the application procedures;¹⁹ (4) provide more details on the development and maintenance of the content outline and examination;²⁰ (5) explain that the passing scores are established by FINRA staff, in consultation with a committee of industry representatives, using a standard setting procedure and that the scores are an absolute standard independent of the

¹⁶ See Rule Conversion Chart, available at <http://www.finra.org/Industry/Regulation/FINRARules/p085560>.

¹⁷ See Exhibit 3a, Outline Page 2.

¹⁸ See Exhibit 3a, Outline Page 3.

¹⁹ See Exhibit 3a, Outline Page 3.

²⁰ See Exhibit 3a, Outline Page 4.

performance of candidates taking the examination;²¹ and (6) note that each candidate will receive a score report at the end of the test session, which will indicate a pass or fail status and include a score profile listing the candidate's performance on each major content area covered on the examination.²²

The number of questions on the Series 28 examination will remain at 95 multiple-choice questions, and candidates will continue to have 120 minutes to complete the examination. Currently, a score of 70 percent is required to pass the examination. The passing score for the revised Series 28 examination will be 69 percent.

Availability of Content Outlines

The current Series 28 content outline is available on FINRA's website, at <http://www.finra.org/industry/qualification-exams>. The revised Series 28 content outline will replace the current content outline on FINRA's website.

FINRA is filing the proposed rule change for immediate effectiveness. FINRA proposes to implement the revised Series 28 examination program on December 14, 2015. FINRA will announce the proposed rule change and the implementation date in a Regulatory Notice.

(b) Statutory Basis

FINRA believes that the proposed revisions to the Series 28 examination program are consistent with the provisions of Section 15A(b)(6) of the Act,²³ which requires, among other things, that FINRA rules must be designed to prevent fraudulent and

²¹ See Exhibit 3a, Outline Page 5.

²² See Exhibit 3a, Outline Page 5.

²³ 15 U.S.C. 78o-3(b)(6).

manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and Section 15A(g)(3) of the Act,²⁴ which authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. FINRA believes that the proposed revisions will further these purposes by updating the examination program to reflect changes to the laws, rules and regulations covered by the examination and to incorporate the functions and associated tasks currently performed by an Introducing Broker-Dealer Financial and Operations Principal.

4. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The updated examination aligns with the functions and associated tasks currently performed by an Introducing Broker-Dealer Financial and Operations Principal and tests knowledge of the most current laws, rules, regulations and skills relevant to those functions and associated tasks. As such, the proposed revisions would make the examination more efficient and effective.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

6. Extension of Time Period for Commission Action

Not applicable.

²⁴ 15 U.S.C. 78o-3(g)(3).

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)

The proposed rule change is effective upon filing pursuant to Section 19(b)(3)(A)(i) of the Act²⁵ and Rule 19b-4(f)(1) thereunder,²⁶ in that the proposed rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of FINRA. FINRA proposes to implement the revised Series 28 examination program on December 14, 2015. FINRA will announce the implementation date in a Regulatory Notice.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1. Completed notice of proposed rule change for publication in the Federal Register.

Exhibit 3a. Revised Content Outline for the Series 28 Examination.

Exhibit 3b. Revised Selection Specifications for the Series 28 Examination.

FINRA has requested confidential treatment for the Series 28 revised selection specifications, and thus the specifications are omitted from this filing. The Series 28

²⁵ 15 U.S.C. 78s(b)(3)(A)(i).

²⁶ 17 CFR 240.19b-4(f)(1).

revised selection specifications have been filed separately with the Commission pursuant to SEA Rule 24b-2.²⁷

Exhibit 3c. Letter to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, Inc. from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000.

²⁷

17 CFR 240.24b-2.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2015-039)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the Series 28 Examination Program

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “SEA”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on , Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as “constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule” under Section 19(b)(3)(A)(i) of the Act³ and Rule 19b-4(f)(1) thereunder,⁴ which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

FINRA is filing revisions to the content outline and selection specifications for the Introducing Broker-Dealer Financial and Operations Principal (Series 28)

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(i).

⁴ 17 CFR 240.19b-4(f)(1).

examination program.⁵ The proposed revisions update the material to reflect changes to the laws, rules and regulations covered by the examination and to incorporate the functions and associated tasks currently performed by an Introducing Broker-Dealer Financial and Operations Principal. In addition, FINRA is proposing to make changes to the format of the content outline. FINRA is not proposing any textual changes to the By-Laws, Schedules to the By-Laws or Rules of FINRA.

The revised content outline is attached. The Series 28 selection specifications have been submitted to the Commission under separate cover with a request for confidential treatment pursuant to SEA Rule 24b-2.⁶

The text of the proposed rule change is available on FINRA's website at <http://www.finra.org>, at the principal office of FINRA and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

⁵ FINRA also is proposing corresponding revisions to the Series 28 question bank. FINRA is submitting this filing for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(1) thereunder, and is not filing the question bank. See Letter to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000. The question bank is available for SEC review.

⁶ 17 CFR 240.24b-2.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Section 15A(g)(3) of the Act⁷ authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. In accordance with that provision, FINRA has developed examinations that are designed to establish that persons associated with FINRA members have attained specified levels of competence and knowledge, consistent with applicable registration requirements under FINRA rules. FINRA periodically reviews the content of the examinations to determine whether revisions are necessary or appropriate in view of changes pertaining to the subject matter covered by the examinations.

NASD Rule 1022(c)(1) requires that every member that is subject to the requirements of SEA Rule 15c3-1,⁸ other than a member operating pursuant to SEA Rule 15c3-1(a)(1)(ii),⁹ SEA Rule 15c3-1(a)(2)(i)¹⁰ or SEA Rule 15c3-1(a)(8),¹¹ shall designate

⁷ 15 U.S.C. 78o-3(g)(3).

⁸ 17 CFR 240.15c3-1. SEA Rule 15c3-1 is the SEC's net capital rule for brokers and dealers.

⁹ 17 CFR 240.15c3-1(a)(1)(ii). SEA Rule 15c3-1(a)(1)(ii) addresses net capital requirements for brokers or dealers that elect not to be subject to the Aggregate Indebtedness Standard of paragraph (a)(1)(i) under Rule 15c3-1.

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as Introducing Broker-Dealer Financial and Operations Principal¹² those persons associated with it, at least one of whom shall be its chief financial officer, who perform the duties described in paragraph (c)(2) of the rule. The rule provides that each person associated with a member who performs such duties shall be required to register as an Introducing Broker-Dealer Financial and Operations Principal with FINRA and shall pass an appropriate qualification examination before such registration may become effective. Paragraph (b)(2) of the rule provides that the term Introducing Broker-Dealer Financial and Operations Principal shall mean a person associated with a member whose duties include:

- final approval and responsibilities for the accuracy of financial reports submitted to any duly established securities industry regulatory body;
- final preparation of such reports;
- supervision of individuals who assist in the preparation of such reports;
- supervision of and responsibility for individuals who are involved in the actual maintenance of the member's books and records from which such reports are derived;
- supervision and/or performance of the member's responsibilities under all financial responsibility rules promulgated pursuant to the provisions of the Act;

¹² The term "Limited Principal—Introducing Broker/Dealer Financial and Operations" as set forth in NASD Rule 1022(c) is referred to as "Introducing Broker-Dealer Financial and Operations Principal" for purposes of this filing. The term "principal" is defined in NASD Rule 1021(b) (Definition of Principal).

- overall supervision of and responsibility for the individuals who are involved in the administration and maintenance of the member's back office operations; or
- any other matter involving the financial and operational management of the member.

NASD Rule 1022(c)(3) provides that, except as set forth in NASD Rule 1021(c),¹³ a person designated pursuant to the provisions of NASD Rule 1022(c)(1) shall not be required to take the Introducing Broker-Dealer Financial and Operations Principal examination and shall be qualified for registration as such if the person is qualified to be registered or is registered as a Financial and Operations Principal as defined in NASD Rule 1022(b)(2).¹⁴

NASD Rule 1022(c)(4) provides that a person registered solely as an Introducing Broker-Dealer Financial and Operations Principal shall not be qualified to function in a principal capacity with responsibility over any area of business activity not described in paragraph (c)(2) of the rule. The rule provides that such person shall not be qualified to function in a principal capacity at a member unless the member operates under paragraph (c)(1) of the rule.

¹³ NASD Rule 1021(c) addresses requirements for examination on lapse of registration.

¹⁴ For purposes of this filing, the term "Financial and Operations Principal" is used interchangeably with the term "Limited Principal—Financial and Operations" as set forth in NASD Rule 1022(b). Rule 1022(b)(2) sets forth the duties of a Financial and Operations Principal. See SR-FINRA-2015-038 (establishing revisions to the content outline and selection specifications for the Financial and Operations Principal (Series 27) examination program).

In consultation with a committee of industry representatives, FINRA recently undertook a review of the Series 28 examination program. As a result of this review, FINRA is proposing to make revisions to the content outline to reflect changes to the laws, rules and regulations covered by the examination and to incorporate the functions and associated tasks currently performed by an Introducing Broker-Dealer Financial and Operations Principal. FINRA also is proposing to make changes to the format of the content outline.

Current Outline

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

1. Keeping And Preservation of Records and Broker-Dealer Financial Reporting Requirements, 16 questions;
2. Net Capital Requirements, 36 questions;
3. Customer Protection, 10 questions;
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Each section also includes the applicable laws, rules and regulations associated with that section. The current outline also includes a preface (addressing, among other things, the purpose, administration and scoring of the examination), sample questions and reference materials.

Proposed Revisions

To develop the revised outline, FINRA conducted a job analysis study of Introducing Broker-Dealer Financial and Operations Principals, which included the use of a survey. The study provided detailed information regarding the day-to-day roles, responsibilities and job functions of Introducing Broker-Dealer Financial and Operations Principals. As a result, FINRA is proposing to revise the structure of the outline as described below to include functions and associated tasks that reflect the day-to-day activities of an Introducing Broker-Dealer Financial and Operations Principal.

Specifically, FINRA is proposing to divide the content outline into four major job functions that are performed by an Introducing Broker-Dealer Financial and Operations Principal. The following are the four major job functions, denoted Function 1 through Function 4, with the associated number of questions:

Function 1: Financial Reporting, 16 questions;

Function 2: Operations, General Securities Industry Regulations, and
Preservation of Books and Records, 30 questions;

Function 3: Net Capital, 31 questions; and

Function 4: Customer Protection, Funding and Cash Management, 18 questions.

As noted above, each major job function includes an assigned number of questions. FINRA determined the number of questions for each function based on the results of the job analysis study. Thus, compared to the existing outline, the allocation of questions in the revised outline more closely reflects the current day-to-day activities of an Introducing Broker-Dealer Financial and Operations Principal.

Each function also includes specific tasks describing activities associated with performing that function. There are five tasks (1.1 – 1.5) associated with Function 1; three tasks (2.1 – 2.3) associated with Function 2; seven tasks (3.1 – 3.7) associated with Function 3; and three tasks (4.1 – 4.3) associated with Function 4.¹⁵ By way of example, one such task (Task 2.2) is prepare and preserve financial records to ensure accuracy and completeness of internal financial documents.¹⁶ Further, the outline lists the knowledge required to perform each function and associated tasks (e.g., general ledger and sub-ledgers).¹⁷ In addition, where applicable, the outline lists the laws, rules and regulations a candidate is expected to know to perform each function and associated tasks. These include the applicable FINRA Rules (e.g., FINRA Rule 4160), NASD Rules (e.g., NASD Rule 2340) and SEC rules (e.g., SEA Rule 17a-4).¹⁸

As noted above, FINRA also is proposing to revise the content outline to reflect changes to the laws, rules and regulations covered by the examination. Among other revisions, FINRA is proposing to revise the content outline to reflect the adoption of rules in the consolidated FINRA rulebook (e.g., NASD Rule 2430 (Charges for Services Performed) and NASD Rule 3110 (Books and Records) were adopted as FINRA Rule 2122 (Charges for Services Performed) and FINRA Rule 4510 Series (Books and Records Requirements), respectively).¹⁹

¹⁵ See Exhibit 3a, Outline Pages 6-17.

¹⁶ See Exhibit 3a, Outline Page 10.

¹⁷ See Exhibit 3a, Outline Page 10.

¹⁸ See Exhibit 3a, Outline Page 10.

¹⁹ See Rule Conversion Chart, available at <http://www.finra.org/Industry/Regulation/FINRARules/p085560>.

FINRA is proposing similar changes to the Series 28 selection specifications and question bank.

Finally, FINRA is proposing to make changes to the format of the content outline, including the preface, sample questions and reference materials. Among other changes, FINRA is proposing to: (1) add a table of contents;²⁰ (2) provide more details regarding the purpose of the examination;²¹ (3) provide more details on the application procedures;²² (4) provide more details on the development and maintenance of the content outline and examination;²³ (5) explain that the passing scores are established by FINRA staff, in consultation with a committee of industry representatives, using a standard setting procedure and that the scores are an absolute standard independent of the performance of candidates taking the examination;²⁴ and (6) note that each candidate will receive a score report at the end of the test session, which will indicate a pass or fail status and include a score profile listing the candidate's performance on each major content area covered on the examination.²⁵

The number of questions on the Series 28 examination will remain at 95 multiple-choice questions, and candidates will continue to have 120 minutes to complete the

²⁰ See Exhibit 3a, Outline Page 2.

²¹ See Exhibit 3a, Outline Page 3.

²² See Exhibit 3a, Outline Page 3.

²³ See Exhibit 3a, Outline Page 4.

²⁴ See Exhibit 3a, Outline Page 5.

²⁵ See Exhibit 3a, Outline Page 5.

examination. Currently, a score of 70 percent is required to pass the examination. The passing score for the revised Series 28 examination will be 69 percent.

Availability of Content Outlines

The current Series 28 content outline is available on FINRA's website, at <http://www.finra.org/industry/qualification-exams>. The revised Series 28 content outline will replace the current content outline on FINRA's website.

FINRA is filing the proposed rule change for immediate effectiveness. FINRA proposes to implement the revised Series 28 examination program on December 14, 2015. FINRA will announce the proposed rule change and the implementation date in a Regulatory Notice.

2. Statutory Basis

FINRA believes that the proposed revisions to the Series 28 examination program are consistent with the provisions of Section 15A(b)(6) of the Act,²⁶ which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and Section 15A(g)(3) of the Act,²⁷ which authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. FINRA believes that the proposed revisions will further these purposes by updating the examination program to reflect changes to the laws, rules and regulations covered by the examination and to incorporate

²⁶ 15 U.S.C. 78o-3(b)(6).

²⁷ 15 U.S.C. 78o-3(g)(3).

the functions and associated tasks currently performed by an Introducing Broker-Dealer Financial and Operations Principal.

B. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The updated examination aligns with the functions and associated tasks currently performed by an Introducing Broker-Dealer Financial and Operations Principal and tests knowledge of the most current laws, rules, regulations and skills relevant to those functions and associated tasks. As such, the proposed revisions would make the examination more efficient and effective.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act²⁸ and paragraph (f)(1) of Rule 19b-4 thereunder.²⁹ At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the

²⁸ 15 U.S.C. 78s(b)(3)(A).

²⁹ 17 CFR 240.19b-4(f)(1).

Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FINRA-2015-039 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Robert W. Errett, Deputy Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2015-039. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld

from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2015-039 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.³⁰

Robert W. Errett
Deputy Secretary

³⁰

17 CFR 200.30-3(a)(12).



Introducing Broker-Dealer Financial and Operations Principal Qualification Examination (Series 28)

Content Outline

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INTRODUCTION

The Series 28 exam is the Introducing Broker-Dealer Financial and Operations Principal Qualification Examination. The exam is developed and maintained by the Financial Industry Regulatory Authority (FINRA). This content outline provides a comprehensive guide to the topics covered on the Series 28 exam. The outline is intended to familiarize exam candidates with the range of subjects covered on the exam, as well as the depth of knowledge required. Sample items are also included to acquaint candidates with the types of multiple-choice items used on the exam. It is recommended that candidates refer to the content outline as part of their preparation to take the exam. Candidates are responsible for planning their course of study in preparation for the exam.

PURPOSE OF THE EXAM

The Series 28 exam is designed to assess the competency of entry-level Introducing Broker-Dealer Financial and Operations Principals. It is intended to safeguard the investing public by helping to ensure that Introducing Broker-Dealer Financial and Operations Principals are competent to perform their jobs. Given this purpose, the Series 28 exam seeks to measure the degree to which each candidate possesses the knowledge, skills and abilities needed to perform the critical functions of an Introducing Broker-Dealer Financial and Operations Principal. For more information about the permissible activities of an Introducing Broker-Dealer Financial and Operations Principal, please see NASD Rule 1022, which is viewable in the FINRA Rule Manual through the following link: www.finra.org.

ELIGIBILITY REQUIREMENTS

The candidate must be associated with and sponsored by a FINRA member firm to be eligible to take the Series 28 exam. There is no prerequisite requirement for this exam. For more information on eligibility requirements, please see NASD Rule 1021, which is viewable in the FINRA Rule Manual through the following link: www.finra.org.

APPLICATION PROCEDURES

The FINRA member firm that sponsors the applicant must file a Uniform Application for Securities Industry Registration or Transfer (Form U4) in the Central Registration Depository (CRD®) and request the Introducing Broker-Dealer Financial and Operations Principal position (FI) on the Form U4.

STRUCTURE OF THE EXAM

The exam consists of 95 multiple-choice items, which are distributed among the 4 major content areas listed in the table below.

Job Functions and Number of Items by Job Function

Job Functions		Number of Items
Function 1	Financial Reporting	16
Function 2	Operations, General Securities Industry Regulations, and Preservation of Books and Records	30
Function 3	Net Capital	31
Function 4	Customer Protection, Funding and Cash Management	18
Total		95

DEVELOPMENT AND MAINTENANCE OF THE CONTENT OUTLINE AND EXAM

The Series 28 content outline was developed based on the results of a job analysis study of Introducing Broker-Dealer Financial and Operations Principals. The job analysis process included collecting data about the job functions, tasks and required knowledge of Introducing Broker-Dealer Financial and Operations Principals from a wide variety of firms using numerous data collection techniques.

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

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

ADMINISTRATION OF THE EXAM

The exam is administered via computer. A tutorial on how to take the exam via computer is provided prior to the exam. Each candidate's exam consists of a total of 95 items. There is no penalty for guessing. Therefore, candidates should attempt to answer all items. Candidates will be allowed 2 hours to complete the exam.

The test administrator will provide white boards/dry erase markers and basic electronic calculators to candidates, who must return these materials to the test center administrator at the end of the testing session. Some exam items may involve calculations. Only calculators provided by the test center administrators are allowed for use during the exam.

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

HOW THE EXAM IS SCORED

The passing score for the exam is the minimum number of items that a candidate has to answer correctly in order to pass the exam. Using a standard-setting procedure, FINRA staff, in consultation with the Committee, establishes the passing score for the exam. The passing score is an absolute standard and is independent of the performance of candidates taking the exam. The passing score for this exam is 69%.

CANDIDATES' EXAM RESULTS

On the day of the exam, candidates will receive a report of their exam results both on screen and in paper format at the end of their exam session. The score report will indicate pass/fail status and a score profile indicating performance based on each major content area 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 on which they performed poorly when preparing to retake the exam. For security reasons, the exam and individual items are not available for review after taking the exam.

SERIES 28 CONTENT OUTLINE

FUNCTION 1—Financial Reporting

1.1 Prepare and review accuracy of financial statements

KNOWLEDGE OF:

- General accounting requirements [e.g., generally accepted accounting principles (GAAP)] including relevant Financial Accounting Standards Board (FASB) statements (e.g., valuation, mark to market, revenue recognition, fair value measurement, accruals, categorizing assets and liabilities)
- Preparation and maintenance of general ledger and sub-ledgers
- Preparation of trial balance
- Risk assessment [including Material Associated Persons (MAPs)]
- Reporting of financing transactions
- Financial statement disclosures
- Affiliate transactions and expense sharing agreements

FINRA Rule

4140—Audit

Securities Exchange Act of 1934

Rule 17h-1T—Risk Assessment Recordkeeping Requirements for Associated Persons of Brokers and Dealers

Rule 17h-2T—Risk Assessment Reporting Requirements for Brokers and Dealers

1.2 Compile, review and file FOCUS and supplemental reports

KNOWLEDGE OF:

- Regulatory classification and recognition of specific assets and liabilities, revenue and expenses
- Timing and method of filing FOCUS reports
- Form custody

FINRA Rules

4517—Member Filing and Contact Information Requirements

4523—Assignment of Responsibility for General Ledger Accounts and Identification of Suspense Accounts

4524—Supplemental FOCUS Information

Securities Exchange Act of 1934

Rule 17a-5—Reports to Be Made By Certain Brokers and Dealers

Rule 17a-5(a)—Filing of Monthly and Quarterly Reports

1.3 Manage, complete and file audited financials and other reports with appropriate regulatory bodies and jurisdictions

KNOWLEDGE OF:

- **Internal control structure including compliance over the financial responsibility rules**
- **SEC reporting and filing requirements**
- **Role of external auditors**
- **Timing of filing of audited financial statements and other reports**
- **SIPC filing requirements**

FINRA Rules

2261—Disclosure of Financial Condition

4140—Audit

Securities Exchange Act of 1934

Rule 17a-5—Reports to Be Made By Certain Brokers and Dealers

Rule 17a-5(d)—Annual Reports

Rule 17a-5(e)—Nature and Form of Reports

Rule 17a-5(f)—Qualifications of Independent Public Accountant

Rule 17a-5(g)—Engagement of Independent Public Accountant

Rule 17a-5(h)—Notification of Non-Compliance or Material Weakness

Rule 17a-5(i)—Reports of the Independent Public Accountant Required Under Paragraph (d)(1)(i)(C)

Rule 17a-5(o)—Filing Requirements

Rule 17h-1T—Risk Assessment Recordkeeping Requirements for Associated Persons of Brokers and Dealers

Rule 17h-2T—Risk Assessment Reporting Requirements for Brokers and Dealers

Securities Investor Protection Act of 1970 (SIPA)

SIPC-6 General Assessment Payment Form

SIPC-7 General Assessment Reconciliation Form

1.4 File regulatory notifications as necessary

KNOWLEDGE OF:

- **Specific regulatory notifications (e.g., capital infusions, withdrawals, early warning notifications, hindsight deficiencies, change of external auditors, independent public accountants, books and records not current, electronic filings)**
- **Appropriate response to regulatory inquiries (e.g., audits, market movement)**
- **Timing and method of filing regulatory notifications**

FINRA Rules

4110—Capital Compliance

4110(c)—Withdrawal of Equity Capital

4110(d)—Sale-and-Leasebacks, Factoring, Financing, Loans and Similar Arrangements

4110(e)—Subordinated Loans, Notes Collateralized by Securities and Capital Borrowings

4120(a)—Regulatory Notification and Business Curtailment—Notification
4150—Guarantees by, or Flow Through Benefits for, Members
4517—Member Filing and Contact Information Requirements
4521—Notifications, Questionnaires and Reports

NASD Rules

1017—Application for Approval of Change in Ownership, Control, or Business Operations
3140—Approval of Change in Exempt Status under SEA Rule 15c3-3

Securities Exchange Act of 1934

Rule 15c3-1(e)(1)—Net Capital Requirements For Brokers or Dealers—Notice Provisions Relating to Limitations on the Withdrawal of Equity Capital
Rule 17a-5—Reports to Be Made By Certain Brokers and Dealers
 Rule 17a-5(c)—Customer Statements
 Rule 17a-5(c)(2)—Audited Statements to Be Furnished
 Rule 17a-5(c)(3)—Unaudited Statements to Be Furnished
 Rule 17a-5(f)(1)—Qualifications of Independent Public Accountant
 Rule 17a-5(f)(2)—Statement Regarding Independent Public Accountant
 Rule 17a-5(f)(3)—Replacement of Accountant
 Rule 17a-5(m)—Extensions and Exemptions
 Rule 17a-5(n)—Notification of Change of Fiscal Year
Rule 17a-8—Financial Recordkeeping and Reporting of Currency and Foreign Transactions
Rule 17a-11—Notification Provisions for Brokers and Dealers
Rule 17f-1—Requirements for Reporting and Inquiry With Respect to Missing, Lost, Counterfeit or Stolen Securities

1.5 Disclose regulatory and operational impact of material or unusual transactions

KNOWLEDGE OF:

- **Market, liquidity and credit risks**
- **Trade and settlement requirements (e.g., marketability)**
- **Identification of unexpected gains/losses on transactions, trading above limits**
- **Financial statement disclosures (e.g., contingencies, guarantees, off-balance sheet items)**

Securities Exchange Act of 1934

Rule 15c3-1— Net Capital Requirements For Brokers or Dealers
 Rule 15c3-1(c)(2)(iv)—Assets Not Readily Convertible Into Cash
 Rule 15c3-1(c)(2)(vi)—Securities Haircuts
 Rule 15c3-1(c)(2)(vi)—Non-Marketable Securities

FUNCTION 2—Operations, General Securities Industry Regulations, and Preservation of Books and Records

2.1 Manage and review general operations functions

KNOWLEDGE OF:

- **Clearance, settlement and delivery processes**
- **Confirmations**

FINRA Rules

2251—Processing and Forwarding of Proxy and Other Issuer-Related Materials

11130—When, As and If Issued/Distributed Contracts

11140—Transactions in Securities “Ex-Dividend,” “Ex-Rights” or “Ex-Warrants”

11150—Transactions “Ex-Interest” in Bonds Which Are Dealt in “Flat”

11160—“Ex” Liquidating Payments

11210—Sent by Each Party

11310—Book-Entry Settlement

11320—Dates of Delivery

11361—Units of Delivery—Stocks

11362—Units of Delivery—Bonds

11363—Units of Delivery—Unit Investment Trust Securities

11364—Units of Delivery—Certificates of Deposit for Bonds

11550—Assignments and Powers of Substitution; Delivery of Registered Securities

11574—Certificate in Name of Deceased Person, Trustee, Etc.

11620—Computation of Interest

11740—Marking to the Market

11810—Buy-In Procedures and Requirements

11820—Selling-Out

11840—Rights and Warrants

11860—COD Orders

11870—Customer Account Transfer Contracts

11880—Settlement of Syndicate Accounts

Rule 11890 Series—Clearly Erroneous Transactions

11891—General

11892—Clearly Erroneous Transactions in Exchange-Listed Securities

11893—Clearly Erroneous Transactions in OTC Equity Securities

11894—Review by the Uniform Practice Code (“UPC”) Committee

Securities Exchange Act of 1934

Rule 10b-10—Confirmation of Transactions

2.2 Prepare and preserve financial records to ensure accuracy and completeness of internal financial documents

KNOWLEDGE OF:

- General ledger and sub-ledgers
- Trade blotters
- Central repository for records
- Business continuity plans
- Reconciling to third-party statements
- Records management policy
- Records documenting internal risk management controls

FINRA Rules

4160—Verification of Assets

4370—Business Continuity Plans and Emergency Contact Information

4510—Books and Records Requirements

Rule 4511 Series—General Requirements

4512—Customer Account Information

4513—Records of Written Customer Complaints

4514—Authorization Records for Negotiable Instruments Drawn From a Customer's Account

4515—Approval and Documentation of Changes in Account Name or Designation

4517—Member Filing and Contact Information Requirements

4523—Assignment of Responsibility for General Ledger Accounts and Identification of Suspense Accounts

4530—Reporting Requirements

NASD Rule

2340—Customer Account Statements

Securities Exchange Act of 1934

Rule 17a-3(a)—Records to Be Made By Certain Exchange Members, Brokers and Dealers

Rule 17a-4—Records to Be Preserved By Certain Exchange Members, Brokers and Dealers

2.3 Demonstrate understanding of fundamental regulatory and industry knowledge

KNOWLEDGE OF:

- Qualifications and registration requirements
- Business conduct
- Gifts and gratuities rules
- Anti-money laundering
- Arbitration and hearing procedures
- Supervisory responsibilities
- Insider trading regulations

FINRA By-Laws

Article III — Qualifications of Members and Associated Persons

Article V — Registered Representatives and Associated Persons

FINRA Rules

1250—Continuing Education Requirements

2010—Standards of Commercial Honor and Principles of Trade

2020—Use of Manipulative, Deceptive or Other Fraudulent Devices

2060—Use of Information Obtained in Fiduciary Capacity

2121—Fair Prices and Commissions

2122—Charges for Services Performed

3110—Supervision

3120—Supervisory Control System

3130—Annual Certification of Compliance and Supervisory Processes

3160—Networking Arrangements Between Members and Financial Institutions

3170—Tape Recording of Registered Persons by Certain Firms

3220—Influencing or Rewarding Employees of Others

3270—Outside Business Activities of Registered Persons

3280—Private Securities Transactions of an Associated Person

3310—Anti-Money Laundering Compliance Program

4130—Regulation of Activities of SEC 15C Members Experiencing Financial and/or Operational Difficulties

5130—Restrictions on the Purchase and Sale of Initial Equity Public Offerings

8210—Provision of Information and Testimony and Inspection and Copying of Books

9557—Procedures for Regulating Activities under Rules 4110, 4120 and 4130 Regarding a Member Experiencing Financial or Operational Difficulties

9559—Hearing Procedures for Expedited Proceedings under the Rule 9550 Series

Rule 12000 Series—Code of Arbitration Procedure for Customer Disputes

Part I—Interpretive Material, Definitions, Organization and Authority

FINRA IM-12000—Failure to Act Under Provisions of Code of Arbitration Procedure for Customer Disputes

Part II—General Arbitration Rules

12200—Arbitration Under an Arbitration Agreement or the Rules of FINRA

Rule 13000 Series—Code of Arbitration Procedure for Industry Disputes

Part I—Interpretive Material, Definitions, Organization and Authority

13200—Required Arbitration

13201—Statutory Employment Discrimination Claims and Disputes Arising Under a Whistleblower Statute that Prohibits the Use of Predispute Arbitration Agreements

13202—Claims Involving Registered Clearing Agencies

Rule 14000 Series—Code of Mediation Procedure

NASD Rules

1022—Categories of Principal Registration

1060—Persons Exempt from Registration

1070—Qualification Examinations and Waiver of Requirements

3050—Transactions for or by Associated Persons

Incorporated NYSE Rule

407—Transactions—Employees of Members, Member Organizations and the Exchange

Securities Exchange Act of 1934

Section 3—Definitions and Application of Title

Rule 10b-5—Employment of Manipulative and Deceptive Devices

Rule 17f-2(d)(1)—Record Maintenance—Maintenance of Fingerprint Cards and Other Related Information

Insider Trading and Securities Fraud Enforcement Act of 1988

Section 3—Civil Penalties of Controlling Persons for Illegal Insider Trading by Controlled Persons

Section 4—Increases in Criminal Penalties

Section 5—Liability to Contemporaneous Traders for Insider Trading

FUNCTION 3—Net Capital

3.1 Determine minimum net capital requirement

KNOWLEDGE OF:

- **Net capital requirements of brokers and dealers (e.g., introducing, carrying)**
- **Basic method vs. alternative method**
- **Treatment of different products (e.g., stocks, bonds, derivatives, reverse repurchase agreements)**

Securities Exchange Act of 1934

Rule 15c3-1(a)—Net Capital Requirements For Brokers or Dealers

Rule 15c3-1(b)—Exemptions

3.2 Calculate aggregate indebtedness

KNOWLEDGE OF:

- **Distinction between cash liabilities and deferrals**
- **Exclusions from aggregate indebtedness (e.g., approved subordinated loans)**

Securities Exchange Act of 1934

Rule 15c3-1(c)(1)—Aggregate Indebtedness

3.3 Review trial balance to determine allowable and non-allowable assets

KNOWLEDGE OF:

- **Assets not readily convertible into cash**
- **Nonmarketable securities**
- **Aging and collateralization of receivables**

Securities Exchange Act of 1934

Rule 15c3-1—Net Capital Requirements For Brokers or Dealers

Rule 15c3-1(c)(2)(iv)—Assets Not Readily Convertible Into Cash

Rule 15c3-1(c)(2)(vii)—Non-Marketable Securities

Rule 15c3-1 Appendix B—Adjustments to Net Worth and Aggregate Indebtedness For Certain
Commodities Transactions

3.4 Determine adjustments to net worth

KNOWLEDGE OF:

- **Deferred taxes**
- **Discretionary liabilities**
- **Guarantees of loans**
- **Subordinated liabilities**

Securities Exchange Act of 1934

Rule 15c3-1—Net Capital Requirements For Brokers or Dealers

Rule 15c3-1(c)(2)(i)—Adjustments to Net Worth Related to Unrealized Profit or Loss, Deferred Tax Provisions, and Certain Liabilities

Rule 15c3-1(c)(2)(ii)—Subordinated Liabilities

Rule 15c3-1 Appendix C (d)—Consolidated Computations of Net Capital and Aggregate Indebtedness For Certain Subsidiaries and Affiliates—Certain Precluded Acts

3.5 Review operational reports to determine other deductions

KNOWLEDGE OF:

- **Unsecured customer balances**
- **Secured financing charges (e.g., repurchase transactions)**
- **Other charges (e.g., fidelity bond deductible, unconfirmed trades)**

Securities Exchange Act of 1934

Rule 15c3-1—Net Capital Requirements For Brokers or Dealers

Rule 15c3-1(c)(2)(iv)—Assets Not Readily Convertible Into Cash

Rule 15c3-1(c)(2)(v)—Securities Differences

Rule 15c3-1(c)(2)(viii)—Open Contractual Commitments

Rule 15c3-1(c)(2)(xiv)—Deduction From Net Worth For Excess Deductible Amounts Related to Fidelity Bond Coverage

3.6 Apply the appropriate haircut deduction to individual products

KNOWLEDGE OF:

- **Product knowledge for applicable haircut charges**
- **Ready market, undue concentration**
- **Open contractual commitments**
- **Definitions under the Securities Exchange Act of 1934 (e.g., exempt securities, banks, broker, government securities, municipal securities)**
- **Control or restricted securities**

Securities Exchange Act of 1934

Rule 15c3-1—Net Capital Requirements For Brokers or Dealers

Rule 15c3-1(c)(2)(vi)—Securities Haircuts

Rule 15c3-1(c)(2)(vi)(M)(1)—Undue Concentration

Rule 15c3-1(c)(2)(vii)—Non-Marketable Securities

Rule 15c3-1(c)(2)(viii)—Open Contractual Commitments

Rule 15c3-1(c)(11)—Ready Market

Rule 15c3-1 Appendix A—Options

Rule 15c3-1 Appendix B—Adjustments to Net Worth and Aggregate Indebtedness For Certain Commodities Transactions

3.7 Compute net capital in compliance with SEA Rule 15c3-1

KNOWLEDGE OF:

- **Moment-to-moment compliance**
- **Ratios for withdrawals of capital**
- **Consolidations with subsidiaries and affiliates**
- **Business curtailment**

FINRA Rules

4110—Capital Compliance

4120—Regulatory Notification and Business Curtailment

4150—Guarantees by, or Flow Through Benefits for, Members

Securities Exchange Act of 1934

Rule 15c3-1—Net Capital Requirements For Brokers or Dealers

Rule 15c3-1(a)—Net Capital Requirements For Brokers or Dealers

Rule 15c3-1(d)—Debt-Equity Requirements

Rule 15c3-1(e)—Notice Provisions Relating to Limitations on the Withdrawal of Equity Capital

Rule 15c3-1 Appendix C—Consolidated Computations of Net Capital and Aggregate
Indebtedness for Certain Subsidiaries and Affiliates

FUNCTION 4—Customer Protection, Funding and Cash Management

4.1 Determine and monitor claim for exemption under the Customer Protection Rule

KNOWLEDGE OF:

- **Exemptions**
- **Proper transmission of customer assets**
- **Privacy and confidential treatment of customer information**

FINRA Rules

4311—Carrying Agreements

4512—Customer Account Information

Incorporated NYSE Rule

409—Statements of Accounts to Customers

Securities Exchange Act of 1934

Rule 15c2-4—Transmission or Maintenance of Payments Received in Connection With Underwritings

Rule 15c3-3(e)—Special Reserve Bank Accounts For the Exclusive Benefit of Customers and PAB Accounts

Rule 15c3-3(k)—Customer Protection—Reserves and Custody of Securities—Exemptions

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

Federal Reserve Board

Regulation T—Credit by Brokers and Dealers

Rule 220.2—Definitions

Rule 220.4—Margin Account

Rule 220.8—Cash Account

4.2 Manage and review margin activity, excesses and deficits

KNOWLEDGE OF:

- **Margin requirements (e.g., Regulation T, SRO and industry rules)**
- **Margin calls**
- **Processing customer checks and securities**
- **Day-trading requirements**
- **Repurchases and reverse repurchases**
- **Responsibilities of clearing and introducing firms**
- **Maintenance of credit**
- **Liquidation of accounts**
- **Restrictions of the withdrawals of cash and/or securities from an account**
- **Concentration of margin debits**
- **Corporate actions and reorganizations**

- **Reconciliation of processing accounts (e.g., money and control location account, dividend reinvestments, mutual funds processing)**

FINRA Rules

4210—Margin Requirements

4230—Required Submissions for Requests for Extensions of Time Under Regulation T and SEA
Rule 15c3-3

4311(c)(1)(E)—Carrying Agreements—Extension of Credit

4523—Assignment of Responsibility for General Ledger Accounts and Identification of Suspense Accounts

Federal Reserve Board

Regulation T—Credit by Brokers and Dealers

Rule 220.1—Authority, Purpose, and Scope

Rule 220.3—General Provisions

Rule 220.3(c)—Maintenance of Credit

Rule 220.4—Margin Account

Securities Exchange Act of 1934

Rule 15c3-3—Customer Protection—Reserves and Custody of Securities

Rule 15c3-3(m)—Completion of Sell Orders on Behalf of Customers

Regulation SHO—Regulation of Short Sales

Rule 203—Borrowing and Delivery Requirements

Rule 204—Close-Out Requirement

4.3 Assess a firm's regulatory funding for business operations

KNOWLEDGE OF:

- **Subordinations**
- **Secured demand notes**

Securities Exchange Act of 1934

Rule 15c3-1—Net Capital Requirements For Brokers or Dealers

Rule 15c3-1 Appendix D—Satisfactory Subordination Agreements

SAMPLE ITEMS

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

Closed-Stem: The stem (the part that poses the question) is a complete sentence and thus concludes with a question mark. The options (answer choices) may be complete or incomplete sentences.

Example: Under the SEC Net Capital Rule, what is the haircut for the firm inventory of 2000 shares of XYZ at 154?

- (A) \$ 23,100
- (B) \$ 46,200*
- (C) \$ 92,400
- (D) \$154,000

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

Example: Under SEC Rule 17a-3, blotters or other records of original entry must be prepared no later than the:

- (A) trade date.
- (B) settlement date.
- (C) business day following the trade date.*
- (D) business day preceding the settlement date.

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

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

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

REFERENCES

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

**Financial Industry Regulatory Authority
(FINRA)**
1735 K Street
Washington, DC 20006
www.finra.org

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

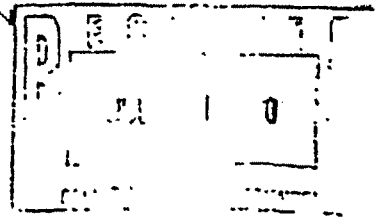
**Securities and Exchange Commission
Office of Investor Education and Advocacy**
1-800-SEC-0330
www.sec.gov

Exhibit 3c
SR-FINRA-2015-039



DIVISION OF
MARKET REGULATION

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549



July 24, 2000

Mr. Alden S. Adkins
Senior Vice President & General Counsel
NASD Regulation, Inc.
1735 K Street, N. W.
Washington, D.C. 20006-1500

Re: Procedure for Filings Relating to Qualification Examinations

Dear Mr. Adkins: *Alden*

I am writing to inform you of a change in the filing requirements for proposed rule changes involving qualification examinations for associated persons. In the past, the Division required the SROs to file question banks for new examinations for Commission approval pursuant to Section 19(b)(2) of the Exchange Act. The Division also required SROs to file questions being added to the question bank for Commission approval.

The Division has decided that it is no longer necessary for SROs to file new exam question banks for Commission approval under Section 19(b)(2). In the future, any new examinations should be filed as non-controversial rule changes for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Exchange Act and Rule 19b-4(f)(6) thereunder. As you know, Rule 19b-4(f)(6) requires the SRO to give notice to the Commission of its intent to file a proposed rule change five days before doing so. During the five days prior to filing, the Division will determine if the proposed rule change is appropriately filed as non-controversial. To assist us in our analysis, please include a complete description of the examination in your rule filing. For example, the proposed rule change should address who will be required to take the exam, what information the exam will cover, the time allotted for each section, the weight assigned to each topic, the effective date of the exam requirement, and any other information that would be helpful to us in determining whether the proposal should become effective on filing. Also, pursuant to Rule 19b-4(f)(6), the rule change should be designated as effecting a change that does not significantly affect the protection of investors or the public interest, does not impose any significant burden on competition and, by its terms, does not become operative for 30 days after the date of the filing.

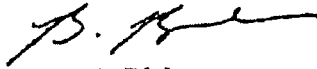
Alden S. Adkins

Page 2

Filings to modify an existing examination should be submitted as "constituting a stated policy, practice, or interpretation with respect to the meaning, administration or enforcement of an existing rule..." pursuant to Section 19(b)(3)(A) of the Exchange Act.

Our goal in changing these procedures is to expedite the effectiveness of proposed rule changes involving examination requirements for persons associated with SRO members. Please contact Kathy England, Assistant Director, at 202-942-0154, or Karl Varner, Special Counsel, at 202-942-7125, if you have any questions.

Sincerely,



Belinda Blaine
Associate Director