

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 48	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2018 - * 033 Amendment No. (req. for Amendments *)
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Filing by Financial Industry Regulatory Authority  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input checked="" 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) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
	Section 3C(b)(2) * <input type="checkbox"/>

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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**Description**  
Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).  
  
Proposed Rule Change to Amend Section 4(c) of Schedule A to the FINRA By-Laws Relating to Qualification Examination Fees

**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 \* Afshin Last Name \* Atabaki  
Title \* Associate General Counsel  
E-mail \* afshin.atabaki@finra.org  
Telephone \* (202) 728-8902 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 \*)  
Senior Vice President and Deputy General Counsel

Date 08/20/2018  
By Patrice M. Gliniecki  
(Name \*)  
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 EFFF website.

**Form 19b-4 Information \***

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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 \***

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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 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**

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Exhibit Sent As Paper Document

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

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**

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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**

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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**

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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 “Exchange Act”),<sup>1</sup> Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to amend Section 4(c) of Schedule A to the FINRA By-Laws to: (1) establish the fee for the Securities Industry Essentials™ (“SIE™”) examination; (2) revise the fees for the Investment Company and Variable Contracts Products Representative (Series 6), General Securities Representative (Series 7), Direct Participation Programs Representative (Series 22), Securities Trader (Series 57), Investment Banking Representative (Series 79), Private Securities Offerings Representative (Series 82) and Operations Professional (Series 99) examinations; (3) revise the administration and delivery fee for the Municipal Securities Representative (Series 52) examination; and (4) remove the Order Processing Assistant Representative (Series 11), United Kingdom Securities Representative (Series 17), Canada Securities Representative (Series 37 and Series 38), Options Representative (Series 42), Corporate Securities Representative (Series 62) and Government Securities Representative (Series 72) examinations and the associated fees. The proposed rule change relates to the restructuring of the FINRA representative-level qualification examination program. The proposed rule change also makes certain non-substantive technical changes to the table of fees under Section 4(c).

The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

(c) Not applicable.

**2. Procedures of the Self-Regulatory Organization**

At its meeting on December 14, 2017, the FINRA Board of Governors authorized the filing of the rule change relating to the fees for the restructured representative-level examination program with the SEC. Pursuant to delegated authority, the Chief Executive Officer of FINRA authorized the filing of the rule change relating to the administration and delivery fee for the Series 52 examination with the SEC. No other action by FINRA is necessary for the filing of the proposed rule change.

As discussed further below, FINRA is filing the proposed rule change for immediate effectiveness. The implementation date will be October 1, 2018, to coincide with the implementation of the restructured representative-level examination program. FINRA will also announce the implementation date of the proposed rule change in a Regulatory Notice.

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

(a) Purpose

In July 2017, the SEC approved a proposed rule change to restructure the FINRA representative-level qualification examination program.<sup>2</sup> The rule change, which will

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<sup>2</sup> See Securities Exchange Act Release No. 81098 (July 7, 2017), 82 FR 32419 (July 13, 2017) (Order Approving File No. SR-FINRA-2017-007). For ease of reference, FINRA revised the titles of some of the registration categories as part of SR-FINRA-2017-007. For instance, FINRA changed “Limited Representative—Investment Company and Variable Contracts Products” to “Investment Company and Variable Contracts Products Representative.” This proposed rule change refers to the titles that were approved as part of SR-FINRA-2017-007, though the changes are not yet effective.

become effective on October 1, 2018,<sup>3</sup> restructures the examination program into a new format whereby all new representative-level applicants will be required to take a general knowledge examination (the SIE examination) and a tailored, specialized knowledge examination (a revised representative-level qualification examination) for their particular registered role. As part of the restructuring, FINRA developed the SIE examination and revised nine of the existing representative-level examinations.<sup>4</sup> FINRA is also eliminating seven representative-level examinations that have become outdated or have limited utility.<sup>5</sup> In January 2018, FINRA filed the content outline and selection specifications for the SIE examination with the SEC.<sup>6</sup> In February 2018, FINRA filed the

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<sup>3</sup> See Regulatory Notice 17-30 (October 2017).

<sup>4</sup> The following are the nine representative-level examinations: Investment Company and Variable Contracts Products Representative (Series 6); General Securities Representative (Series 7); Direct Participation Programs Representative (Series 22); Securities Trader (Series 57); Investment Banking Representative (Series 79); Private Securities Offerings Representative (Series 82); Research Analyst (Series 86 and Series 87); and Operations Professional (Series 99). See supra note 2.

<sup>5</sup> Specifically, FINRA is eliminating the following examinations: Order Processing Assistant Representative (Series 11); United Kingdom Securities Representative (Series 17); Canada Securities Representative (Series 37 and Series 38); Options Representative (Series 42); Corporate Securities Representative (Series 62) and Government Securities Representative (Series 72). See supra note 2. Individuals maintaining the eliminated representative-level registrations will be grandfathered (*i.e.*, they may continue to maintain their current registrations on or after October 1, 2018, unless their registrations lapse).

<sup>6</sup> See Securities Exchange Act Release No. 82578 (January 24, 2018), 83 FR 4375 (January 30, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2018-002) (Proposed Rule Change Relating to the New Securities Industry Essentials (SIE) Examination).

content outlines and selection specifications for the revised representative-level qualification examinations with the SEC.<sup>7</sup>

The restructured program eliminates duplicative testing of general securities knowledge on the current representative-level qualification examinations by moving such content into the SIE examination.<sup>8</sup> The SIE examination will test fundamental securities-related knowledge, including knowledge of basic products, the structure and function of

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<sup>7</sup> See Securities Exchange Act Release No. 82750 (February 21, 2018), 83 FR 8526 (February 27, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2018-004) (Proposed Rule Change to Revise the Investment Banking Representative (Series 79) Examination); Securities Exchange Act Release No. 82751 (February 21, 2018), 83 FR 8559 (February 27, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2018-005) (Proposed Rule Change to Revise the Research Analyst (Series 86 and 87) Examinations); Securities Exchange Act Release No. 82752 (February 21, 2018), 83 FR 8536 (February 27, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2018-006) (Proposed Rule Change to Revise the Operations Professional (Series 99) Examination); Securities Exchange Act Release No. 82754 (February 21, 2018), 83 FR 8533 (February 27, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2018-007) (Proposed Rule Change to Revise the Investment Company and Variable Contracts Products Representative (Series 6) Examination); Securities Exchange Act Release No. 82747 (February 21, 2018), 83 FR 8524 (February 27, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2018-008) (Proposed Rule Change to Revise the General Securities Representative (Series 7) Examination); Securities Exchange Act Release No. 82748 (February 21, 2018), 83 FR 8529 (February 27, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2018-009) (Proposed Rule Change to Revise the Direct Participation Programs Representative (Series 22) Examination); Securities Exchange Act Release No. 82772 (February 26, 2018), 83 FR 9039 (March 2, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2018-010) (Proposed Rule Change to Revise the Securities Trader (Series 57) Examination); and Securities Exchange Act Release No. 82774 (February 26, 2018), 83 FR 9050 (March 2, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2018-011) (Proposed Rule Change to Revise the Private Securities Offerings Representative (Series 82) Examination).

<sup>8</sup> Each of the current representative-level examinations covers general securities knowledge, with the exception of the Research Analyst (Series 86 and 87) examinations.

the securities industry, the regulatory agencies and their functions and regulated and prohibited practices, whereas the revised representative-level qualification examinations will test knowledge relevant to day-to-day activities, responsibilities and job functions of representatives.

A previously unregistered individual who is applying for registration as a representative,<sup>9</sup> for the first time on or after October 1, 2018, will be required to pass both the SIE examination and the appropriate revised representative-level examination for his or her particular registered role, or obtain a waiver of the examinations.<sup>10</sup> This

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<sup>9</sup> FINRA Rule 1220(b) sets forth each representative-level registration category and applicable qualification examination.

<sup>10</sup> Individuals who are currently, or were previously, registered as representatives will be subject to different qualification requirements depending on their registration status prior to October 1, 2018. Specifically, individuals who registered as representatives prior to October 1, 2018, and who continue to maintain those registrations on or after October 1, 2018, will not be subject to any additional qualification requirements with respect to those registrations, provided their registrations do not lapse in the future. With the exception of individuals who were registered solely as Foreign Associates, individuals whose registration as a representative was terminated between October 1, 2016, and September 30, 2018, also will not be subject to any additional qualification requirements with respect to those registrations, provided they re-register as a representative within two years from the date of their last registration.

In addition, with the exception of individuals who were registered solely as Order Processing Assistant Representatives or Foreign Associates, individuals whose registration as a representative was terminated between October 1, 2014, and September 30, 2016, will be considered to have passed the SIE examination, provided they re-register as a representative within four years from the date of their last registration. Thus, to re-register as a representative, such individuals would be required to pass the appropriate revised representative-level examination for their particular registered role, or obtain a waiver of the examination. Finally, individuals whose registration as a representative was terminated prior to October 1, 2014 will be required to pass both the SIE examination and the appropriate revised representative-level examination for their particular registered role, or obtain a waiver of the examinations, if they want to re-register as a representative on or after October 1, 2018.

requirement also applies to applicants who are seeking a representative-level registration as a prerequisite to a principal-level registration.

In addition, the SIE examination will be available to associated persons of firms who are not required to register as well as to individuals who are not associated persons of firms, including members of the public.<sup>11</sup>

The proposed rule change amends Section 4(c) of Schedule A to the FINRA By-Laws to establish the fee for the SIE examination, revise the fees for the representative-level examinations that FINRA is retaining and remove the representative-level examinations that FINRA is eliminating and the associated fees.

FINRA currently administers examinations electronically through the PROCTOR system<sup>12</sup> at testing centers operated by a vendor under contract with FINRA. FINRA charges an examination fee to candidates for FINRA-sponsored and co-sponsored examinations to cover the development, maintenance and delivery of these examinations. FINRA considers the following factors when establishing or revising an examination fee:

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<sup>11</sup> While individuals who are not associated persons are eligible to take the SIE examination, passing the SIE examination alone will not qualify them for registration with FINRA. Rather, to be eligible for registration, an individual must also be associated with a firm, pass an appropriate qualification examination(s) for representative or principal and satisfy the other requirements relating to the registration process. Further, a passing result on the SIE examination would only be valid for four years. Therefore, an individual who passes the SIE examination and is not an associated person at the time would have up to four years from the date he or she passes the SIE examination to become an associated person of a firm and pass a representative-level examination, or obtain a waiver of the examination, and register as a representative without having to retake the SIE examination.

<sup>12</sup> PROCTOR is a computer system that is specifically designed for the administration and delivery of computer-based testing and training.



(1) number of test questions; (2) seat time;<sup>13</sup> (3) staff effort associated with test development and delivery; (4) corporate overhead; and (5) operational and technology costs associated with maintaining the PROCTOR system (i.e., item banking, test authoring and test delivery).

The SIE examination consists of 75 scored questions<sup>14</sup> and has a session time of one hour and 45 minutes. The revised representative-level examinations consist of fewer scored questions than the current examinations and have reduced session times, with the exception of the Research Analyst (Series 86 and Series 87) examinations.<sup>15</sup>

Consistent with its process for establishing and revising examination fees, FINRA is proposing to establish a fee of \$60 for the SIE examination. In addition, FINRA is proposing to reduce the fee for each individual revised representative-level examination, with the exception of the revised Series 86 and Series 87 examinations.<sup>16</sup> Specifically, FINRA is proposing the following fees for the revised representative-level examinations: Series 6 (\$40); Series 7 (\$245); Series 22 (\$40); Series 57 (\$60); Series 79 (\$245); Series

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<sup>13</sup> FINRA pays its delivery vendor an hourly rate for seat time at test delivery centers. The seat time, which varies based on the length of an examination, includes the session time for an examination as well as an additional 30 minutes to cover administrative procedures relating to the examination process.

<sup>14</sup> The SIE examination and each of the revised representative-level examinations also include five to ten unscored pretest questions. Pretest questions are designed to ensure that new examination items meet acceptable testing standards prior to use.

<sup>15</sup> The revised Series 86 and Series 87 examinations have the same number of scored questions and session times as the current Series 86 and Series 87 examinations.

<sup>16</sup> FINRA is not proposing any changes to the fees for the Series 86 and Series 87 examinations as the test lengths for these examinations are not changing.

82 (\$40); Series 86 (\$185); Series 87 (\$130); and Series 99 (\$40).

FINRA is creating an enrollment system separate from the Central Registration Depository (“CRD<sup>®</sup>”) system to allow individuals who are not associated persons of a firm, including members of the public, to enroll and pay the SIE examination fee. This system would also be available to associated persons of firms who are not required to be registered with FINRA. FINRA is not proposing any changes, at this time, to the principal-level examinations or the associated fees.<sup>17</sup>

The table below compares the current and future examination fees, number of scored questions on each examination and examination session times associated with each representative category that FINRA is retaining.

<u>FINRA Representative-Level Registrations and Related Examinations</u>		
<u>Registration Category</u> <u>(CRD System</u> <u>Designation)</u>	<u>Current Examination(s)</u> <u>Fee [Number of Scored</u> <u>Questions, Session Time]</u>	<u>Future Examinations</u> <u>Fee [Number of Scored Questions, Session</u> <u>Time]</u>
Investment Company and Variable Contracts Products Representative (IR)	Series 6 <u>\$100</u> [100 questions, two hours and 15 minutes]	SIE \$60 [75 questions, one hour and 45 minutes] + Revised Series 6 \$40 [50 questions, one hour and 30 minutes]  Combined Exam Fee ( <u>\$100</u> )

<sup>17</sup> FINRA is currently evaluating whether the principal-level examinations could be restructured in a manner similar to the representative-level examinations.

<p>General Securities Representative (GS)</p>	<p>Series 7  <u>\$305</u> [250 questions, six hours]</p>	<p>SIE  \$60 [75 questions, one hour and 45 minutes]  +  Revised Series 7  \$245 [125 questions, three hours and 45 minutes]    Combined Exam Fee (<u>\$305</u>)</p>
<p>Direct Participation Programs Representative (DR)</p>	<p>Series 22  <u>\$100</u> [100 questions, two hours and 30 minutes]</p>	<p>SIE  \$60 [75 questions, one hour and 45 minutes]  +  Revised Series 22  \$40 [50 questions, one hour and 30 minutes]    Combined Exam Fee (<u>\$100</u>)</p>
<p>Securities Trader (TD)</p>	<p>Series 57  <u>\$120</u> [125 questions, three hours and 45 minutes]</p>	<p>SIE  \$60 [75 questions, one hour and 45 minutes]  +  Revised Series 57  \$60 [50 questions, one hour and 45 minutes]    Combined Exam Fee (<u>\$120</u>)</p>
<p>Investment Banking Representative (IB)</p>	<p>Series 79  <u>\$305</u> [175 questions, five hours]</p>	<p>SIE  \$60 [75 questions, one hour and 45 minutes]  +  Revised Series 79  \$245 [75 questions, two hours and 30 minutes]    Combined Exam Fee (<u>\$305</u>)</p>

<p>Private Securities Offerings Representative (PR)</p>	<p>Series 82 \$95 [100 questions, two hours and 30 minutes]</p>	<p>SIE \$60 [75 questions, one hour and 45 minutes] + Revised Series 82 \$40 [50 questions, one hour and 30 minutes]  Combined Exam Fee (<u>\$100</u>)</p>
<p>Research Analyst (RS)</p>	<p>Series 7 \$305 [250 questions, six hours] + Series 86 \$185 [100 questions, four hours and 30 minutes] + Series 87 \$130 [50 questions, one hour and 45 minutes]  Combined Exam Fee (<u>\$620</u>)</p>	<p>SIE \$60 [75 questions, one hour and 45 minutes] + Revised Series 86 \$185 [100 questions, four hours and 30 minutes] + Revised Series 87 \$130 [50 questions, one hour and 45 minutes]  Combined Exam Fee (<u>\$375</u>)<sup>18</sup></p>

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<sup>18</sup> Beginning on October 1, 2018, individuals registering as Research Analysts will no longer be required to pass the General Securities Representative (Series 7) examination.

<p>Operations Professional (OS)</p>	<p>Series 99 <u>\$130</u> [100 questions, two hours and 30 minutes]</p>	<p>SIE \$60 [75 questions, one hour and 45 minutes] + Revised Series 99 \$40 [50 questions, one hour and 30 minutes]  Combined Exam Fee (<u>\$100</u>)</p>
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As the table illustrates, the proposed examination fees for representative registrations will remain the same or be lower than the current examination fees for representative registrations, with the exception of registration as a Private Securities Offerings Representative. As noted in the table, the overall examination fee for registration as a Private Securities Offerings Representative will increase by \$5.

FINRA also administers and delivers examinations sponsored (*i.e.*, developed) by other entities, including the Municipal Securities Rulemaking Board (“MSRB”). For qualification examinations sponsored by a FINRA client and administered by FINRA, FINRA charges an administration and delivery fee that represents either a portion of or the entire examination fee for the examination. The administration and delivery fee represents a portion of the entire examination fee when a FINRA client has established an additional fee for an examination that it sponsors. For example, the fee to take the Municipal Securities Representative (Series 52) examination is currently \$280. Of this amount, \$130 is the FINRA administration and delivery fee, and \$150 is the development fee determined by the FINRA client, the MSRB.<sup>19</sup>

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<sup>19</sup> See MSRB Rule A-16 (Examination Fees).

In conjunction with FINRA's rule change to restructure its representative-level qualification examination program, the MSRB filed a proposed rule change to, among other things, restructure the Series 52 examination program.<sup>20</sup> Specifically, under the MSRB's proposed rule change, individuals registering as Municipal Securities Representatives would be required to take and pass the SIE examination in addition to a revised Series 52 examination. In addition, the MSRB filed a proposed rule change to reduce the number of scored questions on the Series 52 examination (from 115 questions to 75 questions) and the session time for the examination (from three hours and 30 minutes to two hours and 30 minutes),<sup>21</sup> which would reduce the overall seat time for the examination and, in turn, reduce FINRA's administration and delivery fee for the examination by \$20. Accordingly, FINRA is proposing to amend Section 4(c) of Schedule A to the FINRA By-Laws to reduce the administration and delivery fee for the Series 52 examination from \$130 to \$110.

Finally, FINRA is proposing to make certain non-substantive technical changes to the table of fees under Section 4(c) of Schedule A to the FINRA By-Laws, such as adding headings to the table.

As noted in Item 2 of this filing, FINRA is filing the proposed rule change for immediate effectiveness. The implementation date will be October 1, 2018, to coincide

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<sup>20</sup> See Securities Exchange Act Release No. 83483 (June 20, 2018), 83 FR 29855 (June 26, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-MSRB-2018-04). The proposed rule change will become effective on October 1, 2018, which coincides with the effective date of FINRA's rule change.

<sup>21</sup> See Securities Exchange Act Release No. 83572 (June 29, 2018), 83 FR 31580 (July 6, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-MSRB-2018-05). This proposed rule change will also become effective on October 1, 2018.

with the implementation of the restructured representative-level examination program. FINRA will also announce the implementation date of the proposed rule change in a Regulatory Notice.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act,<sup>22</sup> which requires, among other things, that FINRA rules provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system that FINRA operates or controls.

FINRA believes that the proposed rule change constitutes an equitable allocation of fees as the examination fees will be used to cover FINRA's costs in developing, maintaining and delivering the SIE examination and the revised representative-level examinations. FINRA further believes that the proposed examination fees are reasonable because they correspond to the costs associated with each examination and are, for the most part, the same or lower than the current examination fees for representative registrations. Accordingly, FINRA believes that the proposed examination fees are equitably allocated and reasonable. In addition, FINRA believes that the proposed rule change constitutes an equitable allocation of fees with respect to FINRA's portion of the fee for the revised Series 52 examination, which represents FINRA's reduced costs for administering and delivering the revised examination.

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<sup>22</sup> 15 U.S.C. 78o-3(b)(5).

**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.

Economic Impact Assessment

FINRA has undertaken an economic impact assessment, as set forth below, to further analyze the regulatory need for the proposed rule change, the economic baseline of analysis, the economic impact and the alternatives considered.

Regulatory Need

FINRA has restructured the representative-level qualification examination program by creating the SIE examination, revising some of the representative-level qualification examinations and eliminating others. The proposed rule change amends Section 4(c) of Schedule A to the FINRA By-Laws to establish the fee for the SIE examination, revise the fees for the representative-level qualification examinations that FINRA is retaining and remove the fees for the representative-level qualification examinations that FINRA is eliminating. The proposed fees cover the development, maintenance and delivery of the SIE examination and the revised representative-level examinations with minimum impact on the examination costs for representatives.

Further, as a result of the MSRB's restructuring of the Series 52 examination program, the proposed rule change amends Section 4(c) of Schedule A to the FINRA By-Laws to reduce FINRA's administration and delivery fee for the revised Series 52 examination.



### Economic Baseline

The economic baseline for the proposed rule change is the current FINRA representative-level examinations, and the fees for these examinations. The current representative-level examination program consists of 16 examinations (Series 6, 7, 11, 17, 22, 37, 38, 42, 57, 62, 72, 79, 82, 86, 87 and 99). In 2017, there were approximately 102,000 representative-level registrations requested. The Series 7, Series 6 and Series 79 are the top three examinations in terms of candidate volume, constituting approximately 92% of the total representative-level registration volume. Current fees range between \$95 and \$305 per examination, and the fee schedule reflects the length of the examination, which is also correlated with the effort necessary to prepare and evaluate the examinations. As noted above, FINRA is eliminating a limited number of representative-level examinations that represent a small percentage of candidate volume. The current and proposed fees for the retained representative-level examinations are provided above.

The economic baseline for the proposed rule change relating to the Series 52 examination is the current fee associated with FINRA's administration and delivery of the examination. In 2017, there were approximately 830 Municipal Securities Representative registrations requested. FINRA's fee for administering and delivering the Series 52 examination is currently \$130.

### Economic Impact

For purposes of this discussion, FINRA has identified the potentially material impacts of the proposed fees.

The cumulative examination fees for a given registration as a representative under FINRA's proposed structure are the same as those under the current structure, with the exception of the categories of Private Securities Offerings Representative, Research Analyst and Operations Professional. For example, the current examination fee for registration as a General Securities Representative is \$305 (the fee for the current Series 7 examination). Under the proposed fee structure, the cumulative examination fee to register as a General Securities Representative would remain \$305 (\$60 for the SIE examination and \$245 for the revised Series 7 examination). There will be some economic impacts associated with the proposed changes for specific categories of registration. First, the total examination fee for registration as a Private Securities Offerings Representative will increase by \$5. The current examination fee for registration as a Private Securities Offerings Representative is \$95.<sup>23</sup> Under the restructured program, the total examination fee for registration as Private Securities Offerings Representative will be \$100 (\$60 for the SIE examination and \$40 for the revised Series 82 examination). The proposed \$40 fee for the revised Series 82 examination is consistent with the fees of other comparable revised examinations (i.e., the revised Series 6, Series 22 and Series 99 examinations) all of which have similar development, maintenance and delivery costs. Second, the examination fees for

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<sup>23</sup> While FINRA has maintained a \$95 fee for the current Series 82 examination, the cost of developing, maintaining and delivering the current Series 82 examination most closely correlates to the cost of developing, maintaining and delivering the current Series 22 examination, which has a cost of \$100.

registration as a Research Analyst or an Operations Professional will be reduced.<sup>24</sup>

Third, for the eliminated categories and related examinations, individuals conducting the activities covered by the eliminated examinations may seek registration in one of the remaining categories, such as a General Securities Representative, which have higher cumulative examination fees.<sup>25</sup> However, as noted, this represents a small group.

The lifetime examination costs will also vary depending on the number of examination attempts by individual test takers. For instance, if an individual requires two attempts to pass the current Series 7 examination, the total cost of the examinations today would be \$610 (\$305x2). If the same individual passed the SIE examination on the first attempt, but still required two attempts to pass the revised Series 7 examination, the total cost of the examinations would be \$550 (\$60 for the SIE examination plus \$245x2 for the revised Series 7 examination). If, alternatively, the individual required two attempts at the SIE examination but passed the revised Series 7 examination on the first attempt, the total cost would be \$365 (\$60x2 for the SIE examination plus \$245 for the revised Series 7 examination). In both of these scenarios, because the person could take advantage of passing one of the requirements in the first attempt, the aggregate examination costs under the proposed fee structure would be less than today. Further, as noted above, in

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<sup>24</sup> The cumulative examination fee for registration as a Research Analyst will be reduced by \$245 because, under the restructured program, individuals registering as such will no longer be required to take the Series 7 examination. The total examination fee for registration as an Operations Professional will also be reduced by \$30.

<sup>25</sup> For example, the examination fee for the eliminated Corporate Securities Representative (Series 62) category is \$95 while the new cumulative examination fee for registration as a General Securities Representative is proposed to be \$305.

some cases, the aggregate examination costs are anticipated to be lower or higher, depending on the category in which the individual is seeking to register.

Registered representatives seeking an additional or alternative representative registration category would also experience a net decrease in examination fees because they would have already satisfied the SIE examination requirement, thus only incurring the fees associated with the revised representative-level examination. However, based on historical data, these individuals represent a relatively small percentage of individuals seeking registrations.

With respect to FINRA's fee for administering and delivering the revised Series 52 examination, the fee will be reduced by \$20 (from \$130 to \$110) to reflect FINRA's adjusted costs for its portion of the fee for the examination.

#### Impact on Firms

FINRA believes that the restructured program is likely to decrease the total examination fees that firms pay. In aggregate, based on FINRA's review of a representative sample of firms, it projects a reduction in total examination fees annually. As stated above, the examination fees paid to become registered will typically be lower in circumstances where multiple examination attempts are needed to pass. Under these circumstances, firms will experience a decrease in examination fees, to the extent that firms cover these costs for individuals. Under the restructured program, at least some of the costs associated with qualification will likely transfer to the individuals interested in becoming registered representatives. Members may require job applicants to pass the SIE examination before they can be considered for a position, and may require that the individuals pay the SIE examination fee. Further, FINRA understands that some firms

today seek repayment from representatives for fees associated with representative-level examinations. The extent of the economic transfer between firm and representative depends upon, among other things, the competition between firms for the pool of qualified representatives and the size of that pool.

In addition, broker-dealers and other regulated entities that seek to register Municipal Securities Representatives would see a reduction in FINRA's portion of the fee for the revised Series 52 examination.

#### Impact on Individuals

As described above, firms may require potential registrants to pass the SIE examination before they can be considered for a position, in which case the SIE examination fee may be incurred by the individual and the associated impact may be a shifting of some of the costs associated with qualification from the firm to the individual. In such a scenario, based on its own experience and in consultation with industry experts, FINRA believes the \$60 fee for the SIE examination would not create a significant barrier to prospective registered representatives.

The restructured program will likely change the total test taking time for individuals registering as representatives. For example, the total examination session times for registration as a Research Analyst decreases by four hours and fifteen minutes. The total session times may increase or decrease depending on the registration. To the extent that the changed session times lead to a change in test taking time by individuals, they may experience an increase or decrease in the opportunity cost of their time.

Finally, some individuals who will not be pursuing registration as a representative may still take the SIE examination. These individuals include associated persons of firms

who are not required to register as well as individuals who are not associated persons of firms, such as college students, individuals working in related financial service industries or who have personal interest in establishing proficiency in the subject matter. FINRA believes that the \$60 fee for the SIE examination may encourage such individuals to take the examination, and in turn increase the pool of prospective registered representatives.

#### Alternatives Considered

FINRA considered a range of potential fee models in developing the proposed rule change, including different (dollar levels of) fees for the SIE examination, the representative-level examinations and the SIE examination in combination with the representative-level examinations. FINRA believes that the proposed fee structure strikes the appropriate balance between the operating costs associated with the examinations and the impact to individuals and the industry.

**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.

**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)(ii) of the Act<sup>26</sup> and paragraph (f)(2) of Rule 19b-4 thereunder,<sup>27</sup> in that the proposed rule change is establishing or changing a due, fee, or other charge imposed by

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<sup>26</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>27</sup> 17 CFR 240.19b-4(f)(2).

the self-regulatory organization on any person, whether or not the person is a member of the self-regulatory organization.

**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 5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-FINRA-2018-033)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Section 4(c) of Schedule A to the FINRA By-Laws Relating to Qualification Examination Fees

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> 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 “establishing or changing a due, fee or other charge” under Section 19(b)(3)(A)(ii) of the Act<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> 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 proposing to amend Section 4(c) of Schedule A to the FINRA By-Laws to: (1) establish the fee for the Securities Industry Essentials™ (“SIE™”) examination; (2) revise the fees for the Investment Company and Variable Contracts Products

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>4</sup> 17 CFR 240.19b-4(f)(2).



Representative (Series 6), General Securities Representative (Series 7), Direct Participation Programs Representative (Series 22), Securities Trader (Series 57), Investment Banking Representative (Series 79), Private Securities Offerings Representative (Series 82) and Operations Professional (Series 99) examinations; (3) revise the administration and delivery fee for the Municipal Securities Representative (Series 52) examination; and (4) remove the Order Processing Assistant Representative (Series 11), United Kingdom Securities Representative (Series 17), Canada Securities Representative (Series 37 and Series 38), Options Representative (Series 42), Corporate Securities Representative (Series 62) and Government Securities Representative (Series 72) examinations and the associated fees. The proposed rule change relates to the restructuring of the FINRA representative-level qualification examination program. The proposed rule change also makes certain non-substantive technical changes to the table of fees under Section 4(c).

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.

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

1. Purpose

In July 2017, the SEC approved a proposed rule change to restructure the FINRA representative-level qualification examination program.<sup>5</sup> The rule change, which will become effective on October 1, 2018,<sup>6</sup> restructures the examination program into a new format whereby all new representative-level applicants will be required to take a general knowledge examination (the SIE examination) and a tailored, specialized knowledge examination (a revised representative-level qualification examination) for their particular registered role. As part of the restructuring, FINRA developed the SIE examination and revised nine of the existing representative-level examinations.<sup>7</sup> FINRA is also eliminating seven representative-level examinations that have become outdated or have limited utility.<sup>8</sup> In January 2018, FINRA filed the content outline and selection

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<sup>5</sup> See Securities Exchange Act Release No. 81098 (July 7, 2017), 82 FR 32419 (July 13, 2017) (Order Approving File No. SR-FINRA-2017-007). For ease of reference, FINRA revised the titles of some of the registration categories as part of SR-FINRA-2017-007. For instance, FINRA changed “Limited Representative—Investment Company and Variable Contracts Products” to “Investment Company and Variable Contracts Products Representative.” This proposed rule change refers to the titles that were approved as part of SR-FINRA-2017-007, though the changes are not yet effective.

<sup>6</sup> See Regulatory Notice 17-30 (October 2017).

<sup>7</sup> The following are the nine representative-level examinations: Investment Company and Variable Contracts Products Representative (Series 6); General Securities Representative (Series 7); Direct Participation Programs Representative (Series 22); Securities Trader (Series 57); Investment Banking Representative (Series 79); Private Securities Offerings Representative (Series 82); Research Analyst (Series 86 and Series 87); and Operations Professional (Series 99). See supra note 5.

<sup>8</sup> Specifically, FINRA is eliminating the following examinations: Order Processing Assistant Representative (Series 11); United Kingdom Securities Representative

specifications for the SIE examination with the SEC.<sup>9</sup> In February 2018, FINRA filed the content outlines and selection specifications for the revised representative-level qualification examinations with the SEC.<sup>10</sup>

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(Series 17); Canada Securities Representative (Series 37 and Series 38); Options Representative (Series 42); Corporate Securities Representative (Series 62) and Government Securities Representative (Series 72). See supra note 5. Individuals maintaining the eliminated representative-level registrations will be grandfathered (*i.e.*, they may continue to maintain their current registrations on or after October 1, 2018, unless their registrations lapse).

<sup>9</sup> See Securities Exchange Act Release No. 82578 (January 24, 2018), 83 FR 4375 (January 30, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2018-002) (Proposed Rule Change Relating to the New Securities Industry Essentials (SIE) Examination).

<sup>10</sup> See Securities Exchange Act Release No. 82750 (February 21, 2018), 83 FR 8526 (February 27, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2018-004) (Proposed Rule Change to Revise the Investment Banking Representative (Series 79) Examination); Securities Exchange Act Release No. 82751 (February 21, 2018), 83 FR 8559 (February 27, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2018-005) (Proposed Rule Change to Revise the Research Analyst (Series 86 and 87) Examinations); Securities Exchange Act Release No. 82752 (February 21, 2018), 83 FR 8536 (February 27, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2018-006) (Proposed Rule Change to Revise the Operations Professional (Series 99) Examination); Securities Exchange Act Release No. 82754 (February 21, 2018), 83 FR 8533 (February 27, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2018-007) (Proposed Rule Change to Revise the Investment Company and Variable Contracts Products Representative (Series 6) Examination); Securities Exchange Act Release No. 82747 (February 21, 2018), 83 FR 8524 (February 27, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2018-008) (Proposed Rule Change to Revise the General Securities Representative (Series 7) Examination); Securities Exchange Act Release No. 82748 (February 21, 2018), 83 FR 8529 (February 27, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2018-009) (Proposed Rule Change to Revise the Direct Participation Programs Representative (Series 22) Examination); Securities Exchange Act Release No. 82772 (February 26, 2018), 83 FR 9039 (March 2, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2018-010) (Proposed Rule Change to Revise the Securities Trader (Series 57) Examination); and Securities Exchange Act Release No. 82774 (February 26, 2018), 83 FR 9050 (March 2, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-

The restructured program eliminates duplicative testing of general securities knowledge on the current representative-level qualification examinations by moving such content into the SIE examination.<sup>11</sup> The SIE examination will test fundamental securities-related knowledge, including knowledge of basic products, the structure and function of the securities industry, the regulatory agencies and their functions and regulated and prohibited practices, whereas the revised representative-level qualification examinations will test knowledge relevant to day-to-day activities, responsibilities and job functions of representatives.

A previously unregistered individual who is applying for registration as a representative,<sup>12</sup> for the first time on or after October 1, 2018, will be required to pass both the SIE examination and the appropriate revised representative-level examination for his or her particular registered role, or obtain a waiver of the examinations.<sup>13</sup> This

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FINRA-2018-011) (Proposed Rule Change to Revise the Private Securities Offerings Representative (Series 82) Examination).

<sup>11</sup> Each of the current representative-level examinations covers general securities knowledge, with the exception of the Research Analyst (Series 86 and 87) examinations.

<sup>12</sup> FINRA Rule 1220(b) sets forth each representative-level registration category and applicable qualification examination.

<sup>13</sup> Individuals who are currently, or were previously, registered as representatives will be subject to different qualification requirements depending on their registration status prior to October 1, 2018. Specifically, individuals who registered as representatives prior to October 1, 2018, and who continue to maintain those registrations on or after October 1, 2018, will not be subject to any additional qualification requirements with respect to those registrations, provided their registrations do not lapse in the future. With the exception of individuals who were registered solely as Foreign Associates, individuals whose registration as a representative was terminated between October 1, 2016, and September 30, 2018, also will not be subject to any additional qualification requirements with respect to those registrations, provided they re-register as a representative within two years from the date of their last registration.

requirement also applies to applicants who are seeking a representative-level registration as a prerequisite to a principal-level registration.

In addition, the SIE examination will be available to associated persons of firms who are not required to register as well as to individuals who are not associated persons of firms, including members of the public.<sup>14</sup>

The proposed rule change amends Section 4(c) of Schedule A to the FINRA By-Laws to establish the fee for the SIE examination, revise the fees for the representative-level examinations that FINRA is retaining and remove the representative-level examinations that FINRA is eliminating and the associated fees.

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In addition, with the exception of individuals who were registered solely as Order Processing Assistant Representatives or Foreign Associates, individuals whose registration as a representative was terminated between October 1, 2014, and September 30, 2016, will be considered to have passed the SIE examination, provided they re-register as a representative within four years from the date of their last registration. Thus, to re-register as a representative, such individuals would be required to pass the appropriate revised representative-level examination for their particular registered role, or obtain a waiver of the examination. Finally, individuals whose registration as a representative was terminated prior to October 1, 2014 will be required to pass both the SIE examination and the appropriate revised representative-level examination for their particular registered role, or obtain a waiver of the examinations, if they want to re-register as a representative on or after October 1, 2018.

<sup>14</sup> While individuals who are not associated persons are eligible to take the SIE examination, passing the SIE examination alone will not qualify them for registration with FINRA. Rather, to be eligible for registration, an individual must also be associated with a firm, pass an appropriate qualification examination(s) for representative or principal and satisfy the other requirements relating to the registration process. Further, a passing result on the SIE examination would only be valid for four years. Therefore, an individual who passes the SIE examination and is not an associated person at the time would have up to four years from the date he or she passes the SIE examination to become an associated person of a firm and pass a representative-level examination, or obtain a waiver of the examination, and register as a representative without having to retake the SIE examination.

FINRA currently administers examinations electronically through the PROCTOR system<sup>15</sup> at testing centers operated by a vendor under contract with FINRA. FINRA charges an examination fee to candidates for FINRA-sponsored and co-sponsored examinations to cover the development, maintenance and delivery of these examinations. FINRA considers the following factors when establishing or revising an examination fee: (1) number of test questions; (2) seat time;<sup>16</sup> (3) staff effort associated with test development and delivery; (4) corporate overhead; and (5) operational and technology costs associated with maintaining the PROCTOR system (i.e., item banking, test authoring and test delivery).

The SIE examination consists of 75 scored questions<sup>17</sup> and has a session time of one hour and 45 minutes. The revised representative-level examinations consist of fewer scored questions than the current examinations and have reduced session times, with the exception of the Research Analyst (Series 86 and Series 87) examinations.<sup>18</sup> Consistent with its process for establishing and revising examination fees, FINRA is proposing to establish a fee of \$60 for the SIE examination. In addition, FINRA is proposing to

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<sup>15</sup> PROCTOR is a computer system that is specifically designed for the administration and delivery of computer-based testing and training.

<sup>16</sup> FINRA pays its delivery vendor an hourly rate for seat time at test delivery centers. The seat time, which varies based on the length of an examination, includes the session time for an examination as well as an additional 30 minutes to cover administrative procedures relating to the examination process.

<sup>17</sup> The SIE examination and each of the revised representative-level examinations also include five to ten unscored pretest questions. Pretest questions are designed to ensure that new examination items meet acceptable testing standards prior to use.

<sup>18</sup> The revised Series 86 and Series 87 examinations have the same number of scored questions and session times as the current Series 86 and Series 87 examinations.

reduce the fee for each individual revised representative-level examination, with the exception of the revised Series 86 and Series 87 examinations.<sup>19</sup> Specifically, FINRA is proposing the following fees for the revised representative-level examinations: Series 6 (\$40); Series 7 (\$245); Series 22 (\$40); Series 57 (\$60); Series 79 (\$245); Series 82 (\$40); Series 86 (\$185); Series 87 (\$130); and Series 99 (\$40).

FINRA is creating an enrollment system separate from the Central Registration Depository (“CRD<sup>®</sup>”) system to allow individuals who are not associated persons of a firm, including members of the public, to enroll and pay the SIE examination fee. This system would also be available to associated persons of firms who are not required to be registered with FINRA. FINRA is not proposing any changes, at this time, to the principal-level examinations or the associated fees.<sup>20</sup>

The table below compares the current and future examination fees, number of scored questions on each examination and examination session times associated with each representative category that FINRA is retaining.

<u>FINRA Representative-Level Registrations and Related Examinations</u>		
<u>Registration Category (CRD System Designation)</u>	<u>Current Examination(s) Fee [Number of Scored Questions, Session Time]</u>	<u>Future Examinations Fee [Number of Scored Questions, Session Time]</u>

<sup>19</sup> FINRA is not proposing any changes to the fees for the Series 86 and Series 87 examinations as the test lengths for these examinations are not changing.

<sup>20</sup> FINRA is currently evaluating whether the principal-level examinations could be restructured in a manner similar to the representative-level examinations.

Investment Company and Variable Contracts Products Representative (IR)	Series 6 <u>\$100</u> [100 questions, two hours and 15 minutes]	SIE \$60 [75 questions, one hour and 45 minutes] + Revised Series 6 \$40 [50 questions, one hour and 30 minutes]  Combined Exam Fee ( <u>\$100</u> )
General Securities Representative (GS)	Series 7 <u>\$305</u> [250 questions, six hours]	SIE \$60 [75 questions, one hour and 45 minutes] + Revised Series 7 \$245 [125 questions, three hours and 45 minutes]  Combined Exam Fee ( <u>\$305</u> )
Direct Participation Programs Representative (DR)	Series 22 <u>\$100</u> [100 questions, two hours and 30 minutes]	SIE \$60 [75 questions, one hour and 45 minutes] + Revised Series 22 \$40 [50 questions, one hour and 30 minutes]  Combined Exam Fee ( <u>\$100</u> )
Securities Trader (TD)	Series 57 <u>\$120</u> [125 questions, three hours and 45 minutes]	SIE \$60 [75 questions, one hour and 45 minutes] + Revised Series 57 \$60 [50 questions, one hour and 45 minutes]  Combined Exam Fee ( <u>\$120</u> )



<p>Investment Banking Representative (IB)</p>	<p>Series 79  <u>\$305</u> [175 questions, five hours]</p>	<p>SIE          \$60 [75 questions, one hour and 45 minutes]          +          Revised Series 79          \$245 [75 questions, two hours and 30 minutes]            Combined Exam Fee (<u>\$305</u>)</p>
<p>Private Securities Offerings Representative (PR)</p>	<p>Series 82  <u>\$95</u> [100 questions, two hours and 30 minutes]</p>	<p>SIE          \$60 [75 questions, one hour and 45 minutes]          +          Revised Series 82          \$40 [50 questions, one hour and 30 minutes]            Combined Exam Fee (<u>\$100</u>)</p>
<p>Research Analyst (RS)</p>	<p>Series 7          \$305 [250 questions, six hours]          +          Series 86          \$185 [100 questions, four hours and 30 minutes]          +          Series 87          \$130 [50 questions, one hour and 45 minutes]            Combined Exam Fee (<u>\$620</u>)</p>	<p>SIE          \$60 [75 questions, one hour and 45 minutes]          +          Revised Series 86          \$185 [100 questions, four hours and 30 minutes]          +          Revised Series 87          \$130 [50 questions, one hour and 45 minutes]            Combined Exam Fee (<u>\$375</u>)<sup>21</sup></p>

<sup>21</sup> Beginning on October 1, 2018, individuals registering as Research Analysts will no longer be required to pass the General Securities Representative (Series 7) examination.

<p>Operations Professional (OS)</p>	<p>Series 99 <u>\$130</u> [100 questions, two hours and 30 minutes]</p>	<p>SIE \$60 [75 questions, one hour and 45 minutes] + Revised Series 99 \$40 [50 questions, one hour and 30 minutes]  Combined Exam Fee (<u>\$100</u>)</p>
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As the table illustrates, the proposed examination fees for representative registrations will remain the same or be lower than the current examination fees for representative registrations, with the exception of registration as a Private Securities Offerings Representative. As noted in the table, the overall examination fee for registration as a Private Securities Offerings Representative will increase by \$5.

FINRA also administers and delivers examinations sponsored (i.e., developed) by other entities, including the Municipal Securities Rulemaking Board (“MSRB”). For qualification examinations sponsored by a FINRA client and administered by FINRA, FINRA charges an administration and delivery fee that represents either a portion of or the entire examination fee for the examination. The administration and delivery fee represents a portion of the entire examination fee when a FINRA client has established an additional fee for an examination that it sponsors. For example, the fee to take the Municipal Securities Representative (Series 52) examination is currently \$280. Of this amount, \$130 is the FINRA administration and delivery fee, and \$150 is the development fee determined by the FINRA client, the MSRB.<sup>22</sup>

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<sup>22</sup> See MSRB Rule A-16 (Examination Fees).

In conjunction with FINRA's rule change to restructure its representative-level qualification examination program, the MSRB filed a proposed rule change to, among other things, restructure the Series 52 examination program.<sup>23</sup> Specifically, under the MSRB's proposed rule change, individuals registering as Municipal Securities Representatives would be required to take and pass the SIE examination in addition to a revised Series 52 examination. In addition, the MSRB filed a proposed rule change to reduce the number of scored questions on the Series 52 examination (from 115 questions to 75 questions) and the session time for the examination (from three hours and 30 minutes to two hours and 30 minutes),<sup>24</sup> which would reduce the overall seat time for the examination and, in turn, reduce FINRA's administration and delivery fee for the examination by \$20. Accordingly, FINRA is proposing to amend Section 4(c) of Schedule A to the FINRA By-Laws to reduce the administration and delivery fee for the Series 52 examination from \$130 to \$110.

Finally, FINRA is proposing to make certain non-substantive technical changes to the table of fees under Section 4(c) of Schedule A to the FINRA By-Laws, such as adding headings to the table.

FINRA has filed the proposed rule change for immediate effectiveness. The implementation date will be October 1, 2018, to coincide with the implementation of the

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<sup>23</sup> See Securities Exchange Act Release No. 83483 (June 20, 2018), 83 FR 29855 (June 26, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-MSRB-2018-04). The proposed rule change will become effective on October 1, 2018, which coincides with the effective date of FINRA's rule change.

<sup>24</sup> See Securities Exchange Act Release No. 83572 (June 29, 2018), 83 FR 31580 (July 6, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-MSRB-2018-05). This proposed rule change will also become effective on October 1, 2018.

restructured representative-level examination program. FINRA will also announce the implementation date of the proposed rule change in a Regulatory Notice.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act,<sup>25</sup> which requires, among other things, that FINRA rules provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system that FINRA operates or controls.

FINRA believes that the proposed rule change constitutes an equitable allocation of fees as the examination fees will be used to cover FINRA's costs in developing, maintaining and delivering the SIE examination and the revised representative-level examinations. FINRA further believes that the proposed examination fees are reasonable because they correspond to the costs associated with each examination and are, for the most part, the same or lower than the current examination fees for representative registrations. Accordingly, FINRA believes that the proposed examination fees are equitably allocated and reasonable. In addition, FINRA believes that the proposed rule change constitutes an equitable allocation of fees with respect to FINRA's portion of the fee for the revised Series 52 examination, which represents FINRA's reduced costs for administering and delivering the revised examination.

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

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<sup>25</sup> 15 U.S.C. 78o-3(b)(5).

Act.

Economic Impact Assessment

FINRA has undertaken an economic impact assessment, as set forth below, to further analyze the regulatory need for the proposed rule change, the economic baseline of analysis, the economic impact and the alternatives considered.

Regulatory Need

FINRA has restructured the representative-level qualification examination program by creating the SIE examination, revising some of the representative-level qualification examinations and eliminating others. The proposed rule change amends Section 4(c) of Schedule A to the FINRA By-Laws to establish the fee for the SIE examination, revise the fees for the representative-level qualification examinations that FINRA is retaining and remove the fees for the representative-level qualification examinations that FINRA is eliminating. The proposed fees cover the development, maintenance and delivery of the SIE examination and the revised representative-level examinations with minimum impact on the examination costs for representatives.

Further, as a result of the MSRB's restructuring of the Series 52 examination program, the proposed rule change amends Section 4(c) of Schedule A to the FINRA By-Laws to reduce FINRA's administration and delivery fee for the revised Series 52 examination.

Economic Baseline

The economic baseline for the proposed rule change is the current FINRA representative-level examinations, and the fees for these examinations. The current representative-level examination program consists of 16 examinations (Series 6, 7, 11,

17, 22, 37, 38, 42, 57, 62, 72, 79, 82, 86, 87 and 99). In 2017, there were approximately 102,000 representative-level registrations requested. The Series 7, Series 6 and Series 79 are the top three examinations in terms of candidate volume, constituting approximately 92% of the total representative-level registration volume. Current fees range between \$95 and \$305 per examination, and the fee schedule reflects the length of the examination, which is also correlated with the effort necessary to prepare and evaluate the examinations. As noted above, FINRA is eliminating a limited number of representative-level examinations that represent a small percentage of candidate volume. The current and proposed fees for the retained representative-level examinations are provided above.

The economic baseline for the proposed rule change relating to the Series 52 examination is the current fee associated with FINRA's administration and delivery of the examination. In 2017, there were approximately 830 Municipal Securities Representative registrations requested. FINRA's fee for administering and delivering the Series 52 examination is currently \$130.

#### Economic Impact

For purposes of this discussion, FINRA has identified the potentially material impacts of the proposed fees.

The cumulative examination fees for a given registration as a representative under FINRA's proposed structure are the same as those under the current structure, with the exception of the categories of Private Securities Offerings Representative, Research Analyst and Operations Professional. For example, the current examination fee for registration as a General Securities Representative is \$305 (the fee for the current Series 7

examination). Under the proposed fee structure, the cumulative examination fee to register as a General Securities Representative would remain \$305 (\$60 for the SIE examination and \$245 for the revised Series 7 examination). There will be some economic impacts associated with the proposed changes for specific categories of registration. First, the total examination fee for registration as a Private Securities Offerings Representative will increase by \$5. The current examination fee for registration as a Private Securities Offerings Representative is \$95.<sup>26</sup> Under the restructured program, the total examination fee for registration as Private Securities Offerings Representative will be \$100 (\$60 for the SIE examination and \$40 for the revised Series 82 examination). The proposed \$40 fee for the revised Series 82 examination is consistent with the fees of other comparable revised examinations (i.e., the revised Series 6, Series 22 and Series 99 examinations) all of which have similar development, maintenance and delivery costs. Second, the examination fees for registration as a Research Analyst or an Operations Professional will be reduced.<sup>27</sup> Third, for the eliminated categories and related examinations, individuals conducting the activities covered by the eliminated examinations may seek registration in one of the

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<sup>26</sup> While FINRA has maintained a \$95 fee for the current Series 82 examination, the cost of developing, maintaining and delivering the current Series 82 examination most closely correlates to the cost of developing, maintaining and delivering the current Series 22 examination, which has a cost of \$100.

<sup>27</sup> The cumulative examination fee for registration as a Research Analyst will be reduced by \$245 because, under the restructured program, individuals registering as such will no longer be required to take the Series 7 examination. The total examination fee for registration as an Operations Professional will also be reduced by \$30.

remaining categories, such as a General Securities Representative, which have higher cumulative examination fees.<sup>28</sup> However, as noted, this represents a small group.

The lifetime examination costs will also vary depending on the number of examination attempts by individual test takers. For instance, if an individual requires two attempts to pass the current Series 7 examination, the total cost of the examinations today would be \$610 (\$305x2). If the same individual passed the SIE examination on the first attempt, but still required two attempts to pass the revised Series 7 examination, the total cost of the examinations would be \$550 (\$60 for the SIE examination plus \$245x2 for the revised Series 7 examination). If, alternatively, the individual required two attempts at the SIE examination but passed the revised Series 7 examination on the first attempt, the total cost would be \$365 (\$60x2 for the SIE examination plus \$245 for the revised Series 7 examination). In both of these scenarios, because the person could take advantage of passing one of the requirements in the first attempt, the aggregate examination costs under the proposed fee structure would be less than today. Further, as noted above, in some cases, the aggregate examination costs are anticipated to be lower or higher, depending on the category in which the individual is seeking to register.

Registered representatives seeking an additional or alternative representative registration category would also experience a net decrease in examination fees because they would have already satisfied the SIE examination requirement, thus only incurring the fees associated with the revised representative-level examination. However, based on

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<sup>28</sup> For example, the examination fee for the eliminated Corporate Securities Representative (Series 62) category is \$95 while the new cumulative examination fee for registration as a General Securities Representative is proposed to be \$305.



historical data, these individuals represent a relatively small percentage of individuals seeking registrations.

With respect to FINRA's fee for administering and delivering the revised Series 52 examination, the fee will be reduced by \$20 (from \$130 to \$110) to reflect FINRA's adjusted costs for its portion of the fee for the examination.

#### Impact on Firms

FINRA believes that the restructured program is likely to decrease the total examination fees that firms pay. In aggregate, based on FINRA's review of a representative sample of firms, it projects a reduction in total examination fees annually. As stated above, the examination fees paid to become registered will typically be lower in circumstances where multiple examination attempts are needed to pass. Under these circumstances, firms will experience a decrease in examination fees, to the extent that firms cover these costs for individuals. Under the restructured program, at least some of the costs associated with qualification will likely transfer to the individuals interested in becoming registered representatives. Members may require job applicants to pass the SIE examination before they can be considered for a position, and may require that the individuals pay the SIE examination fee. Further, FINRA understands that some firms today seek repayment from representatives for fees associated with representative-level examinations. The extent of the economic transfer between firm and representative depends upon, among other things, the competition between firms for the pool of qualified representatives and the size of that pool.

In addition, broker-dealers and other regulated entities that seek to register Municipal Securities Representatives would see a reduction in FINRA's portion of the

fee for the revised Series 52 examination.

### Impact on Individuals

As described above, firms may require potential registrants to pass the SIE examination before they can be considered for a position, in which case the SIE examination fee may be incurred by the individual and the associated impact may be a shifting of some of the costs associated with qualification from the firm to the individual. In such a scenario, based on its own experience and in consultation with industry experts, FINRA believes the \$60 fee for the SIE examination would not create a significant barrier to prospective registered representatives.

The restructured program will likely change the total test taking time for individuals registering as representatives. For example, the total examination session times for registration as a Research Analyst decreases by four hours and fifteen minutes. The total session times may increase or decrease depending on the registration. To the extent that the changed session times lead to a change in test taking time by individuals, they may experience an increase or decrease in the opportunity cost of their time.

Finally, some individuals who will not be pursuing registration as a representative may still take the SIE examination. These individuals include associated persons of firms who are not required to register as well as individuals who are not associated persons of firms, such as college students, individuals working in related financial service industries or who have personal interest in establishing proficiency in the subject matter. FINRA believes that the \$60 fee for the SIE examination may encourage such individuals to take the examination, and in turn increase the pool of prospective registered representatives.

### Alternatives Considered

FINRA considered a range of potential fee models in developing the proposed rule change, including different (dollar levels of) fees for the SIE examination, the representative-level examinations and the SIE examination in combination with the representative-level examinations. FINRA believes that the proposed fee structure strikes the appropriate balance between the operating costs associated with the examinations and the impact to individuals and the industry.

#### 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 Act<sup>29</sup> and paragraph (f)(2) of Rule 19b-4 thereunder.<sup>30</sup> 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 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

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<sup>29</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>30</sup> 17 CFR 240.19b-4(f)(2).

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](mailto:rule-comments@sec.gov). Please include File Number SR-FINRA-2018-033 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-2018-033. 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2018-033 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.<sup>31</sup>

Robert W. Errett  
Deputy Secretary

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<sup>31</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

Below is the proposed rule text. Proposed new language is underlined; proposed deletions are in brackets.

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**By-Laws of the Corporation**

\* \* \* \* \*

**Schedule A to the By-Laws of the Corporation**

Assessments and fees pursuant to the provisions of Article VI of the By-Laws of the Corporation shall be determined on the following basis.

**Section 1 through Section 3** No Change.

**Section 4 — Fees**

(a) through (b) No Change.

(c) The following fees shall be assessed to each individual who [registers to] takes an examination as described below. These fees are in addition to the registration fee described in paragraph (b) and any other fees that the owner of an examination that FINRA administers may assess.

<u>Examination Number</u>	<u>Examination Name</u>	<u>Examination Fee</u>
<u>N/A</u>	<u>Securities Industry Essentials (SIE) Examination</u>	<u>\$60</u>
Series 4	Registered Options Principal <u>Examination</u>	\$105
Series 6	Investment Company Products[/] <u>and</u> Variable Contracts Representative <u>Examination</u>	[\$100] <u>40</u>
Series 7	General Securities Representative <u>Examination</u>	[\$305] <u>245</u>
Series 9	General Securities Sales Supervisor <u>Examination</u> – Options Module	\$80
Series 10	General Securities Sales Supervisor <u>Examination</u> – General Module	\$125
[Series 11]	[Assistant Representative – Order Processing]	[\$80]

Series 14	Compliance Official <u>Examination</u>	\$350
Series 16	Supervisory Analyst <u>Examination</u>	\$240
[Series 17]	[Limited Registered Representative]	[\$80]
Series 22	Direct Participation Programs Representative <u>Examination</u>	[\$100]40
Series 23	General Securities Principal <u>Examination</u> – Sales Supervisor Module	\$100
Series 24	General Securities Principal <u>Examination</u>	\$120
Series 26	Investment Company Products[/] <u>and</u> Variable Contracts Principal <u>Examination</u>	\$100
Series 27	Financial and Operations Principal <u>Examination</u>	\$120
Series 28	Introducing Broker-Dealer Financial and Operations Principal <u>Examination</u>	\$100
[Series 37]	[Canada Module of S7 (Options Required)]	[\$185]
[Series 38]	[Canada Module of S7 (No Options Required)]	[\$185]
Series 39	Direct Participation Programs Principal <u>Examination</u>	\$95
[Series 42]	[Registered Options Representative]	[\$75]
Series 50	Municipal Advisor Representative <u>Examination</u>	\$115
Series 51	Municipal Fund Securities Limited Principal <u>Examination</u>	\$105
Series 52	Municipal Securities Representative <u>Examination</u>	[\$130]110
Series 53	Municipal Securities Principal <u>Examination</u>	\$115
Series 57	Securities Trader <u>Examination</u>	[\$120]60
[Series 62]	[Corporate Securities Limited Representative]	[\$95]
[Series 72]	[Government Securities Representative]	[\$110]

Series 79	Investment Banking <u>Representative</u> [Qualification] Examination	\$[305]245
Series 82	[Limited Representative –] Private Securities Offering <u>Representative Examination</u>	\$[95]40
Series 86	Research Analyst <u>Examination</u> – Analysis	\$185
Series 87	Research Analyst <u>Examination</u> – Regulatory	\$130
Series 99	Operations Professional <u>Examination</u>	\$[130]40

(1) through (4) No Change.

(d) through (i) No Change.

**IM-Section 4(b)(1) and (e) Exemption from Certain Registration and Membership Application Fees for Certain NYSE and NYSE Alternext US LLC Member Organizations**

No Change.

**Section 5 through Section 15** No Change.

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