

## OMB APPROVAL

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Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 87

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

File No.\* SR - 2018 - \* 036

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) \*

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Section 3C(b)(2) \*

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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 Test Results Information on the Content Outlines of FINRA Qualification Examinations

### 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 \*)

Date 09/27/2018

By James S. Wrona

(Name \*)

Vice President and Associate General Counsel

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.

Jim Wrona, jim.wrona@finra.org

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**

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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**

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”),<sup>1</sup> Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) revisions relating to test results information on the content outlines of certain FINRA representative- and principal-level qualification examinations.

FINRA is not proposing any textual changes to the By-Laws, Schedules to the By-Laws or Rules of FINRA.

The cover pages and revised pages of the content outlines are attached.

(b) Not applicable.

(c) Not applicable.

**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.

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

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.

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

(a) Purpose

Each FINRA representative- and principal-level qualification examination has a minimum score threshold that is necessary for passing the examination (also referred to as a “passing score”). For instance, the passing score for the current General Securities Representative (Series 7) examination is 72. FINRA determines the passing score for each examination based on a process known as standard setting, which assesses a number of factors, including industry trends, historical examination performance and evaluations of content difficulty by a committee of industry professionals who have passed the related examination. The passing score for an examination reflects the minimum level of knowledge necessary to perform the functions for which a candidate is registering.

A candidate's numerical score on an examination is necessary to determine whether the candidate has satisfied the minimum score threshold for passing the examination. In addition, if a candidate fails to meet the minimum score threshold for passing an examination, the candidate's numerical score is relevant in evaluating the extent to which the candidate needs additional study time and training and whether the candidate should retake the examination.<sup>2</sup>

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<sup>2</sup> A candidate who fails an examination is eligible to retake that examination after 30 calendar days. However, if a candidate fails an examination three or more times in succession within a two-year period, the candidate is prohibited from

Currently, candidates who take a FINRA qualification examination receive a test results report of their performance at the end of their test session. The test results report will indicate a pass or fail status. Further, the report will indicate a total score and a score profile for each major section of the content outline. Several FINRA representative- and principal-level examination content outlines currently include information relating to the test results.<sup>3</sup> This information appears in different places in the content outlines. For instance, in the Series 99 examination outline, the information appears under the

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retaking that examination until 180 calendar days from the date of the candidate's last attempt to pass it.

<sup>3</sup> These representative-level examinations are the current Investment Company and Variable Contracts Products Representative (Series 6), General Securities Representative (Series 7), Order Processing Assistant Representative (Series 11), United Kingdom Securities Representative (Series 17), Direct Participation Programs Representative (Series 22), Canadian Securities Representative (Series 37 and Series 38), Options Representative (Series 42), Securities Trader (Series 57), Corporate Securities Representative (Series 62), Government Securities Representative (Series 72), Investment Banking Representative (Series 79), Private Securities Offerings Representative (Series 82) and Operations Professional (Series 99) examinations. These examinations are available to candidates who open an examination window in the Central Registration Depository ("CRD<sup>®</sup>") system prior to October 1, 2018. The revised Series 6, 7, 22, 57, 79, 82 and 99 examinations, which will be available to candidates who open an examination window on or after October 1, 2018, do not include information relating to examination results. In addition, the current Series 11, 17, 37, 38, 42, 62 and 72 will not be available to candidates who open an examination window on or after October 1, 2018.

The principal-level examinations are the Registered Options Principal (Series 4), General Securities Sales Supervisor (Series 9 and Series 10), Supervisory Analyst (Series 16), General Securities Principal Sales Supervisor Module (Series 23), General Securities Principal (Series 24), Investment Company and Variable Contracts Products Principal (Series 26), Financial and Operations Principal (Series 27), Introducing Broker-Dealer Financial and Operations Principal (Series 28) and Direct Participation Programs Principal (Series 39) examinations.

“Candidates’ Test Results” heading; whereas, in the Series 22 examination outline, the information is under the “Introduction” heading.

Effective October 1, 2018, FINRA is restructuring its representative-level qualification examination program.<sup>4</sup> In conjunction with the restructuring, starting on October 1, 2018, FINRA will no longer provide a total score and a score profile for each major section of the content outline to candidates who pass a qualification examination. FINRA believes that providing such information is unnecessary once a candidate has met the minimum score threshold for passing an examination.<sup>5</sup> However, FINRA will continue to provide a total score and a score profile for each major section of the content outline to a candidate who fails an examination. As noted above, such information is relevant in evaluating whether the candidate needs additional study time and training and whether the candidate should retake the examination.

Consistent with this administrative change, FINRA is reformatting the content outlines for the current Series 6, 7, 11, 17, 22, 37, 38, 42, 57, 62, 72, 79, 82 and 99 examinations as well as for the Series 4, 9, 10, 16, 23, 24, 26, 27, 28 and 39 examinations to remove references to information relating to test results. Instead, such information will be available on a dedicated location on FINRA’s website.

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<sup>4</sup> See Regulatory Notice 17-30 (October 2017).

<sup>5</sup> Unlike FINRA qualification examinations, some examinations, such as the SAT, do not have a minimum score threshold for passing the examination (*i.e.*, they do not have a passing score). For such an examination, an individual’s total score and breakdown of the score is necessary in evaluating the individual’s performance compared to other individuals who took the examination.

Availability of Content Outlines

The revised content outlines will be available on FINRA's website on the date of this filing.

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 with the implementation of the restructured representative-level examination program.

(b) Statutory Basis

FINRA believes that the proposed changes to the examination content outlines are consistent with the provisions of Section 15A(b)(6) of the Act,<sup>6</sup> 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,<sup>7</sup> which authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. FINRA is proposing an administrative change relating to test results information on the content outlines, without compromising the qualification standards. In addition, the proposed rule change streamlines the content outlines by moving test results information, which currently appears in different places on the outlines, to a dedicated location on the FINRA website.

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<sup>6</sup> 15 U.S.C. 78o-3(b)(6).

<sup>7</sup> 15 U.S.C. 78o-3(g)(3).

**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

Economic Baseline

Currently, candidates who take a FINRA qualification examination receive a total score and score break down regardless of whether they pass or fail their examination. These examinations are designed to demonstrate basic proficiency around a subject matter.

Anecdotally, FINRA is aware that candidates approach the test with different objectives; specifically, some candidates seek to achieve the highest possible score while others seek only to ensure that they achieve a score sufficient to pass the examination.

Economic Impact

Beginning on October 1, 2018, FINRA will no longer provide score information to candidates who pass a qualification examination. A candidate will receive score information only if the candidate did not pass the examination. In conjunction with this change, the proposed rule change revises the impacted content outlines to remove references to information relating to score information.

Impact on Individuals

The absence of score information for candidates who pass a qualification examination neither imposes additional costs on, nor provides additional benefits to, non-passing candidates. The continued availability of the failing scores and score profiles



will continue to benefit candidates who want to use this information to decide whether to retake the examination and if so, what areas they should focus on when studying for future examinations.

For passing candidates, the lack of score information affects the information set available to them, and thus may impact them in different ways. For example, candidates may use the information provided today in a variety of contexts related to their employment, including negotiating compensation, seeking future employment or demonstrating areas of particular strength. However, FINRA knows of no established evidence that these scores reliably predict future outcomes related to employment success.<sup>8</sup> Further, FINRA qualification examinations are not designed to provide information beyond demonstration of basic proficiency. For these reasons, comparisons of test scores across candidates may not be appropriate.<sup>9</sup>

Nevertheless, to the extent that test scores are used by individuals and others today, restricting the information may impose certain costs. For individuals, these costs can vary from time and effort to differentiate themselves, to direct monetary costs if a test score would have improved their compensation or position. Regardless of its predictive

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<sup>8</sup> In Do Investors Have Valuable Information About Brokers?, Qureshi and Sokobin demonstrate that examination scores are not informative for predicting future customer harm when used in conjunction with other relevant public data (available at: <http://www.finra.org/industry/chief-economist>).

<sup>9</sup> The Standard for Educational and Psychological Testing published by the American Education Research Association, American Psychological Association, and National Council on Measurement in Education have established that “[i]f validity for some common or likely interpretation for a given use has not been evaluated, or if such an interpretation is inconsistent with available evidence, that fact should be made clear and potential users should be strongly cautioned about making unsupported interpretations.”

ability, where parties today rely on the details of passing scores to make decisions and would make a different judgment in the absence of such information, the change may result in an economic transfer away from high-scoring individuals towards others.

#### Impact on Other Users of the Information

The economic impact to others is fundamentally related to the extent to which candidates share passing score information with current or prospective employers and the reliability of such scores as a signal in the contexts for which they are being used.

In situations where passing scores are misleading and cause users to make inefficient or ineffective decisions, the elimination of this information may lead to benefits through better decision making. In situations where passing scores are not misleading but are uninformative, they add noise to the decision-making process. However, noisy information should not cause consistent bias in the aggregate. Finally, in situations where passing scores are viewed as providing valuable information in decision making, the elimination of this information may result in the need for an alternative process and, in turn, result in additional costs.

**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)(i) of the Act<sup>10</sup> and Rule 19b-4(f)(1) thereunder,<sup>11</sup> 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. The implementation date will be October 1, 2018, to coincide with the implementation of the restructured representative-level examination program.

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. Cover Pages and Revised Pages of the Content Outlines.

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<sup>10</sup> 15 U.S.C. 78s(b)(3)(A)(i).

<sup>11</sup> 17 CFR 240.19b-4(f)(1).

Exhibit 3b. 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.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-FINRA-2018-036)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to Test Results Information on the Content Outlines of FINRA Qualification Examinations

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 “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 Act<sup>3</sup> and Rule 19b-4(f)(1) 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 revisions relating to test results information on the content outlines of certain FINRA representative- and principal-level qualification examinations.

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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)(i).

<sup>4</sup> 17 CFR 240.19b-4(f)(1).

FINRA is not proposing any textual changes to the By-Laws, Schedules to the By-Laws or Rules of FINRA.

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

Each FINRA representative- and principal-level qualification examination has a minimum score threshold that is necessary for passing the examination (also referred to as a "passing score"). For instance, the passing score for the current General Securities Representative (Series 7) examination is 72. FINRA determines the passing score for each examination based on a process known as standard setting, which assesses a number of factors, including industry trends, historical examination performance and evaluations of content difficulty by a committee of industry professionals who have passed the related examination. The passing score for an examination reflects the minimum level of knowledge necessary to perform the functions for which a candidate is registering.

A candidate's numerical score on an examination is necessary to determine whether the candidate has satisfied the minimum score threshold for passing the examination. In addition, if a candidate fails to meet the minimum score threshold for passing an examination, the candidate's numerical score is relevant in evaluating the extent to which the candidate needs additional study time and training and whether the candidate should retake the examination.<sup>5</sup>

Currently, candidates who take a FINRA qualification examination receive a test results report of their performance at the end of their test session. The test results report will indicate a pass or fail status. Further, the report will indicate a total score and a score profile for each major section of the content outline. Several FINRA representative- and principal-level examination content outlines currently include information relating to the test results.<sup>6</sup> This information appears in different places in the content outlines. For

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<sup>5</sup> A candidate who fails an examination is eligible to retake that examination after 30 calendar days. However, if a candidate fails an examination three or more times in succession within a two-year period, the candidate is prohibited from retaking that examination until 180 calendar days from the date of the candidate's last attempt to pass it.

<sup>6</sup> These representative-level examinations are the current Investment Company and Variable Contracts Products Representative (Series 6), General Securities Representative (Series 7), Order Processing Assistant Representative (Series 11), United Kingdom Securities Representative (Series 17), Direct Participation Programs Representative (Series 22), Canadian Securities Representative (Series 37 and Series 38), Options Representative (Series 42), Securities Trader (Series 57), Corporate Securities Representative (Series 62), Government Securities Representative (Series 72), Investment Banking Representative (Series 79), Private Securities Offerings Representative (Series 82) and Operations Professional (Series 99) examinations. These examinations are available to candidates who open an examination window in the Central Registration Depository ("CRD<sup>®</sup>") system prior to October 1, 2018. The revised Series 6, 7, 22, 57, 79, 82 and 99 examinations, which will be available to candidates who open an examination window on or after October 1, 2018, do not include information relating to examination results. In addition, the current Series 11, 17,

instance, in the Series 99 examination outline, the information appears under the “Candidates’ Test Results” heading; whereas, in the Series 22 examination outline, the information is under the “Introduction” heading.

Effective October 1, 2018, FINRA is restructuring its representative-level qualification examination program.<sup>7</sup> In conjunction with the restructuring, starting on October 1, 2018, FINRA will no longer provide a total score and a score profile for each major section of the content outline to candidates who pass a qualification examination. FINRA believes that providing such information is unnecessary once a candidate has met the minimum score threshold for passing an examination.<sup>8</sup> However, FINRA will continue to provide a total score and a score profile for each major section of the content outline to a candidate who fails an examination. As noted above, such information is relevant in evaluating whether the candidate needs additional study time and training and whether the candidate should retake the examination.

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37, 38, 42, 62 and 72 will not be available to candidates who open an examination window on or after October 1, 2018.

The principal-level examinations are the Registered Options Principal (Series 4), General Securities Sales Supervisor (Series 9 and Series 10), Supervisory Analyst (Series 16), General Securities Principal Sales Supervisor Module (Series 23), General Securities Principal (Series 24), Investment Company and Variable Contracts Products Principal (Series 26), Financial and Operations Principal (Series 27), Introducing Broker-Dealer Financial and Operations Principal (Series 28) and Direct Participation Programs Principal (Series 39) examinations.

<sup>7</sup> See Regulatory Notice 17-30 (October 2017).

<sup>8</sup> Unlike FINRA qualification examinations, some examinations, such as the SAT, do not have a minimum score threshold for passing the examination (*i.e.*, they do not have a passing score). For such an examination, an individual’s total score and breakdown of the score is necessary in evaluating the individual’s performance compared to other individuals who took the examination.



Consistent with this administrative change, FINRA is reformatting the content outlines for the current Series 6, 7, 11, 17, 22, 37, 38, 42, 57, 62, 72, 79, 82 and 99 examinations as well as for the Series 4, 9, 10, 16, 23, 24, 26, 27, 28 and 39 examinations to remove references to information relating to test results. Instead, such information will be available on a dedicated location on FINRA's website.

#### Availability of Content Outlines

The revised content outlines will be available on FINRA's website on the date of this filing.

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.

#### 2. Statutory Basis

FINRA believes that the proposed changes to the examination content outlines are consistent with the provisions of Section 15A(b)(6) of the Act,<sup>9</sup> 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,<sup>10</sup> which authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. FINRA is proposing an administrative change relating to test results information on the content outlines, without compromising the qualification standards. In addition, the proposed rule change streamlines the content

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<sup>9</sup> 15 U.S.C. 78o-3(b)(6).

<sup>10</sup> 15 U.S.C. 78o-3(g)(3).

outlines by moving test results information, which currently appears in different places on the outlines, to a dedicated location on the FINRA website.

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.

Economic Impact Assessment

Economic Baseline

Currently, candidates who take a FINRA qualification examination receive a total score and score break down regardless of whether they pass or fail their examination. These examinations are designed to demonstrate basic proficiency around a subject matter.

Anecdotally, FINRA is aware that candidates approach the test with different objectives; specifically, some candidates seek to achieve the highest possible score while others seek only to ensure that they achieve a score sufficient to pass the examination.

Economic Impact

Beginning on October 1, 2018, FINRA will no longer provide score information to candidates who pass a qualification examination. A candidate will receive score information only if the candidate did not pass the examination. In conjunction with this change, the proposed rule change revises the impacted content outlines to remove references to information relating to score information.

### Impact on Individuals

The absence of score information for candidates who pass a qualification examination neither imposes additional costs on, nor provides additional benefits to, non-passing candidates. The continued availability of the failing scores and score profiles will continue to benefit candidates who want to use this information to decide whether to retake the examination and if so, what areas they should focus on when studying for future examinations.

For passing candidates, the lack of score information affects the information set available to them, and thus may impact them in different ways. For example, candidates may use the information provided today in a variety of contexts related to their employment, including negotiating compensation, seeking future employment or demonstrating areas of particular strength. However, FINRA knows of no established evidence that these scores reliably predict future outcomes related to employment success.<sup>11</sup> Further, FINRA qualification examinations are not designed to provide information beyond demonstration of basic proficiency. For these reasons, comparisons of test scores across candidates may not be appropriate.<sup>12</sup>

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<sup>11</sup> In Do Investors Have Valuable Information About Brokers?, Qureshi and Sokobin demonstrate that examination scores are not informative for predicting future customer harm when used in conjunction with other relevant public data (available at: <http://www.finra.org/industry/chief-economist>).

<sup>12</sup> The Standard for Educational and Psychological Testing published by the American Education Research Association, American Psychological Association, and National Council on Measurement in Education have established that “[i]f validity for some common or likely interpretation for a given use has not been evaluated, or if such an interpretation is inconsistent with available evidence, that fact should be made clear and potential users should be strongly cautioned about making unsupported interpretations.”

Nevertheless, to the extent that test scores are used by individuals and others today, restricting the information may impose certain costs. For individuals, these costs can vary from time and effort to differentiate themselves, to direct monetary costs if a test score would have improved their compensation or position. Regardless of its predictive ability, where parties today rely on the details of passing scores to make decisions and would make a different judgment in the absence of such information, the change may result in an economic transfer away from high-scoring individuals towards others.

#### Impact on Other Users of the Information

The economic impact to others is fundamentally related to the extent to which candidates share passing score information with current or prospective employers and the reliability of such scores as a signal in the contexts for which they are being used.

In situations where passing scores are misleading and cause users to make inefficient or ineffective decisions, the elimination of this information may lead to benefits through better decision making. In situations where passing scores are not misleading but are uninformative, they add noise to the decision-making process. However, noisy information should not cause consistent bias in the aggregate. Finally, in situations where passing scores are viewed as providing valuable information in decision making, the elimination of this information may result in the need for an alternative process and, in turn, result in additional costs.

#### 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>13</sup> and paragraph (f)(1) of Rule 19b-4 thereunder.<sup>14</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 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-2018-036 on the subject line.

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<sup>13</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>14</sup> 17 CFR 240.19b-4(f)(1).

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-2018-036. 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-2018-036 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>15</sup>

Robert W. Errett  
Deputy Secretary

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<sup>15</sup> 17 CFR 200.30-3(a)(12).



# Registered Options Principal Qualification Examination

(Series 4)

## Content Outline



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HOW THE EXAM IS SCORED .....	5
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### **ADMINISTRATION OF THE EXAM**

The exam is administered via computer. A tutorial on how to take the exam via computer is provided prior to the exam. Each candidate's exam includes 10 additional, unidentified pretest items that do not contribute toward the candidate's score. The 10 items are randomly distributed throughout the exam. Therefore, each candidate's exam consists of a total of 135 items (125 scored and 10 unscored). There is no penalty for guessing. Therefore, candidates should attempt to answer all items. Candidates will be allowed 3 hours and 15 minutes to complete the exam.

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

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

### **HOW THE PASSING EXAM IS SCORED**

Following a well-established process known as standard setting, FINRA determines the passing score for the examination based on a number of factors including industry trends, historical exam performance and evaluations of the content difficulty by a committee of industry professionals with the designated registration. For the Series 4 exam, the passing score is 72%. This passing score reflects the competency needed to hold the designated registration.

### **EQUATING OF TEST SCORES**

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



# Investment Company and Variable Contracts Products Representative Qualification Examination (Series 6)

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HOW THE EXAM IS SCORED ..... 5

EQUATING OF TEST SCORES ..... 5

THE SERIES 6 CONTENT OUTLINE ..... 6

SAMPLE ITEMS ..... 19

REFERENCES ..... 20

## **THE ADMINISTRATION OF THE EXAM**

The exam is administered via computer. A tutorial on how to take the examination via computer is provided prior to taking the exam. Each candidate's exam includes 5 additional, unidentified pretest items that do not contribute toward the candidate's score. The 5 items are randomly distributed throughout the exam. Therefore, each candidate's exam consists of a total of 105 items (100 scored and 5 unscored). There is no penalty for guessing. Therefore, candidates should attempt to answer all items. Candidates will be allowed 135 minutes to complete the exam.

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

Candidates will not be 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 exam.

## **HOW THE EXAM IS SCORED**

Following a well-established process known as standard setting, FINRA determines the passing score for the exam based on a number of factors including industry trends, historical exam performance and evaluations of the content difficulty by of a committee of industry professionals with the designated registration. For the Series 6 exam, the passing score is 70%. This passing score reflects the competency needed to hold the designated registration.

## **EQUATING OF TEST SCORES**

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



# General Securities Representative Qualification Examination

(Series 7)

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## **HOW THE EXAM IS SCORED**

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

Following a well-established process known as standard setting, FINRA determines the passing score for the exam based on a number of factors including industry trends, historical exam performance and evaluations of content difficulty by a committee of industry professionals with the designated registration. For the Series 7 exam, the passing score is 72%. This passing score reflects the competency needed to hold the designated registration.

### **EQUATING OF TEST SCORES**

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





# General Securities Sales Supervisor Qualification Examination

(Series 9/10)

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## **HOW THE EXAM IS SCORED**

Following a well-established process known as standard setting, FINRA determines the passing score for the examination based on a number of factors including industry trends, historical exam performance and evaluations of the content difficulty by a committee of industry professionals with the designated registration. For the Series 9 exam, the passing score is 70% and for the Series 10 exam, the passing score is 70%. This passing score reflects the competency needed to hold the designated registration.

## **EQUATING OF TEST SCORES**

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



# Order Processing Assistant Representative Qualification Examination

(Series 11)

## Content Outline

## Introduction

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The "Assistant Representative-Order Processing" category of registration applies to persons associated with a FINRA member firm who accept telephone or other communications from the public for the purposes of **providing current securities quotations and accepting unsolicited customer orders** for submission to the normal order execution operations of the member. Persons performing either of the above tasks for a member and not already registered as a Representative or Principal must register with FINRA through their member firm.

An Assistant Representative-Order Processing registrant may conduct the above-mentioned tasks only on the premises of the member, must be under the direct supervision of an appropriately registered principal, and may not receive extra direct or indirect compensation for the number or size of transactions effected. In addition, an Assistant Representative-Order Processing registrant is prohibited from:

- rendering investment advice or opinion;
- making recommendations;
- effecting transactions in securities markets on behalf of the member firm;
- accepting or opening new accounts;
- pre-qualifying potential customers;
- effecting transactions in municipal securities;
- effecting transactions in direct participation programs; and
- *dually* registering as a Representative or Principal.

This study outline lists the topics tested on the Assistant Representative - Order Processing Qualification Examination (Series 11). The outline and the examination cover the four main areas of subject matter listed below, along with the weighing of those subjects in terms of the number of questions per test:

Section and Title	Number of Questions
1.0 Types of Securities	10
2.0 Customer Accounts and Orders	24
3.0 Securities Markets	5
4.0 Securities Industry Regulations	11
<b>Total</b>	<b>50</b>

### Structure of the Examination

The examination is composed of 50 multiple-choice questions covering all of the materials in the following outline in accordance with the subject-matter distribution shown above. Candidates will be allowed 1 hour to complete the examination. A candidate must correctly answer 70 percent of the questions to receive a passing grade. The examination is a closed-book test and candidates will not be permitted to use any reference material



# Supervisory Analyst Qualification Examination

## (Series 16)

### Content Outline

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The candidate will be registered as an SA after passing both the S161 and S162 (or the Series 161 only if the candidate is exempt from the Series 162 as noted earlier). In the event of a failing score on one part of the exam (or both parts), the candidate must retake whichever part(s) that he failed. If a candidate fails the exam, he may take the exam again 30 days after the date of the prior exam. If a candidate fails an exam three or more times in succession, he or she must wait until 180 calendar days have elapsed from the date of the last attempt to pass the exam. Within a few days of passing the exam, approval of the candidate's status as an SA will be recorded in the Central Registration Depository (CRD). The individual's registration is effective as of the date of the SA approval in the CRD system, not the date of passing the exam.





# United Kingdom Securities Representative Qualification Examination

(Series 17)

## Content Outline

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## **HOW THE EXAM IS SCORED**

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

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

### **SAMPLE TEST QUESTIONS AND REFERENCES**

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



# Direct Participation Programs Representative Qualification Examination

(Series 22)

## Content Outline

The exam is a closed-book test and candidates will not be permitted to use any reference material during their testing session. White boards/dry erase markers and a basic electronic calculator will be provided by the test center administrator. Severe penalties are imposed on candidates who cheat on securities industry qualification exams.

Exam items are updated regularly to reflect the most current interpretations of the rules and regulations. Items on new rules will be added to the pool of items for this exam within a reasonable period of their effective dates.

At the end of this outline are four sample items written in the various formats used in the actual Series 22 exam. The samples do not mirror the difficulty level of actual test items or the subject matter distribution of the exam itself. Their use is merely to familiarize the candidate with the style of multiple-choice items used in the Series 22 exam.

Information about qualifications exams may be found at:  
<http://www.finra.org/industry/qualification-exams>.

Please Note: Candidates are responsible for keeping abreast of changes made to the applicable rules and regulations, as the exam is updated when new rules are introduced and/or amended.

The following reference materials may be used in preparing for the exam.



# General Securities Principal Sales Supervisor Module Qualification Examination

(Series 23)

## Content Outline

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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 70%.





# General Securities Principal Qualification Examination

(Series 24)

## Content Outline

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guessing. Therefore, candidates should attempt to answer all items. Candidates will be allowed 3 hours and 45 minutes to complete the exam.

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

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

### **HOW THE EXAMINATION IS SCORED**

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

### **EQUATING OF TEST SCORES**

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



# Investment Company and Variable Contracts Products Principal Qualification Examination (Series 26)

## Content Outline

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### **ADMINISTRATION OF THE EXAM**

The exam is administered via computer. A tutorial on how to take the exam via computer is provided prior to taking the exam. Each candidate's exam includes 10 additional, unidentified pretest items that do not contribute toward the candidate's score. The 10 items are randomly distributed throughout the exam. Therefore, each candidate's exam consists of a total of 120 items (110 scored and 10 unscored). There is no penalty for guessing. Therefore, candidates should attempt to answer all items. Candidates will be allowed 2 hours and 45 minutes to complete the exam.

White boards/dry erase markers and basic electronic calculators will be provided to candidates by the test administrator, and must be returned to the test center administrator at the end of the testing session. Some test items 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 test items that a candidate has to answer correctly in order to pass the exam. FINRA staff, in consultation with the Committee, using a standard setting procedure, 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 is 70%.



# Financial and Operations Principal Qualification Examination

(Series 27)

## Content Outline

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PURPOSE OF THE EXAM ..... 3

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ADMINISTRATION OF THE EXAM ..... 4

HOW THE EXAM IS SCORED ..... 5

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guessing. Therefore, candidates should attempt to answer all items. Candidates will be allowed 3 hours and 45 minutes to complete the exam.

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

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

### **HOW THE 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%.



# **Introducing Broker-Dealer Financial and Operations Principal Qualification Examination**

**(Series 28)**

## **Content Outline**

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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%.



# Canada Securities Representative Qualification Examination

(Series 37)

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Table 1 - Number of Test Questions on the Series 37 by Major Job Functions .....	6
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administrators are allowed and must be returned to the test administrator at the end of the testing session. Severe penalties are imposed on candidates who cheat or attempt to cheat on FINRA-administered examinations.

## **HOW THE EXAM IS SCORED**

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

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

### **SAMPLE TEST QUESTIONS AND REFERENCES**

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



# Canada Securities Representative Qualification Examination

(Series 38)

## Content Outline



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The Administration of the Series 38 Examination .....	6
How the Exam is Scored .....	7
How the Passing Score is Determined .....	7
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FUNCTIONS, TASKS, KNOWLEDGE AND RULES .....	8
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RULES AND REGULATIONS .....	21
SAMPLE QUESTIONS .....	37
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Table 1 - Number of Test Questions on the Series 38 by Major Job Functions .....	5
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F5 Obtains and Verifies Customer's Purchase and Sales Instructions, Enters Orders, and Follows Up	20%	9
<b>TOTAL</b>	<b>100%</b>	<b>45</b>

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

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

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

### **HOW THE EXAMINATION IS SCORED**

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

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



# Direct Participation Programs Principal Qualification Examination

(Series 39)

## Content Outline

## STUDY OUTLINE

### DIRECT PARTICIPATION PROGRAMS LIMITED PRINCIPAL QUALIFICATION EXAMINATION (SERIES 39)

The FINRA Direct Participation Programs Limited Principal (Series 39) Qualification Examination (hereinafter called the DPP Principal) is designed to test a candidate's knowledge of the rules and statutory provisions applicable to the management of a broker-dealer which limits its securities business to these products.

This study outline has been prepared to assist FINRA member firms in preparing candidates to sit for the Series 39 exam. It may be used to structure or prepare training materials, develop lecture notes and seminar programs, and as a training aid for candidates themselves. This outline and the exam are divided into three topical sections listed below, along with the percentage of each section's representation in the overall exam.

Section	Description	Number of Items
1	Structure and Regulation of Direct Participation Program Offerings	46
2	Sales Supervision; General Supervision of Employees; Regulatory Framework of FINRA	32
3	Compliance with Financial Responsibility Rules	22
<b>Total</b>		<b>100</b>

The Series 39 exam is composed of 100 multiple-choice items covering all of the materials in the following outline in accordance with the subject-matter distribution shown above. Candidates will be allowed 135 minutes to complete the exam. A candidate must correctly answer 70 percent of the items to receive a passing grade.

The exam is a closed-book test and candidates will not be permitted to use any reference material during their testing session. White boards/dry erase markers and a basic electronic calculator will be provided by the test center administrator. Severe penalties are imposed on candidates who cheat on securities industry qualification exams.

Exam items are updated regularly to reflect the most current interpretations of the rules and regulations. Items on new rules will be added to the pool of items for this exam within a reasonable period of their effective dates.

At the end of this outline are four sample items written in the various formats used in the actual Series 39 exam. The samples do not mirror the difficulty level of actual test items or the subject matter distribution of the test itself. Their use is merely to familiarize the candidate with the style of multiple-choice items used in the Series 39 exam.



# Options Representative Qualification Examination

## (Series 42)

### Content Outline

## INTRODUCTION

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The Series 42 exam is a pure options exam that is used to qualify a candidate as a registered options representative. A co-requisite to registration as a Series 42 representative is registration as a Limited Representative—Corporate Securities (Series 62) or Limited Representative – Government Securities (Series 72). The Series 42 examination is composed of four major sections as follows:

Section	Title	Number of Items
1	Terminology, Types of Options, Investment Strategies and Taxation	20
2	Handling Options Accounts	14
3	Trading and Settlement Practices	10
4	Qualifications and Business Conduct of Registered Options Representatives; Reporting and Recordkeeping Requirements	6
<b>Total</b>		<b>50</b>

### Structure of the Exam

The exam is composed of 50 multiple-choice items covering all of the materials in the following outline in accordance with the subject-matter distribution shown above. Candidates will be allowed 1 ½ hours to complete the exam. A candidate must correctly answer 70 percent of the items to receive a passing grade. The exam is a closed-book test and candidates will not be permitted to use any reference material during their testing session. White boards/dry erase markers and a basic electronic calculator will be provided by the test center administrator. Severe penalties are imposed on candidates who cheat on securities industry qualification exams. Exam items are updated regularly to reflect the most current interpretations of the rules and regulations. Items on new rules will be added to the pool of items for this exam within a reasonable period of their effective dates.

Unless an item specifically asks about conventional OTC options, all items should be read and answered as they would apply to exchange listed standardized options. Also, unless an item is specifically worded to the contrary, all items involving calculations exclude commissions and other transaction cost considerations.

Copies of this outline and registration applications may be obtained from the FINRA Web Site at [www.finra.org](http://www.finra.org).

There are also sample Series 42 exam items written in the various formats. They do not mirror the difficulty level of the actual exam items or the subject matter distribution of



# Securities Trader Qualification Examination (Series 57)

## Content Outline

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## **ADMINISTRATION OF THE EXAM**

The exam is administered via computer. A tutorial on how to take the exam via computer is provided prior to the exam. Each candidate's exam includes 10 additional, unidentified pretest items that do not contribute toward the candidate's score. The 10 items are randomly distributed throughout the exam. Therefore, each candidate's exam consists of a total of 135 items (125 scored and 10 unscored). There is no penalty for guessing. Therefore, candidates should attempt to answer all items. Candidates will be allowed 3 hours and 45 minutes to complete the exam.

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

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

## **HOW THE EXAM IS SCORED**

Following a well-established process known as standard setting, FINRA determines the passing score for the examination based on a number of factors including industry trends, historical exam performance and evaluations of the content difficulty by a committee of industry professionals with the designated registration. For the Series 57 exam, the passing score is 70%. This passing score reflects the competency needed to hold the designated registration.

## **EQUATING OF TEST SCORES**

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



# Corporate Securities Representative Qualification Examination

(Series 62)

## Content Outline

## Introduction

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The FINRA Corporate Securities Limited Representative Qualification Examination (Series 62) is used to qualify individuals seeking registration with FINRA under By-Laws Article III, Section 2, and the Membership and Registration Rules. Registered representatives in this category of registration may trade common and preferred stocks, corporate bonds, rights, warrants, closed-end investment companies, money-market funds, privately issued mortgage-backed securities, other asset-backed securities, and REITS. This category, by itself, does not allow a registered representative to trade municipal securities, direct participation programs, other securities registered under the Investment Company Act of 1940, variable contracts, nor options. Candidates seeking to trade these latter products must also register in one or more of FINRA's other limited representative categories, or as General Securities Registered Representatives.

This study outline can assist FINRA member firms in preparing candidates to sit for the Series 62 exam. Members may use it to structure or prepare training material and to develop lecture notes and seminar programs. This outline can also be used by the individual candidate as a training aid. The outline and the test are divided into the four sections listed below along with the number of items in each section.

<b>Section</b>	<b>Description</b>	<b>Number of Items</b>
1	Types and Characteristics of Securities and Investments	25
2	The Market for Corporate Securities	40
3	Evaluation of Securities and Investments	14
4	Handling Customer Accounts and Securities Industry Regulations	36
<b>Total</b>		<b>115</b>

### Structure of the Exam

The exam is composed of 120 multiple-choice items covering all of the materials in the following outline in accordance with the subject-matter distribution shown above. Candidates will be allowed 2 ½ hours to complete the exam. A candidate must correctly answer 70 percent of the items to receive a passing grade. The exam is a closed-book test and candidates will not be permitted to use any reference material during their testing session. Whiteboard/dry erase pens and a basic electronic calculator will be provided by the test center administrator. Severe penalties are imposed on candidates who cheat on securities industry qualification exams. Exam items are updated regularly to reflect the most current interpretations of the rules and regulations.

To ensure that new items meet acceptable testing standards prior to use, each exam includes 5 additional, unidentified "pretest" items that do not contribute towards the



# Government Securities Representative Qualification Examination

(Series 72)

## Content Outline

## Introduction

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The Government Securities Limited Representative Qualification Examination (Series 72) is used to qualify persons seeking registration with FINRA under FINRA By-Laws Article III, Section 2 and Rule 1032(f). Registered representatives in this limited category of registration are permitted to transact a member's business in government securities, agency securities, and agency-backed mortgage securities. This category, by itself, does not allow a registered representative to transact a member's business in options on government securities. Candidates seeking to conduct transactions in this latter product must also register as registered options representatives.

This study outline has been prepared to assist member firms in preparing candidates to sit for the Series 72 Examination. It may be used to structure or prepare training material and develop lecture notes and seminar programs, as well as a training aid for the candidates themselves. The outline and the test are divided into the six sections, which are listed below along with the number of questions devoted to each section.

<b>Section</b>	<b>Description</b>	<b>Number of Questions</b>
1	Government Securities	22
2	Mortgaged-Backed Securities	25
3	Related Securities and Financial Instruments	9
4	Economic Activity, Government Policy and the Behavior of Interest Rates	13
5	Securities Industry Regulations and Legal Considerations	15
6	Customer Considerations	16
<b>Total</b>		<b>100</b>

### Structure of the Examination

The examination is composed of 100 multiple-choice questions covering all of the materials in the following outline in accordance with the subject-matter distribution shown above. Candidates will be allowed 3 hours to complete the examination. A candidate must correctly answer 70 percent of the questions to receive a passing grade. The examination is a closed-book test and candidates will not be permitted to use any reference material during their testing session. Scratch paper and a basic electronic calculator will be provided by the test center administrator. Severe penalties are imposed on candidates who cheat on securities industry qualification examinations. Examination questions are updated regularly to reflect the most current interpretations of the rules and regulations. Questions on new rules will be added to the pool of questions for this examination within a reasonable period of their effective dates.



# Investment Banking Representative Qualification Examination

(Series 79)

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## ORGANIZATION AND ADMINISTRATION OF THE SERIES 79 EXAM

The exam consists of 175 multiple-choice items, which are distributed among the four major job functions of an investment banker. Detail on the content of each of these four major job functions, the tasks associated with the job functions and the knowledge necessary to perform the tasks is included in the text of the content outline that follows. The allocation of test items for each major function is listed below in Table 1:

**Table 1 – Number of Test Items on the Series 79 Exam by Job Function**

<b>Job Function</b>	<b>Description</b>	<b>Number of Items</b>
1	Collection, Analysis and Evaluation of Data	75
2	Underwriting/New Financing Transactions, Types of Offerings and Registration of Securities	43
3	Mergers and Acquisitions, Tender Offers and Financial Restructuring Transactions	34
4	General Securities Industry Regulations	23
<b>Total</b>		<b>175</b>

### Administration of the Series 79 Exam and Scoring

The exam is administered via computer. A tutorial on how to take the exam via computer is presented prior to taking the examination. Candidates will be allowed five (5) hours of testing time to take the exam. To ensure that new items meet acceptable testing standards prior to use, each exam includes 10 additional, unidentified “pre-test” items that do not contribute towards the candidate's score. The 10 items are randomly distributed throughout the exam. Therefore, each candidate takes a total of 185 items, of which 175 items are scored. There is no penalty for guessing. Therefore, candidates should try to respond to each item.

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





# Private Securities Offerings Representative Qualification Examination

(Series 82)

## Content Outline

of the items to receive a passing grade. The exam is a closed-book test and candidates will not be permitted to use any reference material during their testing session. White boards/dry erase markers and basic electronic calculators will be provided to the candidates by the test administrator. Severe penalties are imposed on candidates who cheat on securities industry qualification exams. Exam items are updated regularly to reflect the most current interpretations of the rules and regulations. Items on new rules will be added to the pool of items for this exam within a reasonable period of their effective dates.

Information about qualifications exams may be found at  
<http://www.finra.org/industry/qualification-exams>

There are also sample Series 82 exam items written in the various formats. They do not mirror the difficulty level of the actual test items or the subject matter distribution of the test itself. Their use is merely to familiarize the candidate with the styles of multiple-choice items used in the Series 82 exam.

Please Note: Candidates are responsible for keeping abreast of changes made to the applicable rules and regulations, as the exam is updated when new rules are introduced and/or amended.

The following reference materials may be used in preparing for the exam



# Operations Professional Qualification Examination

(Series 99)

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### **EQUATING OF TEST SCORES**

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

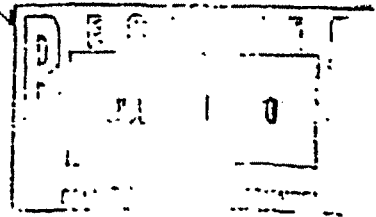
### **SAMPLE TEST QUESTIONS**

Sample multiple-choice test questions are presented in the Appendix on pages B-1 – B-9. The sample questions are included to provide examples of the basic types of multiple-choice test questions used in the examination. They also provide an illustration of the typical difficulty level of the actual test questions and the subject matter covered on the examination.



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.

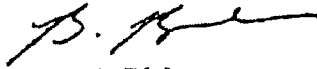
Alden S. Adkins

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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