

## **Content Outline S101 Personalization**

### **Module A: Responsibilities to Customers: Communications with the Public, Suitability, and Basic Product Knowledge**

This module focuses on the following four substantive areas with respect to responsibilities to customers.

#### **A.1 Types of Communications**

Types of communications focusing on definitions, permitted uses and restrictions, approval, and retention requirements for written, electronic and oral communications.

Examples: Email, instant messaging, social media, telemarketing, advertising and seminars.

#### **A.2 Content Standards, Review and Approval Requirements**

This section focuses on industry requirements designed to ensure that all communications are fair and balanced, and do not contain misleading, exaggerated or unwarranted statements, or omit material facts.

Examples: Professional designations, internal-use only documents, research, copyrighted materials, testimonials, retail versus institutional communications, prohibitions and restrictions related to distribution, predictions, projections, guarantees of performance and blanket recommendations.

#### **A.3 Suitability**

Suitability requirements include obtaining, monitoring and periodically re-confirming client information in order to determine the suitability of investments prior to making any recommendations.

Examples: Client profile, including age, income, net-worth, investment objectives, experience, risk tolerance, tax status, time horizon, liquidity needs and other securities holdings.

## **A.4 Product Knowledge/Investment Vehicles and Implications Related to Risk**

This section focuses on characteristics, risks and disclosure requirements of products/investment vehicles and strategies.

Examples of Products: equities, fixed-income securities, packaged products and alternative investments.

Examples of Risk: Market, interest rate, credit, sector, etc.

Examples of Investment Vehicles and Strategies: Retirement plans, asset allocation, rebalancing and dollar-cost averaging.

## **Module B: Operational Responsibilities: Customer Accounts, Trade and Settlement**

This module focuses on the following six substantive areas with respect to operational responsibilities.

### **B.1 Account Opening and Maintenance**

This section of the module includes procedures and information required for opening and maintaining client accounts, including approvals, recordkeeping and delivery of account documentation.

Examples: Customer Identification Program (CIP), ACATs transfers, safeguarding client information (Reg SP), delivery of disclosures and required account documentation (margin, options, prospectus, privacy policy, SIPC/FDIC disclosures).

### **B.2 Client Account Registrations**

Client Account Registrations focuses on the different characteristics of client accounts.

Examples: Individual, joint, estate, custodial, trust, retirement, education funding and corporate accounts.

### **B.3 Trade Authorization and Approval**

This section of the module identifies requirements for order entry, confirmation, trading authorization, errors and erroneous reports.

Examples: Use of discretionary trading authority, time and price discretion, types of powers of attorney (POA), obligations and limits of fiduciaries, trading disclosure (penny stocks), types of orders, cancels and rebills, short and long positions, Rule 144/restricted securities, and new and secondary offerings.

## **B.4 Account Activity**

Account Activity focuses on the responsibilities related to external and internal distributions, transfers of securities/funds and trading activity.

Examples: Third-party checks, wire transfers, payments and trade settlement and the consequences of non-payment/non-delivery.

## **B.5 Anti-Money Laundering (AML)**

AML focuses on recognizing the stages of money laundering, red flags and other suspicious activities, implementing due diligence procedures, understanding reporting requirements and the roles of regulatory partners.

Examples: Customer Identification Program (CIP), USA PATRIOT Act, Bank Secrecy Act (BSA), Currency Transaction Reports (CTRs), internal reporting obligations, Suspicious Activity Reports (SARs), Office of Foreign Assets Control (OFAC), Specially Designated Nationals (SDN) List, Financial Crimes Enforcement Network (FinCEN).

## **B.6 Margin and Margin-Related Issues**

This section of the Module addresses the appropriate use of margin, requirements, associated risks, and disclosure documentation.

Examples: Associated risks (e.g., margin calls, loss of voting power, potential liquidation of securities); initial, maintenance, and house margin requirements; Regulation T requirements; pattern day-trading requirements.

## **Module C: Regulatory Responsibilities: Ethics and Business Conduct, Complaints and Inquiries, Prohibited and Fraudulent Behavior, Registration and Licensing Requirements**

This module focuses on the following five substantive areas with respect to ethics and business conduct.

### **C.1 Ethics and Business Conduct**

Ethics and Business Conduct addresses the importance of high standards of commercial honor, conducting activities in accordance with good business practices, and to honor just and equitable principles of trade.

Examples: Conflicts of interest, gifts and gratuities, non-cash compensation, private securities transactions, outside business activities and accounts, loans to or from clients, sharing commissions, referral fees, compensating unregistered persons, and political contributions.

## **C.2 Client Complaints, Arbitrations/Mediations and Regulatory Inquiries**

This section of the module focuses on how to identify, report, investigate, document and respond to client complaints.

Examples: Documenting and reporting written or oral complaints, updating Forms U4/U5 (if necessary), arbitration, mediation, negotiated settlements, and cooperation in response to firm and/or regulatory inquiries.

## **C.3 Prohibited/Fraudulent Practices**

Prohibited and Fraudulent Practices focusing on understanding and identifying prohibited and improper activities.

Examples: Churning, forgery and maintenance of document integrity, insider trading, market manipulation, selling away, commingling of funds, circulation of rumors, unauthorized trading, selling to breakpoints, guarantees of performance, and improper sharing in profits and losses with customers.

## **C.4 Registration and Licensing Requirements**

This section of the module focuses on registration, licensing and continuing education requirements, as well as limitations for registered persons, broker-dealers and securities.

Examples: State licensing and self-regulatory organizations (SROs) registration requirements, Forms U4/U5 reporting requirements, insurance licensing and appointments, investment advisers, and state registration of securities (Blue Sky).

## **C.5 Regulatory Authority**

Regulatory Authority provides insight into the regulatory structure of the securities industry.

Examples: Jurisdiction of the SEC, SROs, state regulators and other government entities, definition and consequences of statutory disqualification, and regulatory sanctions.

## **Module D: Personalized Module**

In addition to topics covered in the previous three modules, Module D deals with topics relevant to each of the five following job functions.

### **Module D.1 Retail Sales**

This module contains activities that relate to those in a traditional sales role. Topics to be addressed include products, accounts and daily activities the RR may encounter in their practice.

#### **D.1.1 Investment Products**

This section of the module helps participants identify and understand the characteristics, types and risks of investment products.

Examples: Alternative investments, American Depositary Receipts (ADRs)/American Depositary Shares (ADS), derivatives, exchange-traded funds (ETFs), fixed income securities, hedge funds, listed and OTC options, limited partnerships, low-priced securities, investment companies, unit investment trusts (UIT), preferred/convertible securities, private placements, Real Estate Investment Trusts (REITs), structured products and variable contracts.

#### **D.1.2 Retirement Plans**

This section of the module helps participants understand the characteristics of retirement plans, including types of plans, types of contributions, maximum contribution limits, taxation of investments within a plan, distribution options and allowable exceptions, taxation of distributions, minimum distribution requirements, and penalties for premature distributions, rollovers and excess contributions.

Examples: Individual Retirement Accounts (IRAs) such as Traditional, rollover, Roth, spousal, inherited/beneficiary, and employer-sponsored plans such as defined contribution and defined benefit plans; profit sharing and money purchase plans; SEP (Simplified Employee Pension) plans; 401(k) plans; 403(b) plans, SIMPLE (Savings Incentive Match Plan for Employees) IRA.

#### **D.1.3 Other Retail Sales Issues**

This section of the module helps participants by identifying additional activities and issues related to retail sales.

Examples: Managed accounts, selling agreements, investment adviser activities by RRs, cost basis information, reorganization events (e.g., mergers and acquisitions, odd-lot tender, stock splits, etc.), requirements for disclosing pricing and/or fees relating to commissions, mark-ups and mark-downs, account service fees, and order ticket requirements.

## **D.2 Institutional Sales**

This personalized module is geared toward those who traditionally cover institutional accounts. Subjects to be addressed include clients' accounts, communication standards and regulatory requirements.

### **D.2.1 Communications and Product Knowledge**

This section of the module focuses on definitions, permitted uses and restrictions, approval, and retention requirements for written, electronic and oral communications. In addition, it discusses characteristics and risks related to the various products and strategies.

Examples: Communication content standards, equity, debt and packaged products; credit and equity derivatives; structured products; products sold under agreements and/or contracts.

### **D.2.2 Account Opening and Suitability**

This section of the module includes procedures and information required for opening institutional accounts including approvals, recordkeeping and suitability requirements.

Examples: Customer Identification Program (CIP), ACATS transfers, anti-money laundering (AML), Rule 144A transactions, Qualified Institutional Buyer (QIB), Qualified Purchaser (QP), Accredited Investor and suitability acknowledgement.

### **D.2.3 Trade and Settlement Issues**

This section of the module focuses on institutional trade and settlement issues.

Examples: Prohibited activities related to trading, including but not limited to front-running, market manipulation and excessive mark-ups. In addition, issues relating to best execution, Direct Market Access (DMA), new offering allocations, order ticket requirements, portfolio margin, trade corrections "as/of" and past settlement date, soft dollar arrangements and error accounts.

### **D.2.4 Investment Banking and Research**

This section of the module focuses on the issues related to investment banking and research.

Examples: Information barriers between investment banking and the sales, trading and research areas of a broker-dealer; information barrier crossing; public offerings; and private placement offerings.

## **D.3 Trading**

This module focuses on the specific activities of a trader. The participant will explore trading and settlement issues and prohibited activities.

### **D.3.1 Prohibited Activities Related to Trading**

This section of the module will identify and discuss prohibited trading activities.

Examples: Activities including but not limited to front-running, market manipulation (pump and dump, painting the tape), excessive mark-ups and marking the close.

### **D3.2 - Trade and Settlement Issues**

This section of the module focuses on various issues regarding trading and settlement issues.

Examples: Regulatory trade reporting systems, Market Access Rule, requirements to buy-in or closeout a fail, syndicate transactions, trader corrections “as/of” and past settlement date, error accounts, trading along, block order handling, large trader ID, algorithm trading/high-frequency trading, Limit Up/Limit Down, DVP/RVP, Prime Broker, market-making activities, step outs, trade breaks, negotiated settlement, prearranged trades, stock lending, short sale requirements, day trading.

## **D.4 Operations**

This module focuses on operational issues such as account opening, trade and settlement, and treasury.

### **D.4.1 Account Opening**

This section of the module includes procedures and information required for opening and maintaining client accounts including approvals, recordkeeping and delivery of account documentation.

Examples: Customer Identification Program (CIP), anti-money laundering (AML), Automated Customer Account Transfer Service (ACATS) transfers, safeguarding client information (Reg SP), delivery of disclosures and required account documentation (margin, options, prospectus, privacy policy, SIPC/FDIC disclosures), and types of powers of attorney (POA).

## **D4.2 Trade and Settlement**

This section of the module identifies requirements for confirmation, trading authorization, errors and trade reporting.

Examples: Use of discretionary trading authority, time and price discretion, trading disclosure (penny stocks), types of orders, cancels and rebills, short and long positions, Rule 144/restricted securities, new and secondary offerings, trade reporting and trade corrections, corporate actions, margin and stock loan/securities lending, books and records, account statements and confirmations, selling agreements, proxy voting and physical certificates.

## **D4.3 Treasury**

This section of the module focuses on issues related to custody and control and regulatory reporting requirements.

Examples: Suspense accounts, FOCUS reports, short interest reporting, segregation of client assets, margin balance report.

## **D.5 Research and Investment Banking**

This module focuses on research and information barriers, public and private offerings and the responsibilities associated with these activities.

### **D.5.1 Research and Information Barriers**

This section of the module discusses the requirements regarding the separation between investment banking, sales, trading and research.

Examples: Restricted and watch lists, proprietary and employee trading accounts, research reports, disclosures and disclaimers, review and approvals, insider trading and conflicts of interest.

### **D.5.2 Public Offerings**

This section of the module focuses on the activities, functions, participants and processes related to public offerings.

Examples: Functions of the syndicate/underwriting group, registration requirements, allocation processes, post-effective issues such as lock-up period, flipping, penalty bids, stabilizing transactions, secondary offering, follow-on, shelf offering, Regulation M and municipal offerings.



### **D.5.3 Unregistered Offerings**

This section of the module focuses on the activities, functions, participants and processes related to unregistered offerings.

Examples: FINRA Rule 5123, Regulation A, Regulation S, Regulation D, resale restrictions, due diligence, client qualifications, suitability and the JOBS (Jumpstart Our Business Startups) Act.