

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-82752; File No. SR-FINRA-2018-006)

February 21, 2018

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Revise the Operations Professional (Series 99) Examination

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 February 9, 2018, 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 to the content outline and selection specifications for the Operations Professional (Series 99) examination as part of the restructuring of the representative-level examination program.<sup>5</sup> The proposed revisions also update the material to reflect changes

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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).

<sup>5</sup> FINRA also is proposing corresponding revisions to the Series 99 question bank. Based on instruction from SEC staff, FINRA is submitting this filing for immediate

to the laws, rules and regulations covered by the examination and to incorporate the functions and associated tasks currently performed by an Operations Professional. In addition, FINRA is proposing to make changes to the format of the content outline. FINRA is not proposing any textual changes to the By-Laws, Schedules to the By-Laws or Rules of FINRA.

The revised Series 99 content outline is attached.<sup>6</sup> The revised Series 99 selection specifications have been submitted to the Commission under separate cover with a request for confidential treatment pursuant to SEA Rule 24b-2.<sup>7</sup>

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. [sic]

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.

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

<sup>6</sup> The Commission notes that the content outline is attached to the filing, not to this Notice.

<sup>7</sup> 17 CFR 240.24b-2.

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

1. Purpose

Section 15A(g)(3) of the Act<sup>8</sup> authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. In accordance with that provision, FINRA has developed examinations that are designed to establish that persons associated with FINRA members have attained specified levels of competence and knowledge, consistent with applicable registration requirements under FINRA rules. FINRA periodically reviews the content of the examinations to determine whether revisions are necessary or appropriate in view of changes pertaining to the subject matter covered by the examinations.

The SEC recently approved a proposed rule change to restructure the FINRA representative-level qualification examination program.<sup>9</sup> The rule change, which will become effective on October 1, 2018,<sup>10</sup> restructures the examination program into a new format whereby all new representative-level applicants will be required to take a general knowledge examination (the Securities Industry Essentials or SIE<sup>TM</sup>) and a tailored, specialized knowledge examination (a revised representative-level qualification examination) for their particular registered role.

The restructured program eliminates duplicative testing of general securities knowledge on the current representative-level qualification examinations by moving such content into the

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<sup>8</sup> 15 U.S.C. 78o-3(g)(3).

<sup>9</sup> See Securities Exchange Act Release No. 81098 (July 7, 2017), 82 FR 32419 (July 13, 2017) (Order Approving File No. SR-FINRA-2017-007).

<sup>10</sup> See Regulatory Notice 17-30 (SEC Approves Consolidated FINRA Registration Rules, Restructured Representative-Level Qualification Examinations and Changes to Continuing Education Requirements) (October 2017).

SIE examination.<sup>11</sup> The SIE examination will test fundamental securities-related knowledge, including knowledge of basic products, the structure and function of the securities industry, the regulatory agencies and their functions and regulated and prohibited practices, whereas the revised representative-level qualification examinations will test knowledge relevant to day-to-day activities, responsibilities and job functions of representatives.<sup>12</sup>

As part of the restructuring process and in consultation with a committee of industry representatives, FINRA undertook a review of the Operations Professional (Series 99) examination to remove the general securities knowledge currently covered on the examination and to create a tailored examination to test knowledge relevant to the day-to-day activities, responsibilities and job functions of an Operations Professional. As a result of this review, FINRA also is proposing to revise the Series 99 content outline to reflect changes to the laws, rules and regulations covered by the examination and to incorporate the functions and associated tasks currently performed by an Operations Professional. The proposed change will align the organization of the Series 99 content outline with the organization of the content outlines of the other revised representative-level examinations.<sup>13</sup> In addition, FINRA is proposing to make other changes to the format of the Series 99 content outline.

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

<sup>12</sup> FINRA filed the SIE content outline with the SEC for immediate effectiveness. See Securities Exchange Act Release No. 82578 (January 24, 2018), 83 FR 4375 (January 30, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2018-002). In addition to the proposed rule change relating to the revised Series 99 examination, FINRA will file with the Commission for immediate effectiveness the content outlines for the other revised representative-level qualification examinations.

<sup>13</sup> FINRA currently has organized several FINRA qualification examinations, such as the Securities Trader (Series 57) examination, based on the functions that are performed by the respective registered persons and the associated tasks. FINRA is proposing similar layouts for all of the representative-level examinations, including the Series 99 examination.

Beginning on October 1, 2018, new applicants seeking to register as Operations Professionals must pass the SIE examination and the revised Operations Professional (Series 99) examination.

#### Current Content Outline

The current Series 99 content outline is divided into three sections. The following are the three sections, denoted Section 1 through Section 3, with the associated number of questions:

Section 1: Basic Knowledge Associated with the Securities Industry, 32 questions;

Section 2: Basic Knowledge Associated with Broker-Dealer Operations, 48 questions;

and

Section 3: Professional Conduct and Ethical Considerations, 20 questions.

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

#### Revised Content Outline

As noted above, FINRA is proposing to move the general securities knowledge currently covered on the Series 99 examination to the SIE examination. For example, FINRA Rule 3220 (Influencing or Rewarding Employees of Others) (the Gifts Rule) will now be tested on the SIE examination, rather than on the Series 99 examination. As a result, the revised Series 99 examination will test knowledge specific to the day-to-day activities, responsibilities and job functions of an Operations Professional.

Further, FINRA is proposing to reorganize the content outline by dividing it into two major job functions that are performed by an Operations Professional. The following are the two

major job functions, denoted Function 1 and Function 2, with the associated number of questions:

Function 1: Knowledge Associated with the Securities Industry and Broker-Dealer Operations, 35 questions; and

Function 2: Professional Conduct and Ethical Considerations, 15 questions.

FINRA also is proposing to adjust the number of questions assigned to each major job function to ensure that the overall examination better reflects the key tasks performed by an Operations Professional. The questions on the revised Series 99 examination will place emphasis on tasks such as broker-dealer operations.

Each function also includes specific tasks describing activities associated with performing that function. There are nine tasks (1.1 – 1.9) associated with Function 1<sup>14</sup> and four tasks (2.1 – 2.4) associated with Function 2.<sup>15</sup> For example, one such task (Task 1.1) is opening and maintaining accounts.<sup>16</sup> Further, the content outline lists the knowledge required to perform each function and associated tasks (e.g., types of retail, institutional and prime brokerage customer accounts). In addition, where applicable, the content outline lists the laws, rules and regulations a candidate is expected to know to perform each function and associated tasks (e.g., SEA Rule 15c3-3 (Customer Protection – Reserves and Custody of Securities)).

FINRA also is proposing to revise the content outline to reflect changes to the laws, rules and regulations covered by the examination. Among other revisions, FINRA is proposing to revise the content outline to reflect the adoption of rules in the consolidated FINRA rulebook

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<sup>14</sup> See Exhibit 3a, Outline Pages 3-7. The outline is attached as Exhibit 3a to the 19b-4 form.

<sup>15</sup> See Exhibit 3a, Outline Pages 8-9.

<sup>16</sup> See Exhibit 3a, Outline Page 3.

(e.g., FINRA Rule 3120 (Supervisory Control System) replaces NASD Rule 3012 (Supervisory Control System)).<sup>17</sup>

FINRA is proposing similar changes to the Series 99 selection specifications and question bank.

Finally, FINRA is proposing to make other changes to the format of the content outline, including to the preface, sample questions and reference materials.<sup>18</sup> Among other changes, FINRA is proposing to: (1) reduce the preface to one page of introductory information; (2) streamline details regarding the purpose of the examination; (3) move the application procedures to FINRA's website; and (4) explain that the passing score is established using a standard setting procedure, and that a statistical adjustment process known as equating is used in scoring the examination.<sup>19</sup>

As a result of the proposed changes, the number of scored questions on the Series 99 examination will be reduced from 100 questions to 50 questions.<sup>20</sup> Further, the test time, which is the amount of time candidates will have to complete the examination, will be reduced from two hours and 30 minutes to one hour and 30 minutes. Currently, a score of 68 percent is

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<sup>17</sup> See Rule Conversion Chart, available at <http://www.finra.org/industry/finra-rule-consolidation>.

<sup>18</sup> FINRA is proposing similar changes to the content outlines for other representative-level examinations.

<sup>19</sup> See Exhibit 3a, Outline Pages 2.

<sup>20</sup> Consistent with FINRA's practice of including "pretest" questions on examinations, the Series 99 examination includes five additional, unidentified pretest questions that do not contribute towards the candidate's score. The pretest questions are designed to ensure that new examination questions meet acceptable testing standards prior to use for scoring purposes. Therefore, the Series 99 examination actually consists of 55 questions, 50 of which are scored. The five pretest questions are randomly distributed throughout the examination.

required to pass the examination. FINRA will publish the passing score of the revised Series 99 examination on its website, at [www.finra.org](http://www.finra.org), prior to its first administration.

#### Availability of Content Outline

The current Series 99 content outline is available on FINRA's website. The revised Series 99 content outline will replace the current content outline on FINRA's website, and it will be made available on the 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. FINRA will also announce the implementation date of the proposed rule change in a Regulatory Notice.

#### 2. Statutory Basis

FINRA believes that the proposed revisions to the Series 99 examination program are consistent with the provisions of Section 15A(b)(6) of the Act,<sup>21</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>22</sup> which authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. The proposed rule change will improve the examination program, without compromising the qualification standards, by removing the general knowledge content currently covered on the Series 99 examination, since that content will be covered in the co-requisite SIE examination. In addition, the proposed revisions will further the purposes of the Act by updating the examination program to reflect changes to the laws, rules and regulations covered by the examination and to

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<sup>21</sup> 15 U.S.C. 78o-3(b)(6).

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



incorporate the functions and associated tasks currently performed by an Operations Professional.

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

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The updated examination aligns with the functions and associated tasks currently performed by an Operations Professional and tests knowledge of the most current laws, rules, regulations and skills relevant to those functions and associated tasks. As such, the proposed revisions would make the examination more effective. FINRA also provided a detailed economic impact assessment regarding the introduction of the SIE examination and the restructuring of the representative-level examinations as part of the proposed rule change to restructure the FINRA representative-level qualification examination program.<sup>23</sup>

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>24</sup> and paragraph (f)(1) of Rule 19b-4 thereunder.<sup>25</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

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<sup>23</sup> See Securities Exchange Act Release No. 80371 (April 4, 2017), 82 FR 17336 (April 10, 2017) (Notice of Filing of File No. SR-FINRA-2017-007).

<sup>24</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>25</sup> 17 CFR 240.19b-4(f)(1).

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-2018-006 on the subject line.

##### Paper Comments:

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

All submissions should refer to File Number SR-FINRA-2018-006. 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 10:00 a.m. and 3:00 p.m. Copies of the 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-2018-006 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>26</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>26</sup> 17 CFR 200.30-3(a)(12).