

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-70744; File No. SR-FINRA-2013-045)

October 23, 2013

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Revise the Series 6 Examination Program

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “SEA”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October 16, 2013, 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 filing revisions to the content outline and selection specifications for the Investment Company and Variable Contracts Products Representative (Series 6) examination program.<sup>5</sup> The proposed revisions update the material to reflect changes to the laws, rules and

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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 6 question bank. Based on instruction from SEC staff, FINRA is submitting this filing for immediate

regulations covered by the examination and to incorporate the functions and associated tasks currently performed by an Investment Company and Variable Contracts Products Representative. In addition, FINRA is proposing to make changes to the format of the content outline. FINRA is not proposing any textual changes to the By-Laws, Schedules to the By-Laws or Rules of FINRA.

The revised content outline is attached.<sup>6</sup> The Series 6 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.

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 for review. 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 revised content outline is attached to the filing as Exhibit 3a, 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.

Pursuant to NASD Rule 1032(b)<sup>9</sup> (Limited Representative – Investment Company and Variable Contracts Products), if a representative’s activities are limited solely to redeemable securities of companies registered under the Investment Company Act of 1940 (“Investment Company Act”), securities of closed-end companies registered under the Investment Company Act during the period of original distribution, and variable contracts and insurance premium funding programs and other contracts issued by an insurance company (except contracts that are exempt securities pursuant to Section 3(a)(8) of the Securities Act of 1933), the representative may register and qualify as an Investment Company and Variable Contracts Products

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

<sup>9</sup> The current FINRA rulebook consists of (1) FINRA Rules; (2) NASD Rules; and (3) rules incorporated from NYSE (“Incorporated NYSE Rules”) (together, the NASD Rules and Incorporated NYSE Rules are referred to as the “Transitional Rulebook”). While the NASD Rules generally apply to all FINRA members, the Incorporated NYSE Rules apply only to those members of FINRA that are also members of the NYSE (“Dual Members”). The FINRA Rules apply to all FINRA members, unless such rules have a more limited application by their terms. For more information about the rulebook consolidation process, see Information Notice, March 12, 2008 (Rulebook Consolidation Process).

Representative instead of registering and qualifying as a General Securities Representative (Series 7) pursuant to NASD Rule 1032(a) (General Securities Representative).<sup>10</sup> The Series 6 examination qualifies an individual to function as an Investment Company and Variable Contracts Products Representative.

In consultation with a committee of industry representatives, FINRA recently undertook a review of the Series 6 examination program. As a result of this review, FINRA is proposing to make revisions to the content outline to reflect changes to the laws, rules and regulations covered by the examination and to incorporate the functions and associated tasks currently performed by an Investment Company and Variable Contracts Products Representative. FINRA also is proposing to make changes to the format of the content outline.

#### Current Outline

The current content outline is divided into six sections. The following are the six sections and the number of questions associated with each of the sections, denoted Section 1 through Section 6:

1. Securities Markets, Investment Securities and Economic Factors, 8 questions;
2. Securities and Tax Regulation, 23 questions;
3. Marketing, Prospecting and Sales Presentation, 18 questions;
4. Evaluation of Customers, 13 questions;
5. Product Information; Investment Company Securities and Variable Contracts, 26 questions; and
6. Opening and Servicing Customer Accounts, 12 questions.

Each section also includes the applicable laws, rules and regulations associated with that

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<sup>10</sup> See also Incorporated NYSE Rule 345.15(3) and Incorporated NYSE Rule Interpretation 345.15/02.

section. The current outline also includes a preface (addressing, among other things, the purpose, administration and scoring of the examination), sample questions and reference materials.

### Proposed Revisions

FINRA is proposing to divide the content outline into four major job functions that are performed by an Investment Company and Variable Contracts Products Representative. The following are the four major job functions, denoted Function 1 through Function 4, with the associated number of questions:

Function 1: Regulatory fundamentals and business development, 22 questions;

Function 2: Evaluates customers' financial information, identifies investment objectives, provides information on investment products, and makes suitable recommendations, 47 questions;

Function 3: Opens, maintains, transfers and closes accounts and retains appropriate account records, 21 questions; and

Function 4: Obtains, verifies, and confirms customer purchase and sale instructions, 10 questions.

Each function also includes specific tasks describing activities associated with performing that function. There are four tasks (1.1 – 1.4) associated with Function 1; four tasks (2.1 – 2.4) associated with Function 2; three tasks (3.1 – 3.3) associated with Function 3; and two tasks (4.1 – 4.2) associated with Function 4.<sup>11</sup> By way of example, one such task (Task 2.1) is to gather customers' financial and non-financial information to identify, analyze, and assess risk

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<sup>11</sup> See Exhibit 3a, Outline Pages 6-18.

tolerance, investment experience and sophistication level.<sup>12</sup> Further, the outline lists the knowledge required to perform each function and associated tasks (e.g., account authorizations and legal documents).<sup>13</sup> In addition, where applicable, the outline lists the laws, rules and regulations a candidate is expected to know to perform each function and associated tasks. These include the applicable FINRA Rules (e.g., FINRA Rule 1250), NASD Rules (e.g., NASD Rule 1070) and SEC rules (e.g., SEA Rule 17f-2).<sup>14</sup> FINRA conducted a job analysis study of Investment Company and Variable Contracts Products Representatives, which included the use of a survey, in developing each function and associated tasks and updating the required knowledge set forth in the revised outline. The functions and associated tasks, which appear in the revised outline for the first time, reflect the day-to-day activities of an Investment Company and Variable Contracts Products Representative.

As noted above, FINRA also is proposing to revise the content outline to reflect changes to the laws, rules and regulations covered by the examination. Among other revisions, FINRA is proposing to revise the content outline to reflect the adoption of rules in the consolidated FINRA rulebook (e.g., NASD Rule 2310 (Recommendations to Customers (Suitability)) and NASD Rule 3110 (Books and Records) were adopted as FINRA Rule 2111 (Suitability) and FINRA Rule 4510 Series (Books and Records), respectively).<sup>15</sup>

FINRA is proposing similar changes to the Series 6 selection specifications and question bank.

Finally, FINRA is proposing to make changes to the format of the content outline,

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<sup>12</sup> See Exhibit 3a, Outline Page 10.

<sup>13</sup> See Exhibit 3a, Outline Page 15.

<sup>14</sup> See Exhibit 3a, Outline Pages 6-7.

<sup>15</sup> See Rule Conversion Chart, available at <http://www.finra.org/Industry/Regulation/FINRARules/p085560>.

including the preface, sample questions and reference materials. Among other changes, FINRA is proposing to: (1) add a table of contents;<sup>16</sup> (2) provide more details regarding the purpose of the examination;<sup>17</sup> (3) provide more details on the application procedures;<sup>18</sup> (4) provide more details on the development and maintenance of the content outline and examination;<sup>19</sup> (5) explain that the passing scores are established by FINRA staff, in consultation with a committee of industry representatives, using a standard setting procedure and that the scores are an absolute standard independent of the performance of candidates taking the examination;<sup>20</sup> and (6) note that each candidate will receive a score report at the end of the test session, which will indicate a pass or fail status and include a score profile listing the candidate's performance on each major content area covered on the examination.<sup>21</sup>

The number of questions on the Series 6 examination will remain at 100 multiple-choice questions,<sup>22</sup> and candidates will continue to have 135 minutes to complete the examination. Currently, a score of 70 percent is required to pass the examination. The passing score will remain the same.

#### Availability of Content Outlines

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<sup>16</sup> See Exhibit 3a, Outline Page 2.

<sup>17</sup> See Exhibit 3a, Outline Page 3.

<sup>18</sup> See Exhibit 3a, Outline Page 3.

<sup>19</sup> See Exhibit 3a, Outline Page 4.

<sup>20</sup> See Exhibit 3a, Outline Page 5.

<sup>21</sup> See Exhibit 3a, Outline Page 5.

<sup>22</sup> Consistent with FINRA's practice of including "pre-test" questions on certain qualification examinations, which is designed to ensure that new examination questions meet acceptable testing standards prior to use for scoring purposes, the examination includes five additional, unidentified pre-test questions that do not contribute towards the candidate's score. Therefore, the examination actually consists of 105 questions, 100 of which are scored. The five pre-test questions are randomly distributed throughout the examination.

The current Series 6 content outline is available on FINRA's website, at [www.finra.org/brokerqualifications/exams](http://www.finra.org/brokerqualifications/exams). The revised Series 6 content outline will replace the current content outline on FINRA's website.

FINRA is filing the proposed rule change for immediate effectiveness. FINRA proposes to implement the revised Series 6 examination program on December 16, 2013. FINRA will announce the proposed rule change and the implementation date in a Regulatory Notice.

## 2. Statutory Basis

FINRA believes that the proposed revisions to the Series 6 examination program are consistent with the provisions of Section 15A(b)(6) of the Act,<sup>23</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>24</sup> which authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. FINRA believes that the proposed revisions will further these purposes by updating the examination program to reflect changes to the laws, rules and regulations covered by the examination and to incorporate the functions and associated tasks currently performed by an Investment Company and Variable Contracts Products Representative.

### 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 Investment Company and Variable Contracts Products Representative and tests knowledge of the

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<sup>23</sup> 15 U.S.C. 78o-3(b)(6).

<sup>24</sup> 15 U.S.C. 78o-3(g)(3).



most current laws, rules, regulations and skills relevant to those functions and associated tasks. As such, the proposed revisions would make the examination more efficient and effective.

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

Written comments were neither solicited nor received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>25</sup> and paragraph (f)(1) of Rule 19b-4 thereunder.<sup>26</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-2013-045 on the subject line.

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<sup>25</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>26</sup> 17 CFR 240.19b-4(f)(1).

Paper Comments:

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

All submissions should refer to File Number SR-FINRA-2013-045. 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 such filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer

to File Number SR-FINRA-2013-045 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>27</sup>

Kevin M. O'Neill  
Deputy Secretary

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<sup>27</sup> 17 CFR 200.30-3(a)(12).