



# General Securities Principal Qualification Examination Sales Supervisor Module (Series 23)

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## **INTRODUCTION**

The Series 23 exam is the General Securities Principal Qualification Examination—Sales Supervisor Module. The exam is developed and maintained by the Financial Industry Regulatory Authority (FINRA). This content outline provides a comprehensive guide to the topics covered on the General Securities Principal Qualification Examination—Sales Supervisor Module (Series 23). The outline is intended to familiarize exam candidates with the range of subjects covered on the exam, as well as the depth of knowledge required. Sample items are also included to acquaint candidates with the types of multiple-choice items used on the exam. It is recommended that candidates refer to the content outline as part of their preparation to take the exam. Candidates are responsible for planning their course of study in preparation for the exam.

## **PURPOSE OF THE EXAM**

The Series 23 exam is designed to assess the competency of entry-level General Securities Principals. It is intended to safeguard the investing public by helping to ensure that General Securities Principals are competent to perform their jobs. Given this purpose, the Series 23 exam seeks to measure the degree to which each candidate possesses the knowledge, skills and abilities needed to perform the critical functions of a General Securities Principal. For more information about the permissible activities of a General Securities Principal, please see NASD Rule 1022, which is viewable in the FINRA Rule Manual through the following link: [www.finra.org](http://www.finra.org).

## **ELIGIBILITY REQUIREMENTS**

The candidate must be associated with and sponsored by a FINRA member firm to be eligible to take the Series 23 exam. In order to register in this category, a candidate must be qualified as a General Sales Securities Sales Supervisor Series 8, a General Securities Sales Supervisor (Options Module) Series 9 and General Securities Sales Supervisor (General Module) Series 10, or an NYSE Branch Manager Series 12. For more information on eligibility requirements, please see NASD Rule 1021, which is viewable in the FINRA Rule Manual through the following link: [www.finra.org](http://www.finra.org).

## **APPLICATION PROCEDURES**

The FINRA member firm that sponsors the applicant must file a Uniform Application for Securities Industry Registration or Transfer (Form U4) in the Central Registration Depository (CRD<sup>®</sup>) and request the General Securities Principal position (GP) on the Form U4.

## STRUCTURE OF THE EXAM

The exam consists of 100 multiple-choice items, which are distributed among the five major content areas listed in the table below.

**Job Functions and Number of Items by Job Function**

Job Functions		Number of Items
Function 1	Supervision of Registration of the Broker-Dealer and Personnel Management Activities	6
Function 2	Supervision of General Broker-Dealer Activities	26
Function 3	Supervision of Retail and Institutional Customer-Related Activities	12
Function 4	Supervision of Trading and Market Making Activities	28
Function 5	Supervision of Investment Banking and Research	28
<b>Total</b>		<b>100</b>

## DEVELOPMENT AND MAINTENANCE OF THE CONTENT OUTLINE AND EXAM

The Series 23 Content Outline was developed based on the results of a job analysis study of General Securities Principals. The job analysis process included collecting data about the job functions, tasks and required knowledge of General Securities Principals from a wide variety of firms using numerous data collection techniques, including a survey.

Under the guidance of FINRA staff, a committee of industry representatives (“the Committee”) writes, reviews and validates all exam items to ensure and sustain the job relevance of the exam. Exam items are subject to multiple reviews prior to inclusion on the exam, and each item links directly to a component of the content outline. Items vary in difficulty and complexity. Each item has only one correct or best answer.

The bank of items changes frequently as a result of amendments to, or the introduction of, government and self-regulatory organization (SRO) rules and regulations, changes in industry practice, and the introduction of new products. Exam items and their statistical performance are analyzed routinely by FINRA staff and the Committee to ensure relevance to the functions of General Securities Principals. **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 when the rules are amended.**

## ADMINISTRATION OF THE EXAM

The exam is administered via computer. A tutorial on how to take the exam via computer is provided prior the exam. Each candidate’s exam consists of a total of 100 items and each item is worth one point. There is no penalty for guessing. Therefore, candidates should attempt to answer all items. Candidates will be allowed 2 hours and 30 minutes to complete the exam.

The test administrator will provide scratch paper 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%.

## **CANDIDATES' EXAM RESULTS**

On the day of the exam, candidates will receive a report of their exam results both on screen and in paper format at the end of their exam session. The score report will indicate pass/fail status and a score profile indicating performance based on each major content area covered on the exam. It is recommended that candidates who fail the exam review the information provided on the score report, as they may want to focus on the areas on which they performed poorly when preparing to retake the exam. For security reasons, the exam and individual items are not available for review after taking the exam.

## SERIES 23 CONTENT OUTLINE

### FUNCTION 1—Supervision of Registration of the Broker-Dealer and Personnel Management Activities

- 1.1 Initiate or terminate the registration of the broker-dealer and physical office locations in the Central Registration Depository (CRD) System by filing, updating or amending appropriate documents

**KNOWLEDGE OF:**

- Difference between SEC, SRO and state requirements, including information about registration requirements and exemptions
- Form BD, Form BDW, Form BR
- Difference between Registered Investment Adviser (RIA) and Broker-Dealers (BD) and required registrations

FINRA By-Laws

Article IV—Membership

Section 1—Application for Membership

Section 3—Executive Representative

Section 5—Resignation of Members

Section 6—Retention of Jurisdiction

Section 7—Transfer and Termination of Membership

Section 8—Registration of Branch Offices

NASD/Incorporated NYSE Rules and Rule Interpretations

1010 Series/311, 312, 313, 321 and 401/03—Membership Proceedings

IM-1000-4—Branch Offices and Offices of Supervisory Jurisdiction

3010(g)—Definitions

Securities Exchange Act of 1934

Section 3(a)(4)—Broker

Section 3(a)(5)—Dealer

Section 15—Registration and Regulation of Brokers and Dealers

Section 15(a)(1)

Rule 15a-6—Exemption of Certain Foreign Brokers or Dealers

Section 15(b)(1)

Rule 15b1-1—Application for Registration of Brokers or Dealers

Section 15(b)(2)(A)

Rule 15b1-3—Registration of Successor to Registered Broker or Dealer

Section 15(b)(8)

Rule 15b3-1—Amendments to Application

Section 15(b)(4)—Sanctions Against Brokers or Dealers

Section 15(b)(5)

Rule 15b6-1—Withdrawal from Registration

Section 15(b)(6)—Sanctions For Persons Associated with a Broker or Dealer

Section 15(c)(1)

Rule 15c1-3—Misrepresentation by Brokers, Dealers and Municipal Securities Dealers as to  
Registration

Section 17—Accounts and Records, Reports, Examinations of Exchanges, Members and Others

Rule 17a-4(d)

Investment Advisers Act of 1940

Section 202(a)(11)

Securities Investor Protection Act of 1970 (SIPA)

Section 3(a)(2)(A)—Members of SIPC

## 1.2 Conduct hiring and registration of associated persons and maintenance of registration

### KNOWLEDGE OF:

- Prehire requirements based on background, disciplinary, complaint or financial history and the registration/affiliation
- Associated person registration requirements
- SEC, SRO and state requirements, including basic information about registration requirements
- Requirements for heightened supervision
- Forms U4 and U5 and required amendments
- Types of activities of associated or registered persons
- Regulatory element and firm element continuing education requirements

### FINRA By-Laws

Article I—Definitions

Paragraph (rr)

Article III—Qualifications of Members and Associated Persons

Section 1—Persons Eligible to Become Members and Associated Persons of Members

Section 2—Authority of Board to Adopt Qualification Requirements

Section 3—Ineligibility of Certain Persons for Membership or Association

Section 4—Definition of Disqualification

Article V—Registered Representatives and Associated Persons

Section 1—Qualification Requirements

Section 2—Application for Registration

Section 3—Notification by Member to the Corporation and Associated Person of Termination;

Amendments to Notification

Section 4—Retention of Jurisdiction

### FINRA Rules

1010—Electronic Filing Requirements for Uniform Forms

1122—Filing of Misleading Information as to Membership or Registration

1230(b)(6)—Operations Professional

1250—Continuing Education Requirements

2263—Arbitration Disclosure to Associated Persons Signing or Acknowledging Form U4  
8311—Effect of a Suspension, Revocation, Cancellation, or Bar  
9500 Series—Other Proceedings

NASD/Incorporated NYSE Rules and Rule Interpretations

IM-1000-2 /345(a)/03—Status of Persons Serving in the Armed Forces of the U.S.  
IM-1000-3—Failure to Register Personnel  
1020 Series/342.13—Registration of Principals  
1030 Series/345.10—Registration of Representatives  
1041—Registration Requirements for Assistant Representatives  
1042—Restrictions for Assistant Representatives  
1043—Proctors of In-Firm Delivery of Regulatory Element  
1050/344—Registration of Research Analysts  
1060(a)—Persons Exempt from Registration  
1070—Qualification Examinations and Waiver of Requirements  
1080—Confidentiality of Examinations  
1100—Foreign Associates  
1150—Executive Representative  
3010(e)—Qualifications Investigated

Securities Exchange Act of 1934

Section 3(a)(39)  
Section 15(b)(7)  
Rule 15b7-1—Compliance with Qualification Requirements of Self-Regulatory Organizations  
Section 17—Accounts and Records, Reports, Examinations of Exchanges, Members and Others  
Rule 17a-3(a)(12)  
Rule 17a-3(a)(13)  
Rule 17a-3(a)(15)  
Rule 17f-2—Fingerprinting of Security Industry Personnel  
Section 15A(g)(2)  
Rule 19h-1—Notice by a Self-Regulatory Organization of Proposed Admission to or Continuance in Membership or Participation or Association with a Member of Any Person Subject to a Statutory Disqualification, and Applications to the Commission for Relief Therefrom



## **FUNCTION 2—Supervision of General Broker-Dealer Activities**

- 2.1 Develop, implement and update firm’s policies, written supervisory procedures (WSP) and controls for applicable rules and regulations; and implement appropriate monitoring and testing

**KNOWLEDGE OF:**

- Requirement to conduct periodic inspections and reviews of activities of personnel located at the Office of Supervisory Jurisdiction (OSJ), branch offices and associated office locations
- Appropriate testing of the firm’s procedures and controls including the CEO Certification
- Business and regulatory requirements for firm’s systems and technologies
- Requirement that all activities and systems have proper controls
- Requirements to implement and test the firm’s Business Continuity Plan (BCP)

FINRA Rules

- 3130—Annual Certification of Compliance and Supervisory Processes
- 4370—Business Continuity Plans and Emergency Contact Information
- 8110—Availability of Manual to Customers

NASD/ Incorporated NYSE Rules and Rule Interpretations

- 1160—Contact Information Requirements
- 3010/342—Supervision
  - IM-3010-1—Standards for Reasonable Review
- 3012/342.23—Supervisory Control System

Securities Exchange Act of 1934

- Section 15(b)(2)(C)
  - Rule 15b2-2—Inspection of Newly Registered Brokers and Dealers
- Section 17—Accounts and Records, Reports, Examinations of Exchanges, Members and Others
  - Rule 17a-3(a)(22)
  - Rule 17a-4(e)(7)

- 2.2 Supervise the conduct of associated persons

**KNOWLEDGE OF:**

- Regulatory requirements to manage conflicts of interests
- Regulatory requirements related to personal trading, private securities transactions and outside business and other activities

FINRA Rules

- 2010—Standards of Commercial Honor and Principles of Trade
- 2020—Use of Manipulative, Deceptive or Other Fraudulent Devices
- 2060—Use of Information Obtained in a Fiduciary Capacity
- 2150—Improper Use of Customers’ Securities or Funds; Prohibition Against Guarantees and Sharing in Accounts

2320—Variable Contracts of an Insurance Company  
3240—Borrowing From or Lending to Customer  
3270—Outside Business Activities of Registered Persons  
5210.01—Publication of Transactions and Quotations – Manipulative and Deceptive Quotations

NASD/Incorporated NYSE Rules and Rule Interpretations

2830—Investment Company Securities  
3010(d)—Review of Transactions and Correspondence  
3040—Private Securities Transactions of an Associated Person  
3050/ 407—Transactions for or by Associated Persons

Securities Exchange Act of 1934

Section 9 (a) and (e)—Prohibitions Against Manipulation of Security Prices  
Section 10—Regulation of the Use of Manipulative and Deceptive Devices  
    Rule 10b-1—Prohibition of Use of Manipulative or Deceptive Devices or Contrivances With Respect to Securities Exempted from Registration  
    Rule 10b-3—Employment of Manipulative and Deceptive Devices by Brokers or Dealers  
    Rule 10b-5—Employment of Manipulative and Deceptive Devices  
    Rule 10b5-1—Trading “On the Basis Of” Material Nonpublic Information in Insider Trading Cases  
    Rule 10b5-2—Duties of Trust or Confidence in Misappropriation Insider Trading Cases  
    Rule 10b-17—Untimely Announcements of Record Dates  
    Rule 10b-18—Purchases of Certain Equity Securities by the Issuer and Others  
Section 15(c)(1)  
    Rule 15c1-1—Definitions  
    Rule 15c1-2—Fraud and Misrepresentation  
Section 15(g)  
Section 17—Accounts and Records, Reports, Examinations of Exchanges, Members and Others  
    Rule 17a-3(a)(1)  
Section 20A—Liability to Contemporaneous Traders for Insider Trading  
Section 21—Investigations; Injunctions and Prosecution of Offenses  
Section 21A—Civil Penalties for Insider Trading  
Section 32—Penalties

**2.3 Supervise compensation practices of member, associated persons and other parties**

**KNOWLEDGE OF:**

- **Networking arrangements**
- **Payments for referrals**
- **Cash and non-cash compensation arrangements**
- **Gifts**

FINRA Rules

2320(g)—Member Compensation  
3160—Networking Arrangements Between Members and Financial Institutions  
3220—Influencing or Rewarding Employees of Others

NASD/Incorporated NYSE Rules and Rule Interpretations

- 353—Rebates and Compensation
- 345(a)(i)/01—Compensation to Non-Registered Persons
- 345(a)(i)/02—Compensation Paid for Advisory Solicitations
- 1060(b)—Persons Exempt from Registration

Securities Exchange Act of 1934

- Section 3(a)(4)(B)—Exception for Certain Bank Activities
- Section 17—Accounts and Records, Reports, Examinations of Exchanges, Members and Others
  - Rule 17a-3(a)(19)

**2.4 Supervise the development, evaluation and delivery of products and services offered by the broker-dealer**

**KNOWLEDGE OF:**

- **Products and their risk characteristics and appropriate accounts**
- **Industry initiatives, developments, new and existing rules**
- **Requirements to train associated persons concerning products and services**
  - Requirements to conduct due diligence on new products and services and continue risk assessment of existing products and services**
- **Ongoing risk assessment of listing products and services**

FINRA Rules

- 2111.05(a)—Components of Suitability Obligations
- 2310—Direct Participation Programs
- 2320—Variable Contracts of an Insurance Company
- 2330—Members' Responsibilities Regarding Deferred Variable Annuities

NASD/Incorporated NYSE Rules and Rule Interpretations

- 1014(a)(9)
- 1017—Application for Approval of Change in Ownership, Control, or Business Operations
- 2830—Investment Company Securities
- 3010/342—Supervision
- 3012/342.23—Supervisory Control System

Securities Exchange Act of 1934

- Section 3—Definitions and Application of Title
- Section 3(a)(10)—Security
- Section 3(a)(11)—Equity Security
  - Rule 3a11-1—Definition of the Term "Equity Security"
- Section 3(a)(12)—Exempted Security
  - Rule 3b-5—Non-Exempt Securities Issued Under Governmental Obligations

Securities Act of 1933

- Section 3(b)—Additional Exemptions
- Regulation A—Conditional Small Issues Exemption

- Section 4(2) Transactions by an Issuer Not Involving Any Public Offerings
- Section 4(6) Transactions Involving Offers or Sale by an Issuer Solely to One or More Accredited Investors Up To the Section 3(b) Maximum
- Rule 144—Persons deemed Not To Be Engaged in a Distribution and Therefore Not Underwriters

Investment Company Act of 1940

- Section 2—Definitions
- Section 3—Definition of Investment Company
- Section 4—Classification of Investment Company
- Section 5—Sub-Classification of Management Companies
- Section 8—Registration of Investment Companies
- Section 8(b)—Filing Requirements for Investment Companies
  - Form N-1A—Registration Statement of Open-End Management Investment Companies
- Section 11—Offers of Exchange
- Section 12—Functions and Activities of Investment Companies
  - Rule 12b-1—Distribution of Shares by Registered Open-End Management Investment Company
- Section 13—Changes in Investment Policy
- Section 19—Payments or Distributions
  - Rule 19a-1—Written Statement to Accompany Dividend Payments by Management Companies
  - Rule 19b-1—Frequency of Distribution of Capital Gains
- Section 22—Distribution, Redemption, and Repurchase of Redeemable Securities
- Section 22(c)—Regulation of Underwriters and Dealers by Commission
  - Rule 22c-1—Pricing of Redeemable Securities for Distribution, Redemption and Repurchase
- Section 22(d)—Persons To and Through Whom Redeemable Securities May be Sold
  - Rule 22d-1—Exemption from Section 22(d) to Permit Sales of Redeemable Securities at Prices Which Reflect Sales Loads Set Pursuant to a Schedule
  - Rule 22d-2—Exemption from Section 22(d) for Certain Registered Separate Accounts
- Section 22(e)—Suspension of Rights of Redemption
  - Rule 22e-1—Exemption from Section 22(e) During Annuity Payment Period of Variable Annuity Contracts Participating in Certain Registered Separate Accounts
- Section 23—Distribution and Repurchase of Securities: Closed-End Companies
- Section 35—Unlawful Representations and Names
- Section 37—Larceny and Embezzlement

Trust Indenture Act of 1939

- Section 305—Securities Required To Be Registered Under Securities Act
- Section 306—Securities Not Registered Under Securities Act
- Section 307—Qualification of Indentures Covering Securities Not Required To Be Registered
- Section 309—When Qualification Becomes Effective; Effect of Qualification

- 2.5 Take disciplinary or corrective actions relating to the conduct of associated persons; address regulatory actions regarding violations or potential violations of securities industry laws, rules and regulations; and address customer and industry disputes**

**KNOWLEDGE OF:**

- **Proper handling and resolution of customer and industry disputes**

- **FINRA and SEC disciplinary processes**
- **Reporting requirements for customer complaints and other events**

#### FINRA Rules

- 2080—Obtaining an Order of Expungement of Customer Dispute Information from the Central Registration Depository (CRD) System
- 4513—Records of Written Customer Complaints
- 4530—Reporting Requirements
- 8000 Series—Investigations and Sanctions
  - 8120—Definitions
  - 8210—Provision of Information and Testimony and Inspection and Copying of Books
  - 8310—Sanctions for Violation of the Rules
  - 8312—FINRA BrokerCheck Disclosure
  - 8320—Payment of Fines, Other Monetary Sanctions, or Costs; Summary Action for Failure to Pay
- 9000 Series—Code of Procedure
  - 9110—Application
  - 9120—Definitions
  - 9130—Service; Filing of Papers
  - 9140—Proceedings
  - 9210—Complaint and Answer
  - 9230—Appointment of Hearing Panel, Extended Hearing Panel
  - 9250—Discovery
  - 9260—Hearing and Decision
  - 9310—Appeal to or Review by National Adjudicatory Council
  - 9350—Discretionary Review by FINRA Board
  - 9370—Application to SEC for Review
- 12000 and 13000 Series—Code of Arbitration Procedure for Customer/Industry Disputes
  - Part I—Interpretive Material, Definitions, Organization and Authority
    - IM-12000 and IM-13000—Failure to Act Under Provisions of Code of Arbitration Procedure for Customer/Industry Disputes
    - 12105 and 13105—Agreement of the Parties
    - 13200—Required Arbitration
  - Part II—General Arbitration Rules
    - 12200—Arbitration Under an Arbitration Agreement or the Rules of FINRA
    - 12201—Elective Arbitration
  - Part VIII—Simplified Arbitration and Default Proceedings
    - 12800 and 13800—Simplified Arbitration
    - 12801 and 13801—Default Proceedings
- 14000 Series—Code of Mediation Procedure
  - 14104—Mediation Under the Code
  - 14105—Effect of Mediation on Arbitration Proceedings
  - 14109—Mediation Ground Rules

#### Securities Exchange Act of 1934

- Section 17—Accounts and Records, Reports, Examinations of Exchanges, Members and Others
  - Rule 17a-3(a)(18)

Rule 17a-4(e)(6)  
Rule 17a-4(j)

**2.6 Develop and maintain policies, procedures and controls relating to the creation and retention of books and records**

**KNOWLEDGE OF:**

- Record retention requirements
- Electronic records storage requirements

FINRA Rules

4510 Series—Books and Records Requirements  
4511—General Requirements  
4570—Custodian of Books and Records

NASD Rules

3010(b)(2) —Tape Recording of Conversations

Securities Exchange Act of 1934

Section 17—Accounts and Records, Reports, Examinations of Exchanges, Members and Others  
Rule 17a-3(a)(21)  
Rules 17a-3(g) and 17a-3(h)(1)  
Rule 17a-4(b)(7)  
Rule 17a-4(f)  
Rule 17a-4(g)  
Rule 17a-4(i)  
Rule 17a-4(l)  
Rule 17a-7—Records of Nonresident Brokers and Dealers

**2.7 Supervise compliance with financial responsibility requirements and funding and cash management**

**KNOWLEDGE OF:**

- Reporting requirements of firm capital condition
- Requirements to segregate customer securities and funds
- Requirement to report short interest
- Introducing and clearing arrangements
- SEC requirements for extensions of credit and related disclosure

FINRA Rules

2261—Disclosure of Financial Condition  
4120—Regulatory Notification and Business Curtailment  
4160—Verification of Assets  
4210—Margin Requirements  
4220—Daily Record of Required Margin  
4230—Required Submission for Extension of Time under Regulation T and SEC Rule 15c3-3

- 4240—Margin Requirements for Credit Default Swaps
- 4311—Carrying Agreements
- 4330—Customer Protection—Permissible Use of Customers' Securities
- 4340—Callable Securities
- 4360—Fidelity Bonds
- 4560—Short-Interest Reporting
- 6274 and 6350A/B—Clearance and Settlement

NASD Rules

- 1090—Foreign Members
- 3150—Reporting Requirements for Clearing Firms

Securities Exchange Act of 1934

Section 3(a)(12)

- Rule 3a12-9—Exemption of Certain Direct Participation Program Securities From the Arranging Provisions of Sections 7(c) and 11(d)(1)

Section 1—Regulation of the Use of Manipulative and Deceptive Devices

- Rule 10b-16—Disclosure of Credit Terms in Margin Transactions

Section 8—Restrictions on Borrowing by Members, Brokers and Dealers

- Rule 8c-1—Hypothecation of Customers' Securities

Section 11(d)(1)—Extension of Credit

- Rule 11d1-1—Exemption of Certain Securities from Section 11(d)(1)

- Rule 11d1-2—Exemption From Section 11(d)(1) For Certain Investment Company Securities Held by Broker-Dealers as Collateral in Margin Accounts

- Rule 15c1-9—Use of Pro Forma Balance Sheets

Section 15(c)(2)

Rule 15c2-1—Hypothecation of Customers' Securities

- Appendix D—Satisfactory Subordination Agreements

Rule 15c2-5—Disclosure and Other Requirements When Extending or Arranging Credit in Certain Transactions

Section 15(c)(3)

- Rule 15c3-1—Net Capital Requirements for Brokers or Dealers

- Rule 15c3-2—Customers' Free Credit Balances

- Rule 15c3-3—Customer Protection—Reserves and Custody of Securities

Section 17—Accounts and Records, Reports, Examinations of Exchanges, Members and Others

- Rule 17a-3(a)(11)

- Rule 17a-3(a)(14)

- Rule 17a-4(b)(2)

- Rule 17a-4(b)(3)

- Rule 17a-4(b)(5)

- Rule 17a-4(b)(8)

- Rule 17a-5—Reports To Be Made by Certain Brokers and Dealers

- Rule 17a-11—Notification Provisions for Brokers and Dealers

- Rule 17f-1—Requirements for Reporting and Inquiry With Respect to Missing, Lost, Counterfeit or Stolen Securities

Federal Reserve Board Regulation T—Credit by Brokers and Dealers

Securities Investor Protection Act of 1970 (SIPA)  
Section 3—Securities Investor Protection Corporation (SIPC)  
Section 5—Protection of Customers  
Section 9—SIPC Advances  
Section 14—Prohibited Acts

Sarbanes—Oxley  
Section 404—Management Assessment of Internal Controls



## FUNCTION 3—Supervision of Retail and Institutional Customer-Related Activities

### 3.1 Supervise new account opening and ongoing maintenance of existing accounts

#### KNOWLEDGE OF:

- Requirement to obtain specified customer information
- Requirement to verify that accounts comply with Customer Identification Program (CIP)
- Bank Secrecy Act and USA PATRIOT Act
- Office of Foreign Assets Control (OFAC)
- Financial Crimes Enforcement Network (FinCEN)
- Anti-Money Laundering regulations
- Asset transfer processes
- Required documentation for account changes
- Privacy of customer information
- Detect, prevent and mitigate identity theft

#### FINRA Rules

2010—Standards of Commercial Honor and Principles of Trade

2140—Interfering With the Transfer of Customer Accounts in the Context of Employment Disputes

3250—Designation of Accounts

3310—Anti-Money Laundering Compliance Program

Supplementary Material

.01 Independent Testing Requirements

.02 Review of Anti-Money Laundering Compliance Person Information

4512—Customer Account Information

11870—Customer Account Transfer Contracts

#### NASD Rules

2340—Customer Account Statements

#### Securities Exchange Act of 1934

Section 17—Accounts and Records, Reports, Examinations of Exchanges, Members and Others

Rule 17a-3(a)(9)

Rule 17a-3(a)(17)

Rule 17a-4(c)

Rule 17a-4(e)(8)

Rule 17a-8—Financial Recordkeeping and Reporting of Currency and Foreign Transactions

SEC Regulation S-P—Privacy of Consumer Financial Information and Safeguarding Personal Information

#### Fair and Accurate Credit Transactions Act of 2003 (FACT Act)

FTC Red Flags Rule

**3.2 Monitor, review and approve speaking engagements and other communications with the public**

**KNOWLEDGE OF:**

- Social media and electronic communications guidelines
- Differences among research, retail and institutional communications and correspondence
- Various approval and filing requirements
- “Do Not Call” list requirements

FINRA Rules

2210—Communications with the Public

2212—Use of Investment Companies Rankings in Retail Communications

2213—Requirements for the Use of Bond Mutual Fund Volatility Ratings

2214—Requirements for the Use of Investment Analysis Tools

2216—Communications with the Public about Collateralized Mortgage Obligations (CMOs)

3230—Telemarketing

5230—Payments Involving Publications that Influence the Market Price of a Security

NASD Rules

IM-2210-2—Communications with the Public about Variable Life Insurance and Variable Annuities

3010(b)(2)—Tape Recording of Conversations

Securities Act of 1933

Section 10(b)

Rule 482—Advertising by an Investment Company as Satisfying Requirements of Section 10

Section 17(a)

Rule 156—Investment Company Sales Literature

Securities Exchange Act of 1934

Section 17—Accounts and Records, Reports, Examinations of Exchanges, Members and Others

Rule 17a-3(a)(20)

Rule 17a-4(b)(4)

Investment Company Act of 1940

Section 34(b)

Rule 34b-1—Sales Literature Deemed To Be Misleading

Securities Investor Protection Act of 1970 (SIPA)

Section 15(d)—Advertising

**3.3 Review securities transactions, recommendations and account activity, and verify that required disclosures are made**

**KNOWLEDGE OF:**

- Suitability requirements

- Requirement to recognize red flags, investigate and escalate potential issues
- Commission and markup regulations
- Requirements to provide disclosures concerning products, risks, services, costs and fees

FINRA Rules

- 2090—Know Your Customer
- 2111—Suitability
- 2114—Recommendations to Customers in OTC Equity Securities
- 2121—Fair Prices and Commissions
- 2124—Net Transactions with Customers
- 2130—Approval Procedures for Day-Trading Accounts
- 2232—Customer Confirmations
- 2251—Forwarding of Proxy and Other Issuer-Related Materials
- 2264—Margin Disclosure Statement
- 2265—Extended Hours Trading Risk Disclosure
- 2266—SIPC Information
- 2267—Investor Education and Protection
- 2268—Requirements When Using Predispute Arbitration Agreements for Customer Accounts
- 2270—Day-Trading Risk Disclosure Statement
- 2310(b)(2)—Direct Participation Programs
- 2342—“Breakpoint” Sales
- 4210(f)(8)(B)—Day Trading
- 4514—Authorization Records for Negotiable Instruments Drawn from a Customer’s Account

NASD/Incorporated NYSE Rules and Rule Interpretations

- 2410—Net Prices to Persons Not in Investment Banking or Securities Business
- 2420—Dealing with Nonmembers
  - IM-2420-1—Transactions Between Members and Nonmembers
  - IM-2420-2—Continuing Commissions Policy
- 2430—Charges for Services Performed
- 2510/408—Discretionary Accounts
- 3110(i)—Holding of Customer Mail

Securities Exchange Act of 1934

- Section 10—Regulation of the Use of Manipulative and Deceptive Devices
  - Rule 10b-10—Confirmation of Transactions
- Section 15(c)(1)
  - Rule 15c1-7—Discretionary Accounts
- Section 17—Accounts and Records, Reports, Examinations of Exchanges, Members and Others
  - Rule 17a-3(a)(8)
  - Rule 17a-4(b)(6)

## FUNCTION 4—Supervision of Trading and Market Making Activities

### 4.1 Supervise order entry, routing and execution

#### KNOWLEDGE OF:

- Requirements to implement and enforce trader mandates and to restrict traders to assigned aggregation units
- Market making and quoting activities
- Requirements to comply with Regulation SHO
- Various execution venues, order routing, best execution obligations and Regulation NMS
- Various restrictions on trading systems and capital and credit limits
- Volatility trading pauses
- Prohibited trading activities
- Escalation requirements upon discovery of a prohibited activity

#### FINRA Rules

5200 Series—Quotation and Trading Obligations and Practices

5210—Publication of Transactions and Quotations

5220—Offers at Stated Prices

5240—Anti-intimidation/Coordination

5250—Payments for Market Making

5260—Prohibition on Transactions, Publication of Quotations, or Publication of Indications of Interest During Trading Halts

5270—Front Running of Block Transactions

5280—Trading Ahead of Research Reports

5290—Order Entry and Execution Practices

5300 Series—Handling of Customer Orders

5310—Best Execution and Interpositioning

5320—Prohibition Against Trading Ahead of Customer Orders

5330—Adjustment of Orders

5340—Pre-Time Stamping

6100 Series—Quoting and Trading in NMS Stocks

6120—Trading Halts

6121—Trading Halts Due to Extraordinary Market Volatility

6190—Compliance with Regulation NMS Plan to Address Extraordinary Market Volatility

6200 Series—Alternative Display Facility

6220—Definitions

6272—Character of Quotations

6273—Normal Business Hours

6400 Series—Quoting and Trading in OTC Equity Securities

6431—Recording of Quotation Information

6432—Compliance with the Information Requirements of SEA Rule 15c2-11

6433—Minimum Quotation Size Requirement for OTC Equity Securities

6435—Withdrawal of Quotations in an OTC Equity Security in Compliance with SEC Regulation M

6440—Trading and Quotations Halt in OTC Equity Securities

6500 Series—OTC Bulletin Board® Service

6530—OTCBB-Eligible Securities

NASDAQ Rules

- 4121—Trading Halts Due to Extraordinary Market Volatility
- 4611—NASDAQ Market Center Participant Registration
- 4612—Registration as a NASDAQ Market Maker
- 4613—Market Maker Obligations
- 4617—Normal Business Hours
- 4619—Withdrawal of Quotations and Passive Market Making
- 4750 Series—NASDAQ Market Center—Execution Services
  - 4751—Definitions
- 4761—Adjustment of Open Quotes and/or Orders

Securities Exchange Act of 1934

- Section 10—Regulation of the Use of Manipulative and Deceptive Devices
  - Rule 10b5-1—Trading “On the Basis Of” Material Nonpublic Information in Insider Trading Cases
- Section 15(c)(2)
  - Rule 15c2-7—Identification of Quotations
  - Rule 15c2-11—Initiation or Resumption of Quotations without Specified Information
- Section 15(c)(3)
  - Rule 15c3-5—Risk management controls for brokers or dealers with market access
- Section 17—Accounts and Records, Reports, Examinations of Exchanges, Members and Others
  - Rule 17a-3(a)(1) through (a)(7)

SEC Regulation SHO

- Rule 200—Definition of “Short Sale” and Marking Requirements
- Rule 203—Borrowing and Delivery Requirements
- Rule 204—Close-Out Requirements

4.2 Confirm proper booking and settlement of trades

**KNOWLEDGE OF:**

- Trade confirmation requirements and disclosures
- Buy-in and close-out requirements

FINRA Rules

- 6274 and 6350A/B—Clearance and Settlement
- 11100 Series—Scope of Uniform Practice Code
- 11200 Series—Comparisons or Confirmation and “Don’t Know Notices”
- 11300 Series—Delivery of Securities
  - 11320—Dates of Delivery
  - 11361—Units of Delivery—Stocks
  - 11362—Units of Delivery—Bonds
  - 11363—Units of Delivery—Unit Investment Trust Securities
  - 11364—Units of Delivery—Certificates of Deposit for Bonds
- 11400 Series—Delivery of Securities with Draft Attached

- 11500 Series—Delivery of Securities with Restrictions
  - 11520—Delivery of Mutilated Securities
  - 11550—Assignments and Powers of Substitution; Delivery of Registered Securities
  - 11574—Certificate in Name of Deceased Person, Trustee, etc.
- 11600 Series—Delivery of Bonds and Other Evidences of Indebtedness
  - 11620—Computation of Interest
  - 11630—Due-Bills and Due-Bill Checks
  - 11640—Claims for Dividends, Rights, Interest, etc.
  - 11650—Transfer Fees
- 11700 Series—Reclamations and Rejections
  - 11740—Marking to the Market
- 11800 Series—Close-Out Procedures
  - 11810—Buy-In Procedures and Requirements
  - 11820—Selling-out
  - 11840—Rights and Warrants
  - 11860—COD Orders
- 11900 Series—Clearance of Corporate Debt Securities

Securities Exchange Act of 1934

Section 15(c)(6)

- Rule 15c6-1—Settlement Cycle

### 4.3 Review executions for compliance with trade reporting requirements

**KNOWLEDGE OF:**

- **Trade reporting facilities for various types of securities**

FINRA Rules

- 4515—Approval and Documentation of Changes in Account Name or Designation
- 6100 Series—Quoting and Trading in NMS Stock
  - 6140—Other Trading Practices
  - 6150—Obligation to Provide Information
  - 6160—Multiple MPIDs for Trade Reporting Facility Participants
  - 6170—Primary and Additional MPIDs for Alternative Display Facility Participants
  - 6181—Timely Transaction Reporting
  - 6182—Trade Reporting of Short Sales
  - 6183—Exemption from Trade Reporting Obligation for Certain Alternative Trading Systems
- 6200 Series—Alternative Display Facility
  - 6220—Definitions
  - 6230—Use of Alternative Display Facility Data Systems
  - 6240—Prohibition from Locking or Crossing Quotations in NMS Stocks
  - 6250—Quote and Order Access Requirements
  - 6271—Registration as an ADF Market Maker or an ADF ECN
  - 6275—Withdrawal of Quotations
  - 6281—Reporting Transactions in ADF-Eligible Securities
- 6300A Series—FINRA/NASDAQ Trade Reporting Facilities

- 6320A—Definitions
- 6380A—Transaction Reporting
- 6500 Series—OTC Bulletin Board® Service
- 6620 Series—Reporting Transactions in OTC Equity Securities and Restricted Equity Securities
- 6700 Series—Trade Reporting and Compliance Engine (TRACE)
  - 6710—Definitions
  - 6720—Participation in TRACE
  - 6730—Transaction Reporting
  - 6740—Termination of TRACE Service
  - 6750—Dissemination of Transaction Information
  - 6760—Obligation to Provide Notice
- 7100 Series—Alternative Display Facility
  - 7110—Definitions
  - 7120—Trade Reporting Participation Requirement
  - 7130—Trade Report Input
  - 7170—Termination of Access
- 7200A Series and 7300 Series—FINRA/NASDAQ Trade Reporting Facility and OTC Reporting Facility
  - 7210A/7310—Definitions
  - 7220A/7320—Trade Reporting Participation Requirements
  - 7230A/7330—Trade Report Input
  - 7240A/7340—Trade Report Processing
  - 7270A/7370—Violation of Reporting Rules
- 7400 Series—Order Audit Trail and Trail Systems
  - 7410—Definitions
  - 7420—Applicability
  - 7430—Synchronization of Members Business Clocks
  - 7440—Recording of Order Information
  - 7450—Order Data Transmission Requirements
  - 7460—Violation of Order Audit Trail System Rules

#### NASDAQ Rules

- 4750 Series—NASDAQ Market Center—Execution Services
  - 4751—Definitions
  - 4755—Order Entry Parameters
  - 4756—Entry and Display of Quotes and Orders
  - 4757—Book Processing
- 4758—Order Routing 5001—The Qualification, Listing, and Delisting of Companies
- 5400 Series—NASDAQ Global Market

#### Securities Exchange Act of 1934

- Section 3—Definitions and Application of Title
  - Section 3(a)(23)(A)—Clearing Agency
  - Section 3(a)(38)—Market Maker
    - Rule 3b-1—Definition of “Listed”
    - Rule 3b-8—Definition of “Qualified OTC Market Maker,” “Qualified Third Market Maker,” and “Qualified Block Positioner”

Section 17—Accounts and Records, Reports, Examinations of Exchanges, Members and Others

Rule 17a-3(a)(16)

Rule 17a-4(b)(11)

Provisions of the Securities Exchange Act of 1934 Related to Penny Stocks

Section 3(a)(51)

Rule 3a51-1—Definition of Penny Stock

Section 15(h)—Requirements for Transactions in Penny Stocks

Rule 15g-1—Exemptions for Certain Transactions

Rule 15g-2—Penny Stock Disclosure Document Relating to the Penny Stock Market

Rule 15g-3—Broker or Dealer Disclosure of Quotations and Other Information Relating to the Penny Stock Market

Rule 15g-4—Disclosure of Compensation to Brokers or Dealers

Rule 15g-5—Disclosure of Compensation of Associated Persons in Connection With Penny Stock Transactions

Rule 15g-6—Account Statements for Penny Stock Customers

Rule 15g-9—Sales Practice Requirements for Certain Low Priced Securities

Rule 15g-100—Schedule 15G—Information To Be Included in the Document Distributed Pursuant to 17 CFR 240.15g-2

SEC Regulation ATS—Regulation of Exchanges and Alternative Trading Systems

SEC Regulation M

Rule 103—NASDAQ Passive Market Making

Rule 105—Short Selling in Connection with a Public Offering

Regulation NMS—National Market System

Rule 600—NMS Security Designation and Definitions

Rule 602—Dissemination of Quotations in NMS Securities

Rule 604—Display of Customer Limit Orders

Rule 605—Disclosure of Order Execution Information

Rule 606—Disclosure of Order Routing Information

Rule 607—Customer Account Statements

Rule 611—Order Protection Rule

Rule 612—Minimum Pricing Increments

SEC Regulation SHO

Rule 200—Definition of “Short Sale” and Marking Requirements

Rule 203—Borrowing and Delivery Requirements



## FUNCTION 5—Supervision of Investment Banking and Research

### 5.1 Develop and maintain policies, procedures and controls; and supervise related investment banking activities

#### KNOWLEDGE OF:

- Public and private offering regulations
- Requirements to conduct and document due diligence of issuers
- M&A, tender offers, corporate financial advisory and valuation services
- Fundamental terms of loan documents
- Terms of bankruptcy and the potential claims and priorities of investors
- Corporate annual and quarterly reports
- Requirements for information barriers

#### FINRA Rules

- 2262—Disclosure of Control Relationship with Issuer
- 2269—Disclosure of Participation or Interest in Primary or Secondary Distribution
- 5110—Corporate Financing Rule—Underwriting Terms and Arrangements
- 5121—Public Offerings of Securities with Conflicts of Interest
- 5122—Private Placements of Securities Issued by Members
- 5123—Private Placements of Securities
- 5130—Restrictions on the Purchase and Sale of Initial Equity Public Offerings
- 5131—New Issue Allocations and Distributions
- 5141—Sale of Securities in a Fixed Price Offering
- 5150—Fairness Opinions
- 5160—Disclosure of Price and Concessions in Selling Agreements
- 5190—Notification Requirements for Offering Participants
- 6130—Transactions Related to Initial Public Offerings
- 6760—Obligation to Provide Notice
- 11880—Settlement of Syndicate Accounts

#### NASDAQ Rules

- 4614—Stabilizing Bids
- 4624—Penalty Bids and Syndicate Covering Transactions

#### Securities Exchange Act of 1934

- Section 3—Definitions and Application of Title
  - Rule 3a4-1—Associated Persons of an Issuer Deemed Not To Be Brokers
  - Rule 3b-6—Liability for Certain Statements by Issuers
- Section 10—Regulation of the Use of Manipulative and Deceptive Devices
  - Rule 10b-9—Prohibited Representations in Connection With Certain Offerings
- Section 12—Registration Requirements for Securities
- Section 12(a)
- Section 12(g)
- Section 12(j)

Section 12(k)—Trading Suspensions; Emergency Authority

Section 13—Periodical and Other Reports

Rule 13a-1/Rule 15d-1—Requirement of annual reports

Rule 13a-11/Rule 15d-1—Current reports on Form 8-K

Rule 13a-13/Rule 15d-13—Annual reports on form 10-K

Rule 13a-13/Rule 15d-13—Quarterly reports on Form 10-Q

Rule 13d-1—Filing of Schedules 13D and 13G

Rule 13e-3—Going Private Transactions by Certain Issuers or Their Affiliates

Schedule 13E-3 Filing Requirement

Rule 13e-4—Tender Offers by Issuers

Schedule 13E-4—Filing Requirement

Rule 13f-1—Reporting by Institutional Investment Managers of Information with Respect to Accounts Over Which They Exercise Investment Discretion (Schedule 13F)

Regulation 13A—Reports of Issuers of Securities Registered Pursuant to Section 12 Annual Reports

Section 14—Proxies

Rule 14a-6—Filing Requirements (Proxy Statement) on Form 14A

Rule 14e-1—Unlawful Tender Offer Practices

Rule 14e-2—Position of Subject Company with Respect to a Tender Offer

Rule 14e-3—Transactions in Securities on the Basis of Material, Nonpublic Information in the Context of Tender Offers

Rule 14e-4—Prohibited Transactions in Connection with Partial Tender Offers

Rule 14e-5—Prohibiting Purchases Outside of a Tender Offer

Section 15(c)(1)

Rule 15c1-5—Disclosure of Control

Rule 15c1-6—Disclosure of Interest in Distributions

Rule 15c1-8—Sales at the Market

Section 15(c)(2)

Rule 15c2-4—Transmission or Maintenance of Payments Received in Connection with Underwritings

Section 16—Directors, Officers and Principal Stockholders

Rule 16a-1—Definition of Terms

Rule 16a-2—Persons and Transactions Subject to Section 16

Rule 16a-3—Reporting Transactions and Holdings

Section 17—Accounts and Records, Reports, Examinations of Exchanges, Members and Others

Rule 17a-2—Recordkeeping Requirements Relating to Stabilizing Activities

Securities Act of 1933

Section 2(a)(11)

Rule 144—Persons Deemed Not to be Engaged in a Distribution and Therefore Not Underwriters

Rule 144A—Private Resales of Securities to Institutions

Section 2(a)(3)

Rule 145—Reclassification of Securities, Mergers, Consolidations, and Acquisitions of Assets

Section 3(a)(11)

Rule 147—“Part of an Issue,” “Person Resident” and “Doing Business Within,” for Purposes of Section 3(a)(11)

Section 4—Exempted Transactions

Section 7—Information Required in Registration Statement

- Section 8—Taking Effect of Registration Statements and Amendments Thereto
- Section 11—Civil Liabilities on Account of False Registration Statement
- Section 12—Civil Liabilities Arising in Connection With Prospectuses and Communications
  - Rule 159—Information Available to Purchaser at Time of Contract of Sale
- Section 15—Liability of Controlling Persons
- Section 17—Fraudulent Interstate Transactions
- Section 23—Unlawful Representations
  - Rule 175—Liability for Certain Statements by Issuers
  - Rule 412—Modified or Superseded Documents

Regulation C—Registration

- Rule 405—Definition of Terms
- Rule 415—Delayed or Continuous Offering and Sale of Securities (Shelf Registration)

Regulation D—Rules Governing the Limited Offer and Sale of Securities without Registration Under the Securities Act of 1933

- Rule 501—Definitions and Terms Used in Regulation D
- Rule 502—General Conditions To be Met
- Rule 503—Filing of Notice of Sales
- Rule 504—Exemption for Limited Offerings and Sales of Securities Not Exceeding \$1,000,000
- Rule 505—Exemption for Limited Offers and Sales of Securities Not Exceeding \$5,000,000
- Rule 506—Exemption for Limited Offers and Sales Without Regard to Dollar Amount of Offering

Regulation S—Rules Governing Offers and Sales Made Outside the U.S. Without Registration Under the Securities Act of 1933

- Rule 901—General Statement
- Rule 902—Definitions
- Rule 903—Offers or Sales of Securities by the Issuer, a Distributor, Any of Their Respective Affiliates, or Any Person Acting on Behalf of Any of the Foregoing; Conditions Relating to Specific Securities
- Rule 904—Offshore Resales

17 C.F.R. Part 210—Regulation S-X —Form and Content of and Requirements for Financial Statements, Securities Act of 1933, Securities Exchange Act of 1934, Investment Company Act of 1940, Investment Advisers Act of 1940, and Energy Policy and Conservation Act of 1975

17 C.F.R. Part 229—Regulation S-K—Standard Instructions for Filing Forms Under Securities Act of 1933, Securities Exchange Act of 1934 and Energy Policy and Conservation Act of 1975—Regulation S-K

Regulation M-A—Mergers and Acquisitions

Regulation AB—Asset-Backed Securities

Regulation M

- Rule 100—Preliminary Note; Definitions (“stabilization” and “stabilizing”)
- Rule 101—Activities by Distribution Participants
- Rule 102—Activities by Issuers and Selling Security Holders During a Distribution
- Rule 104—Stabilizing and Other Activities in Connection With an Offering

Regulation FD—Fair Disclosure

Hart–Scott–Rodino Act

15 U.S.C. Section 18a—Premerger Notification and Waiting Period

## 5.2 Review and approve investor disclosure materials, pitch books and marketing materials

### KNOWLEDGE OF:

- Communication regulations related to new issues
- Public notices excluded from the definition of prospectus

Securities Exchange Act of 1934

Section 15(c)(2)

Rule 15c2-8—Delivery of Prospectus

Securities Act of 1933

Section 2(a)(10), Section 2(a)(11), Section 4(3), Section 5—Prohibitions Relating to Interstate Commerce and the Mails, Section 7—Information Required in Registration Statement and Section 10—Information Required in Prospectus

Rule 134—Communications Not Deemed a Prospectus

Rule 135—Notice of Proposed Registered Offerings

Rule 135a—Generic Advertising

Rule 137—Publications or Distributions of Research Reports by Brokers or Dealers That Are Not Participating in an Issuer's Registered Distribution of Securities

Rule 142—Definition of "Participates," and "Participation," as Used in Section 2(11), in Relation to Certain Transactions

Rule 153a—Definition of "Preceded By a Prospectus" as Used in Section 5(b)(2) of the Act, in Relation to Certain Transactions Requiring Approval of Security Holders

Rule 163—Exemption from Section 5(c) of the Act for Certain Communications By or On Behalf of Well-Known Seasoned Issuers

Rule 163A—Exemption from Section 5(c) of the Act for Certain Communications Made By or On Behalf of Issuers More Than 30 Days Before a Registration Statement Is Filed

Rule 164—Post-Filing Free Writing Prospectuses in Connection with Certain Registered Offerings

Rule 168—Exemptions From Sections 2(a)(10) and 5(c) of the Act For Certain Communications of Regularly Released Factual Business Information and Forward-Looking Information

Rule 169—Exemptions From Sections 2(a)(10) and 5(c) of the Act For Certain Communications of Regularly Released Factual Business Information

Rule 172—Delivery of Prospectus

Rule 174—Delivery of Prospectus by Dealers; Exemptions Under Section 4(3) of the Act

Rule 175—Liability for Certain Statements by Issuers

Rule 405—Definitions of Terms

Rule 424—Filing of Prospectuses, Number of Copies

Rule 427—Contents of Prospectuses Used After Nine Months

Rule 430—Prospectus for Use Prior to Effective Date

Rule 430A—Prospectus in a Registration Statement at the Time of Effectiveness

Rule 430B—Prospectus in a Registration Statement After Effective Date  
Rule 433—Conditions to Permissible Post-Filing Free Writing Prospectuses  
Rule 460—Distribution of Preliminary Prospectus

**5.3 Develop and maintain policies, procedures and controls; and supervise activities relating to research**

**KNOWLEDGE OF:**

- **What constitutes research**
- **Research report approval and dissemination processes**
- **Disclosure requirements for analysts who make public appearances**

NASD/Incorporated NYSE Rules and Rule Interpretations  
2711/472—Research Analysts and Research Reports

Securities Exchange Act of 1934  
Section 3(a)(35)  
Section 28(e)

Securities Act of 1933  
Section 2(a)(10) and Section 5—Prohibitions Relating to Interstate Commerce and the Mails  
Rule 138—Publications or Distributions of Research Reports by Brokers or Dealers About Securities Other Than Those They Are Distributing  
Rule 139—Publications or Distributions of Research Reports by Brokers or Dealers Distributing Securities

SEC Regulation AC—Analyst Certification

## SAMPLE ITEMS

The following sample items are included to provide an introduction to the basic formats of multiple-choice items used on the exam. The sample items do not reflect the difficulty level of actual exam items. Candidates who familiarize themselves with these formats may be able to improve their test-taking skills so their performance on the exam will better reflect their knowledge of the areas tested. An asterisk indicates the correct answer to each sample item.

**Closed-Stem:** The stem (the part that poses the question) is a complete sentence and thus concludes with a question mark. The options (answer choices) may be complete or incomplete sentences.

**Example:** The designation of the person or persons permitted to trade on behalf of a corporation is usually found in which of the following?

- (A) Corporate resolutions\*
- (B) Articles of incorporation
- (C) Listings on the company website
- (D) Registration statements

**Open-Stem (Sentence Completion):** The stem is an incomplete statement, and the options represent conclusions to the sentence.

**Example:** Round lot trades in NASDAQ securities must be reported within:

- (A) 10 seconds of execution.\*
- (B) 90 seconds of execution.
- (C) 5 minutes of execution.
- (D) 20 minutes of execution.

**Except or Not:** "Except" or "not" is used when the task is to select the response option that is an exception to the principle or rule stated in the stem. In such cases, the stem may be open or closed.

**Example:** In determining whether to approve a change from the exempt status of a member firm under SEC Rule 15c3-3, FINRA considers each of the following EXCEPT:

- (A) the type of business the firm conducts.
- (B) the amount of the firm's errors and omissions insurance coverage.\*
- (C) the firm's current financial condition.
- (D) the firm's procedures for safeguarding customer assets.

## REFERENCES

Listed below are government and SRO websites that provide information about rules and other information candidates may find useful in preparing for the exam. In addition to information about rules, the SRO may publish glossaries of terms, explanations of securities products, and compliance procedures. Candidates are encouraged to refer to the SRO websites for information memos or Regulatory Notices concerning amendments to rules and the announcement of new rules that may relate to the exam. Candidates can purchase copies of federal securities laws and SEC rules through the network of federal government printing offices. However, some of this information may be available on the SRO and pertinent federal government (*e.g.*, the SEC) websites. It is recommended that candidates refer to the content outline as part of their preparation to take the exam. Candidates are responsible for planning their course of study in preparation for the exam. FINRA produces only the content outline and is not involved with nor does it endorse any particular course of study.

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**Securities Industry/Regulatory Council  
On Continuing Education**  
[www.cecouncil.com](http://www.cecouncil.com)

**Securities and Exchange Commission  
Office of Investor Education and Advocacy**  
1-800-SEC-0330  
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**NASDAQ OMX**  
805 King Farm Boulevard  
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