

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-76812; File No. SR-FINRA-2015-058)

December 31, 2015

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the Series 9/10 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 December 23, 2015, 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 the Substance of the Proposed Rule Change

FINRA is filing revisions to the content outline and selection specifications for the General Securities Sales Supervisor (Series 9/10) examination program.<sup>5</sup> The proposed revisions

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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 9/10 question bank. Based on instruction from SEC staff, FINRA is submitting this filing for immediate

update the material to reflect changes to the laws, rules and regulations covered by the examination and to incorporate the functions and associated tasks currently performed by a General Securities Sales Supervisor. 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 9/10 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 [sic] 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.

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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 proposed rule change, and is available for viewing on FINRA's website. The content outline is not attached to this notice.

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

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

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

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

1. Purpose

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.

NASD Rule 1022(g) states that members may register with FINRA an individual as a General Securities Sales Supervisor if the individual's supervisory responsibilities in the investment banking and securities business are limited solely to the securities sales activities of a member, including the training of sales and sales supervisory personnel and the maintenance of records of original entry and ledger accounts of the member required to be maintained in branch

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

offices by SEC recordkeeping rules.<sup>9</sup> A General Securities Sales Supervisor is precluded from performing any of the following activities: (1) functioning in a principal capacity with responsibility over any area of business activity not stated above; (2) supervision of the origination and structuring of underwritings; (3) supervision of market making commitments; (4) supervision of the custody of firm or customer funds or securities for purposes of SEA Rule 15c3-3; or (5) supervision of overall compliance with financial responsibility rules for broker-dealers promulgated pursuant to the provisions of the Act. Further, a General Securities Sales Supervisor is not qualified to be included for purposes of the principal numerical requirements of NASD Rule 1021(e)(1).

To register as a General Securities Sales Supervisor, an individual must be registered pursuant to the NASD Rule 1030 Series as a General Securities Representative. In addition, the individual must pass the Series 9/10 examination.

In consultation with a committee of industry representatives, FINRA recently undertook a review of the Series 9/10 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 a General Securities Sales Supervisor. FINRA also is proposing to make changes to the format of the content outline.

#### Current Content 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:

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<sup>9</sup> NASD Rule 1022(g) also includes additional requirements applicable to General Securities Sales Supervisors engaged in securities futures activities.

1. Hiring, Qualifications, and Continuing Education, 9 questions;
2. Supervision of Accounts and Sales Activities, 94 questions;
3. Conduct of Associated Persons, 14 questions;
4. Recordkeeping Requirements, 8 questions;
5. Municipal Securities Regulation, 20 questions;
6. Options Regulation, 55 questions.

Each section also includes 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.

#### Proposed Revisions

FINRA is proposing to divide the content outline into two parts with eight major job functions that are performed by a General Securities Sales Supervisor. The following are the two parts each with four major job functions, denoted as Parts 1 and 2 with Function 1 through Function 4, respectively, with the associated number of questions:

#### Part 1:

Function 1: Supervise Associated Persons and Personnel Management Activities, 28 questions;

Function 2: Supervise the Opening and Maintenance of Customer Accounts, 49 questions;

Function 3: Supervise Sales Practices and General Trading Activities, 52 questions;

Function 4: Supervise Communications with the Public, 16 questions.

#### Part 2:

Function 1: Supervise the Opening and Maintenance of Customer Options Accounts, 18 questions;

Function 2: Supervise Sales Practices and General Options Trading Activities, 19 questions;

Function 3: Supervise Options Communications, 5 questions;

Function 4: Supervise Associated Persons and Personnel Management Activities, 13 questions.

FINRA 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 a General Securities Sales Supervisor. The questions on the revised Series 9/10 examination will place greater emphasis on key tasks such as supervision of registered persons, sales practices and compliance.

Each function also includes specific tasks describing activities associated with performing that function. In Part 1, there are five tasks (1.1 – 1.5) associated with Function 1; four tasks (2.1 – 2.4) associated with Function 2; five tasks (3.1 – 3.5) associated with Function 3; and four tasks (4.1 – 4.4) associated with Function 4. In Part 2, there are three tasks (1.1 – 1.3) 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 one task (4.1) associated with Function 4.<sup>10</sup> By way of example, one such task (Task 4.2 in Part 1) is review retail communications and determine appropriate approval.<sup>11</sup> Further, the content outline lists the knowledge required to perform each

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<sup>10</sup> See Exhibit 3a, Outline Pages 5 – 26.

<sup>11</sup> See Exhibit 3a, Outline Page 17.

function and associated tasks (e.g., types of retail communications, required approvals).<sup>12</sup> 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. These include the applicable FINRA Rules (e.g., FINRA Rule 2210), MSRB Rules (e.g., MSRB Rule G-27(e)) and SEC rules (e.g., Rule 135a under the Securities Act of 1933).<sup>13</sup> FINRA conducted a job analysis study of General Securities Sales Supervisors, which included the use of a survey, in developing each function and associated tasks and updating the required knowledge set forth in the revised content outline. The functions and associated tasks, which appear in the revised content outline for the first time, reflect the day-to-day activities of a General Securities Sales Supervisor.

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)), NASD Rule 2212 (Telemarketing) and NASD Rule 3110 (Books and Records) were adopted as FINRA Rule 2111 (Suitability), FINRA Rule 3230 (Telemarketing) and FINRA Rule 4510 Series (Books and Records Requirements), respectively).<sup>14</sup>

FINRA is proposing similar changes to the Series 9/10 selection specifications and question bank.

Finally, FINRA is proposing to make changes to the format of the content outline, including the preface, sample questions and reference materials. Among other changes, FINRA

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<sup>12</sup> See Exhibit 3a, Outline Page 17.

<sup>13</sup> See Exhibit 3a, Outline Page 17-18.

<sup>14</sup> See Rule Conversion Chart, available at <http://www.finra.org/Industry/Regulation/FINRARules/p085560>.

is proposing to: (1) add a table of contents;<sup>15</sup> (2) provide more details regarding the purpose of the examination;<sup>16</sup> (3) provide more details on the application procedures;<sup>17</sup> (4) provide more details on the development and maintenance of the content outline and examination;<sup>18</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 a statistical adjustment process known as equating is used in scoring exams;<sup>19</sup> and (6) note that each candidate will receive a 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>20</sup>

The number of questions on the Series 9/10 examination will remain at 200 multiple-choice questions (55 on the Series 9 and 145 on the Series 10).<sup>21</sup> Candidates will have 90 minutes to complete the Series 9 exam and 240 minutes to complete the Series 10 exam. The passing score for the Series 9 is 70 percent and the passing score for the Series 10 is 70 percent. These are unchanged.

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<sup>15</sup> See Exhibit 3a, Outline Page 1.

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

<sup>17</sup> See Exhibit 3a, Outline Page 2.

<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 4.

<sup>21</sup> Consistent with FINRA's practice of including "pretest" items on certain qualification examinations, which is designed to ensure that new examination items meet acceptable testing standards prior to use for scoring purposes, the examinations include 15 additional, unidentified pretest items that do not contribute towards the candidate's score. Therefore, the examination actually consists of 215 items, 200 of which are scored. The 15 pretest items are randomly distributed throughout the examination.



### Availability of Content Outline

The current Series 9/10 content outline is available on FINRA's website, at [www.finra.org/brokerqualifications/exams](http://www.finra.org/brokerqualifications/exams). The revised Series 9/10 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 9/10 examination program on March 7, 2016. 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 9/10 examination program are consistent with the provisions of Section 15A(b)(6) of the Act,<sup>22</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>23</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 a General Securities Sales Supervisor.

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<sup>22</sup> 15 U.S.C. 78o-3(b)(6).

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

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 a General Securities Sales Supervisor 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 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>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 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:

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

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

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-2015-058 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-2015-058. 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 offices 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-2015-058, 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>

Jill M. Peterson  
Assistant Secretary

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