



Exhibit 3a  
SR-FINRA-2018-009

# Direct Participation Programs Representative Qualification Examination (Series 22)

CONTENT OUTLINE

## Series 22

### PURPOSE OF THE EXAM

The Series 22 exam is designed to assess the competency of entry-level Direct Participation Programs Representatives. The Series 22 exam seeks to measure the degree to which each candidate possesses the knowledge, skills and abilities needed to perform the critical functions of a Direct Participation Programs Representative. In order to obtain registration as an Direct Participation Programs Representative, candidates must pass both the Series 22 exam and a general knowledge co-requisite, the Securities Industry Essentials (SIE) exam. For more information about the Direct Participation Programs Representative registration category, see FINRA Rule 1220(b)(8).

### STRUCTURE OF THE EXAM

The exam consists of 50 multiple-choice items, and each item consists of four answer choices. The allocation of exam items for each major function is as follows:

Function	Description	Percentage of Exam Items	Number of Items
1	Seeks Business for the Broker-Dealer from Customers and Potential Customers	34%	17
2	Opens Accounts After Obtaining and Evaluating Customers' Financial Profile and Investment Objectives	8%	4
3	Provides Customers with Information About Investments, Makes Suitable Recommendations, Transfers Assets and Maintains Appropriate Records	54%	27
4	Obtains and Verifies Customers' Purchase Instructions and Agreements; Processes, Completes and Confirms Transactions	4%	2
<b>TOTAL</b>		100%	50

### ADMINISTRATION OF THE EXAM

The exam is administered via computer. A tutorial on how to take the exam is provided prior to taking the exam. Each candidate's exam includes 5 additional, unidentified pretest items that do not contribute toward the candidate's score. The pretest items are randomly distributed throughout the exam. Therefore, each candidate's exam consists of a total of 55 items (50 scored and 5 unscored). There is no penalty for guessing. Therefore, candidates should attempt to answer all items. Candidates will be allowed 1 hour and 30 minutes to complete the Series 22 exam.

All candidate test scores are placed on a common scale using a statistical adjustment process known as equating. Equating scores to a common scale accounts for the slight variations in difficulty that may exist among the different sets of exam items that candidates receive. This allows for a fair comparison of scores and ensures that every candidate is held to the same passing standard regardless of which set of exam items they received.

Candidates are not permitted to bring reference materials to their testing session. Severe penalties are imposed on candidates who cheat or attempt to cheat on FINRA-administered exams.

Please visit [www.finra.org](http://www.finra.org) for additional details.

Series 22

## Function 1: Seeks Business for the Broker-Dealer from Customers and Potential Customers

- 1.1 **Contacts current and potential customers in person and by telephone, mail and electronic means; develops promotional and advertising materials and seeks appropriate approvals to distribute marketing materials**

**Knowledge of:**

- Standards and required approvals of public communications
- Types of communications (*e.g.*, retail, institutional, correspondence)

FINRA Rule

2210 – Communications with the Public

- 1.2 **Describes investment product offerings to current and potential customers with the intent of soliciting business**

**Knowledge of:**

- Types of securities offerings (*e.g.*, publicly registered, Regulation D, Regulation A, intrastate, other unregistered offerings)
- Prospectus requirements
- Methods of distribution (*e.g.*, best efforts, firm commitment)
- Syndication practices
  - Dealer or manager functions (*e.g.*, due diligence, solicits and allocates retail participation by other broker-dealers, maintains books and records, enters into dealer/manager agreement with the program sponsor)
  - Sponsor or issuer-managed offerings
  - Dealer agreement with sponsor or issuer
  - Functions of wholesalers
  - Role of finders and prohibited practices
- Due diligence
  - Purpose and requirement to perform
  - Typical reviews
    - Material statements and risk factors in the offering documents
    - Compliance with registration or exemption rules
    - Financial data and assets
    - Management background and prior performance
    - Assumptions in offering forecasts or projections
    - Fees and use of proceeds
    - Opinion of tax counsel

FINRA Rules

2310(b)(3) – Direct Participation Programs (Disclosure)

5110 – Corporate Financing Rule — Underwriting Terms and Arrangements

SEC Rules and Regulations

Securities Act of 1933

Section 2(a) – Definitions

## Series 22

- Section 3(a)(11) – Any Security Which Is Part of an Issue Offered and Sold Only to Persons Resident Within a Single State or Territory
- Section 4(a)(5) – Transactions Involving Offers or Sales by an Issuer Solely to One or More Accredited Investors Up to the Section 3(b) Maximum
- Section 5 – Prohibitions Relating to Interstate Commerce and the Mails
- Section 6 – Registration of Securities and Signing of Registration Statement
- Section 10 – Information Required in Prospectus
- Section 11 – Civil Liabilities on Account of False Registration Statement
- Section 12 – Civil Liabilities Arising in Connection with Prospectus and Communications
- Securities Exchange Act of 1934
  - 15c2-8 – Delivery of Prospectus
- Regulation A-R – Special Exemptions
  - 134 – Communications Not Deemed a Prospectus
  - 135 – Notice of Proposed Registered Offerings
  - 135a – Generic Advertising
  - 147 – Interstate Offers and Sales
  - 174 – Delivery of Prospectus by Dealers; Exemptions Under Section 4(3) of the Act
- Regulation C – Registration
  - 425 – Filing of Certain Prospectuses and Communications Under §230.135 in Connection with Business Combination Transactions
- Regulation D – Rules Governing the Limited Offer and Sale of Securities Without Registration Under the Securities Act of 1933
  - 500 – Use of Regulation D
  - 501 – Definitions and Terms Used in Regulation D
  - 502 – General Conditions to be Met
  - 503 – Filing of Notice of Sale
  - 504 – Exemption for Limited Offerings and Sales of Securities Not Exceeding \$5,000,000
  - 506 – Exemption for Limited Offers and Sales Without Regard to Dollar Amount of Offering
  - 507 – Disqualifying Provision Relating to Exemptions under Rules 504 and 506
  - 508 – Insignificant Deviations from a Term, Condition or Requirement of Regulation D
- Securities Act Industry Guides
  - Guide 2 – Disclosure of Oil and Gas Operations
  - Guide 4 – Prospectus Relating to interests in Oil and Gas Programs
  - Guide 5 – Preparation of Registration Statements Relating to Interests in Real Estate Limited Partnerships

## Series 22

### Function 2: Opens Accounts After Obtaining and Evaluating Customers' Financial Profile and Investment Objectives

#### 2.1 Informs customers of the types of accounts and their appropriateness and provides disclosures regarding various account types and restrictions

##### Knowledge of:

- Types of accounts
- Requirements for opening customer accounts
- Retirement plans and other tax advantaged accounts
  - Permissible investments, transfers, rollovers, eligibility, allowable contributions, distribution requirements, strategies and taxation
  - Employer-sponsored plans and ERISA (e.g., defined benefit, defined contribution)
- Account registration changes and internal transfers

##### FINRA Rules

2268 – Requirements When Using Predispute Arbitration Agreements for Customer Accounts  
4512 – Customer Account Information

##### Employee Retirement Income Security Act of 1974 (ERISA)

#### 2.2 Obtains and updates customer information and documentation, including required legal documents and identifies and escalates suspicious activity

##### Knowledge of:

- Customer screening (e.g., customer identification program (CIP), know your customer (KYC), domestic or foreign residency and/or citizenship, corporate insiders, employees of broker-dealers or self-regulatory organizations (SROs))
- Information security and privacy regulations (e.g., initial privacy disclosures to customers, opt-out notices, disclosure limitations, exceptions)
- Account authorizations (e.g., power of attorney (POA), trust documents, corporate resolutions)

##### FINRA Rule

2090 – Know Your Customer

##### SEC Rules and Regulations

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

#### 2.3 Makes reasonable efforts to obtain customer investment profile information including, but not limited to, the customer's other security holdings, financial situation and needs, tax status and investment objectives

##### Knowledge of:

- Essential facts regarding customers and customer relationships
- Financial factors relevant to assessing a customer's investment profile
  - Security holdings, other assets and liabilities, annual income, net worth, tax considerations
  - Other considerations (e.g., age, marital status, dependents, employment, investment experience, home ownership and financing, employee stock options, insurance, liquidity needs)

## Series 22

- Investment objectives (*e.g.*, preservation of capital, income, growth, speculation)
- Verification of investor accreditation and sophistication

FINRA Rule  
2111 – Suitability

### 2.4 Obtains supervisory approvals required to open accounts

#### Knowledge of:

- Required review, approvals and documentation for account opening and maintenance
- Physical receipt, delivery and safeguarding of cash or cash equivalents, checks and securities
- Circumstances for refusing or closing accounts

FINRA Rules  
3110 – Supervision  
3120 – Supervisory Control System

## Series 22

## Function 3: Provides Customers with Information About Investments, Makes Suitable Recommendations, Transfers Assets and Maintains Appropriate Records

### 3.1 Provides customers with information about investment strategies, risks and rewards, and communicates relevant market, investment and research data to customers

#### Knowledge of:

- Types of direct participation programs (DPPs)
  - Investment or asset focus
  - Investment entities
  - Registered vs. unregistered (*e.g.*, private placements)
- Real estate programs
  - Potential benefits and typical risks of:
    - Affordable housing (*e.g.*, tax credits, passive losses government policy changes, limited cash distributions, loss of subsidies or credits, uncertain residual value)
    - Development properties (*e.g.*, appreciation potential, partially tax deferred cash flow, passive losses, excess development costs, realizable occupancy and rental rates, availability of long-term mortgage financing)
    - Operating properties (*e.g.*, in-place leases and net operating income, partially tax-deferred cash flow, appreciation, declines in occupancy or rental rates, increased maintenance and replacement costs, inability to cover debt service)
    - Land development (*e.g.*, appreciation, delay or failure to develop, carrying costs with no cash flow)
    - Mortgage programs (*e.g.*, predictable income, participation in appreciation, default by the borrower)
- Oil and gas programs
  - Potential benefits and typical risks of:
    - Exploratory (*e.g.*, up-front tax benefit, high return potential from reserve discoveries, "dry holes," joint and several liability, environmental hazard, changing government regulation, commodity pricing)
    - Development (*e.g.*, up-front tax benefit, return potential from reserve discoveries, fewer "dry holes" versus exploratory, joint and several liability, environmental hazard, changing government regulation, commodity pricing)
    - Income (*e.g.*, predictable cash flow from reserves, partial tax benefits, overestimation of reserves, commodity pricing)
    - Overriding royalty interest (*e.g.*, owner does not share program costs, owner shares in revenues through cost free interest in production revenues, payable under an oil and gas lease out of total production of well or deposit)
    - Working interest (*e.g.*, interest in production revenues, partners share program costs)
    - Reversionary working interest (*e.g.*, owner does not share program costs, owner shares in revenues after investors recover their costs)
    - Disproportional sharing arrangement (*e.g.*, sponsor pays a lower percentage of all costs in return for a higher percentage of program revenues, sponsor may share in costs of "dry holes," normally investors pay deductible costs and sponsor pays non-deductible costs)
- Equipment leasing programs
  - Potential benefits and typical risk(s) (*e.g.*, partially sheltered cash flow, lease defaults, uncertain residual value, phantom income on equipment sales)
- Business development companies (BDCs) and other debt investment programs
  - Potential benefits and typical risks (*e.g.*, income, modest capital gains, borrower defaults and declining income, declining asset values from rising interest rates)

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- Other programs
  - Agricultural
  - Livestock
  - Entertainment
  - Research and development or venture capital
  - Commodity pools
  - Like-kind exchanges (*e.g.*, tenants in common (TIC), Delaware statutory trust, Section 1031)
- Types of investment entities
  - Limited partnerships
    - Limited liability
    - Consequences of the pass through tax provision
    - Agreement of limited partnership (*i.e.*, types of partners, capital contribution obligations, allocation of income, loss, capital gain, and cash distributions, general partner compensation)
  - Roles of partners (*e.g.*, general, limited)
  - General partner(s): rights and obligations (*e.g.*, exclusive power to manage the partnership, fiduciary responsibility to limited partners, unlimited liability)
    - Limited partners rights and obligations (*e.g.*, limited voting rights (*e.g.*, to change to general partner, to approve sale of all or substantially all the assets of the partnership, to amend partnership agreement), liability limited to capital contribution)
    - Limited ability to transfer of interest in limited partnership
    - Dissolution and liquidation of a limited partnership (*e.g.*, withdrawal of last general partner, vote of partners, sale of all the assets of the partnership, expiration of partnership)
  - Limited liability corporations (LLC)
    - Same characteristics as limited partnerships except
    - Manager has limited liability, may elect to receive same pass-through tax advantages as a limited partnership, may elect members to manage the LLC
  - S corporations
    - Limited number of shareholders, domestic corporation, ownership by individuals, certain estates, trusts, or tax-exempt organizations
    - A tax pass-through entity, no disproportionate allocation
  - General partnerships
    - Unlimited liability of general partners
    - Passive general partner interests are treated as securities
  - Other investment entities
    - Joint ventures
    - Grantor trusts
- Evaluation of DPPs
  - Economic soundness of program
  - Basic objectives of program
  - Valuation of specified assets
  - Characteristics of assets (*e.g.*, risk factors, conflicts of interest)
  - Sponsor's track record
  - Sources of capital (*e.g.*, offering proceeds, installment or staged payments, loans, assessments)
  - Use of offering proceeds including organizational and offering costs
  - Types of organizational and offering costs (*e.g.*, underwriting compensation, due diligence fees, advisory fees, direct costs) and regulatory limits
  - Use of amount available for investment (*e.g.*, acquisition of assets, fees, working capital reserve)



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- Anticipated returns on investments (composition of returns (*e.g.*, current income versus capital gains), pre- and post-tax return))
- Liquidity provisions (*e.g.*, anticipated holding period, share redemption programs)
- Dividend reinvestment plans
- Tax treatment of DPPs
  - General characteristics
    - Conduit nature of entity
    - Requirements to file informational tax returns (IRS Form 1065)
    - Requirements to allocate profits, losses, deductions and credits to partners
    - Tax concepts ((*e.g.*, ordinary income and loss, capital gain and loss, adjusted tax basis used to determine gain or loss on the sale of an asset, investment interest income and interest expense (*e.g.*, expense deductible only to extent of income))
    - Passive income offset by passive losses (*e.g.*, losses deductible only to extent of income, losses can be carried forward but not back)
    - Tax credits versus deductions (*e.g.*, credit offset against tax liability, deduction offset against income)
    - Depreciation, depletion and amortization (*e.g.*, allows noncash deduction based on entity's cost of asset, deduction varies by type of asset (*e.g.*, term, straight-line, accelerated), partially shelters cash flow)
    - Phantom income (*i.e.*, taxable income without associated cash distributions)
    - Tax-free exchanges of real estate (Section 1031) (*e.g.*, gain or loss is deferred and tax basis is transferred)
  - "At risk" limitations on deduction of losses
    - Limited to partner's or member's capital contribution plus a portion of limited partnership or LLC liabilities for which the partner or member is liable
    - Qualified non-recourse financing in real estate is exempt from "at risk" limitations
  - Alternative minimum tax (AMT)
    - DPP preference items can trigger AMT

### FINRA Rules

- 2310(b) – Direct Participation Programs (Requirements)
- 5122 – Private Placements of Securities Issued by Members
- 5123 – Private Placements of Securities

### SEC Rules and Regulations

- Securities Act of 1933
  - Section 4(a)(2) – Transactions by an Issuer Not Involving Any Public Offering

## 3.2 Reviews and analyzes customers' investment profiles and product options to determine suitable investment recommendations

### Knowledge of:

- Suitability
  - Ability to understand risks of the underlying investment
  - Investment objective of program versus investor
  - Composition and diversification of investor's current portfolio
  - Investor's liquidity needs
  - Investor's net worth and income

## Series 22

### FINRA Rules

- 2090 – Know Your Customer
- 2111 – Suitability
- 2122 – Charges for Services Performed
- 2214 – Requirements for the Use of Investment Analysis Tools

### 3.3 Provides appropriate disclosures regarding investment products and their characteristics, risks, services and expenses

#### Knowledge of:

- Required disclosures on specific transactions
- Costs and fees associated with investments
- Types of underwriting compensation
  - Cash and non-cash
  - Indeterminate (*e.g.*, carried interest, continuing compensation, other securities)
  - Limitations on sales compensation in public offerings

### FINRA Rules

- 2165 – Financial Exploitation of Specified Adults
- 2212 – Use of Investment Companies Rankings in Retail Communications
- 2310(b)(4) – Direct Participation Programs (Organization and Offering Expenses)

### 3.4 Communicates with customers about account information, processes requests and retains documentation

#### Knowledge of:

- Sources and timing of investment tax and financial information
- Tax information provided to investors (Schedule K-1)
- Current financial performance (*e.g.*, distribution rates and valuation)
  - Method of account statement reporting (*e.g.*, public versus private)
  - Disclosures of sources of cash distributions
- Reinvestment plan options
- Liquidity options
- Books and records

### FINRA Rules

- 2273 – Educational Communication Related to Recruitment Practices and Account Transfers
- 2310 – Direct Participation Programs
- 4510 – Books and Records Requirements

### NASD Rule

- 2340 – Customer Account Statements

### SEC Rules and Regulations

- Securities Exchange Act of 1934
  - Section 17 – Accounts and Records, Examinations of Exchanges, Members and Others
- Regulation FD – Disclosure Requirements

## Series 22

### Function 4: Obtains and Verifies Customers' Purchase Instructions and Agreements; Processes, Completes and Confirms Transactions

#### 4.1 Provides subscription information and offering prices

##### Knowledge of:

- Installment procedures
  - Restrictions on installment sales for SEC registered public offerings
- Share or unit class pricing and volume discounts

##### FINRA Rules

2310(b)(4)(c)(ii) – Direct Participation Programs (Organization and Offering Expenses)  
5110 – Corporate Financing Rule - Underwriting Terms and Arrangements  
5141 – Sale of Securities in a Fixed Price Offering

##### SEC Rules and Regulations

Securities Exchange Act of 1934  
3a12-9 – Exemption of certain direct participation program securities from the arranging provisions of sections 7(c) and 11(d)(1)  
10b-9 – Prohibited representations in connection with certain offerings  
15c2-4 – Transmission or maintenance of payments received in connection with underwritings

#### 4.2 Processes and confirms customers' transactions pursuant to regulatory requirements and informs customers of delivery obligations and settlement procedures

##### Knowledge of:

- Subscription practices
  - Order forms
  - Escrow procedures
  - Supervisory review of order by broker-dealer
  - Sales conditioned upon issuer's acceptance of subscribers
- Transaction disclosure requirements

##### FINRA Rule

2232 – Customer Confirmations

##### SEC Rules and Regulations

Securities Exchange Act of 1934  
10b-10 – Confirmation of Transactions  
15c2-4 – Transmission or maintenance of payments received in connection with underwritings.  
17a-3 – Records To Be Made by Certain Exchange Members, Brokers and Dealers  
17a-4 – Records To Be Preserved by Certain Exchange Members, Brokers and Dealers  
17a-8 – Financial Recordkeeping and Reporting of Currency and Foreign Transactions

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### 4.3 Informs the appropriate supervisor and assists in the resolution of discrepancies, disputes, errors and complaints

#### Knowledge of:

- Requirements for addressing customer complaints and consequences of improper handling of complaints
- Methods of formal resolution (*e.g.*, arbitration, mediation, litigation)
- Form U4 reporting requirements

#### FINRA Rules

4513 – Records of Written Customer Complaints

4530 – Reporting Requirements

8000 Series – Investigations and Sanctions

12000 Series – Code of Arbitration Procedure for Customer Disputes

13000 Series – Code of Arbitration Procedure for Industry Disputes

14000 Series – Code of Mediation Procedure