PURPOSE OF THE EXAM
The Series 57 exam is designed to assess the competency of entry-level Securities Traders. The Series 57 exam seeks to measure the degree to which each candidate possesses the knowledge, skills and abilities needed to perform the critical functions of a Securities Trader. In order to obtain registration as a Securities Trader, candidates must pass both the Series 57 exam and a general knowledge co-requisite, the Securities Industry Essentials (SIE) exam. For more information about the activities requiring registration as a Securities Trader, see FINRA Rule 1220(b)(4).

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:

<table>
<thead>
<tr>
<th>Function</th>
<th>Description</th>
<th>Percentage of Exam Items</th>
<th>Number of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Trading Activities</td>
<td>82%</td>
<td>41</td>
</tr>
<tr>
<td>2</td>
<td>Maintaining Books and Records, Trade Reporting and Clearance and Settlement</td>
<td>18%</td>
<td>9</td>
</tr>
<tr>
<td>TOTAL:</td>
<td></td>
<td>100%</td>
<td>50</td>
</tr>
</tbody>
</table>

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 45 minutes to complete the Series 57 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 for additional details.
Function 1: Trading Activities

1.1 Understanding General Trading Practices

1.1.1 Achieving Market Making Status

Knowledge of:
- The role of the floor broker
- The use of market participant identifiers (MPIDs)
- Responsibilities of a qualified block positioner
- Registration as a market maker
- Net capital requirements

FINRA Rules
- 4613 – Market Maker Obligations
- 4620 – Voluntary Termination of Registration
- 5250 – Payments for Market Making
- 6271 – Registration as an ADF Market Maker or ADF ECN
- 6275 – Withdrawal of Quotations
- 6480 – Multiple MPIDs for Quoting and Trading in OTC Equity Securities

SEC Rules and Regulations
- Securities Exchange Act of 1934
  - Section 3(a)(38) – Definition of a Market Maker
  - 3b-8 – Definitions of “Qualified OTC Market Maker,” “Qualified Third Market Maker” and “Qualified Block Positioner”

1.1.2 Understanding Order Types

Knowledge of:
- Different order types and their use in the marketplace including:
  - Market
  - Limit
  - Stop
  - Stop limit
  - Market-on-open (MOO), Market-on-close (MOC)
  - Contingent/stipulation (e.g., day, good-til-canceled (GTC))
  - Reserve
  - Peg

NYSE MKT Rules
- 900.3NY – Orders Defined

NYSE Arca Rules
- 6.62-O – Certain Types of Orders Defined
- 7.31-E – Orders and Modifiers

1.1.3 Market Access

Knowledge of:
- Requirements for direct market access (DMA)/sponsored access
• The purpose of credit and capital limits
• Identifying pre-trade risk controls

SEC Rules and Regulations
Securities Exchange Act of 1934
15c3-5 – Risk Management Controls for Brokers or Dealers with Market Access

1.1.4 Identifying and Handling Clearly Erroneous Transactions

Knowledge of:
• Identifying minimum criteria necessary for a transaction to qualify as clearly erroneous
• Nullification and adjustment of transactions including obvious errors

FINRA Rule
11890 Series – Clearly Erroneous Transactions

1.1.5 Display, Execution and Trading Systems

Knowledge of:
• Understanding order entry parameters
• Trading rotations
• The use of the Alternative Display Facility (ADF)
• The role of alternative trading systems (ATS)

FINRA Rules
6200 Series – Alternative Display Facility (ADF)
  6210 – General
  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
  6260 – Review of Direct or Indirect Access Complaints
  6273 – Normal Business Hours

SEC Rules and Regulations
Regulation ATS
  300 – Definitions
  301 – Requirements for Alternative Trading Systems
  302 – Recordkeeping Requirements for Alternative Trading Systems
  303 – Record Preservation Requirements for Alternative Trading Systems

1.1.6 Identifying and Avoiding Prohibited Activities

Knowledge of:
• Prohibited activities
  ° Trading ahead of research reports
  ° Use of material nonpublic information for insider trading
  ° Use of trading schemes (e.g., prearranged trading, spoofing, pump and dump)
  ° Engaging in conduct that influences or intimidates other market participants
FINRA Rules
5200 Series - Quotation and Trading Obligations and Practices
  5230 – Payments Involving Publications that Influence the Market Price of a Security
  5270 – Front Running of Block Transactions
  5280 – Trading Ahead of Research Reports
  5240 – Anti-Intimidation/Coordination
  5290 – Order Entry and Execution Practices

SEC Rules and Regulations
  Securities Exchange Act of 1934
    Section 9 – Prohibition Against Manipulation of Security Prices
    Section 15(g) – Registration and Regulation of Brokers and Dealers (policies and procedures to be developed by broker-dealers to prevent misuse of material nonpublic information)
    10b-5 – Employment of Manipulative and Deceptive Devices
    10b5-2 – Duties of Trust or Confidence in Misappropriation Insider Trading Cases

1.1.7 Disseminating Quotes and Trade Advertisements

Knowledge of:
- Quotations and trading halts
- Halt and imbalance crosses
- Trade volume advertising
- Publishing indications of interest (IOI)
- Volatility trading pauses (VTPs)
- Offers at stated prices

FINRA Rules
5200 Series - Quotation and Trading Obligations and Practices
  5210 – Publication of Transactions and Quotations
  5220 – Offers at Stated Prices
  5260 – Prohibition on Transactions, Publication of Quotations, or Publication of Indications of Interest During Trading Halts
6000 Series – Quotation, Order, and Transaction Reporting Facilities
  6120 – Trading Halts
  6121 – Trading Halts Due to Extraordinary Market Volatility
  6190 – Compliance with Regulation NMS Plan to Address Extraordinary Market Volatility
  6272 – Character of Quotations
  6277/6360/A/6360B – Suspension and Termination of Quotations by FINRA Action
  6440 – Trading and Quotation Halt in OTC Equity Securities

SEC Rules and Regulations
  Regulation NMS
    602 – Dissemination of Quotations in NMS Securities
    610 – Access to Quotations

1.2 Trading Specific Products

1.2.1 Initial Public Offerings (IPOs), Secondary Offerings and Safe Harbor

Knowledge of:
- Permitted and prohibited trading activities related to IPOs and secondary offerings
- Penalty bids
Series 57

- Stabilizing bids
- Passive market making
- Required notification related to IPOs and secondary offerings
- Trading within safe harbors

FINRA Rules
- 5131 – New Issue Allocations and Distributions
- 5190(e) – Notice of Penalty Bids and Syndicate Covering Transactions in OTC Equity Securities
- 6130 – Transactions Related to Initial Public Offerings
- 6435 – Withdrawal of Quotations in an OTC Equity Security in Compliance with SEC Regulation M

SEC Rules and Regulations
- Securities Act of 1933
  - Regulation D – Rules Governing the Limited Offer and Sale of Securities Without Registration Under the Securities Act of 1933
- Securities Exchange Act of 1934
  - Section 5 – Transactions on Unregistered Exchanges
  - 10b5-1 – Trading “On The Basis Of” Material Nonpublic Information in Insider Trading Cases
  - 10b-18 – Purchases of Certain Equity Securities By the Issuer and Others
- Regulation M
  - 101 – Activities By Distribution Participants
  - 102 – Activities By Issuers and Selling Security Holders During a Distribution
  - 103 – Nasdaq Passive Market Making
  - 104 – Stabilizing and Other Activities in Connection with an Offering
  - 105 – Short Sales in Connection with a Public Offering

1.2.2 Non-listed and Penny Stocks

Knowledge of:
- Characteristics of penny stocks
- Disclosure requirements
- Over-the-counter (OTC) quoting and trading
- OTC Bulletin Board (OTCBB)
- Initiating or resuming market making in OTC and OTCBB (Form 211)

FINRA Rules
- 6140 – Other Trading Practices
- 6400 Series – Quoting and Trading in OTC Equity Securities
  - 6410 – General
  - 6420 – Definitions
  - 6432 – Compliance with the Information Requirements of SEA Rule 15c2-11
  - 6433 – Minimum Quotation Size Requirements for OTC Equity Securities
  - 6434 – Minimum Pricing Increment for OTC Equity Securities
  - 6437 – Prohibition from Locking or Crossing Quotations in OTC Equity Securities
  - 6438 – Displaying Priced Quotations in Multiple Quotation Mediums
  - 6460 – Display of Customer Limit Orders
- 6500 Series – OTC Bulletin Board Service
  - 6510 – Applicability
  - 6520 – Operation of the Service
  - 6530 – OTCBB-Eligible Securities
  - 6540 – Requirements Applicable to Market Makers
1.2.3 Options Trading

Knowledge of:
- Option orders and types including spreads, straddles and combinations
- Index options (e.g., CBOE Volatility Index (VIX))
- Exercise and assignment
- Tender of exercise notices
- Position and exercise limits

CBOE Rules
- 4.11 – Position Limits
- 4.12 – Exercise Limits
- 4.13 – Reports Related to Position Limits
- 6.53 – Certain Types of Orders Defined
- 11.1 – Exercise of Option Contracts
- 11.2 – Allocation of Exercise Notices
- 24.4 – Position Limits for Broad-Based Index Options
- 24.4A – Position Limits for Industry Index Options
- 24.4B – Position Limits for Options on Micro Narrow-Based Indexes as Defined Under Rule 24.2(d)
- 24.4C – Position Limits for Individual Stock or ETF Volatility Index Options
- 24.5 – Exercise Limits
- 24A.7 – Position Limits and Reporting Requirements
- 24A.8 – Exercise Limits
- 24B.7 – Position Limits and Reporting Requirements
- 24B.8 – Exercise Limits

1.2.4 Handling and Executing Short Sales

Knowledge of:
- Short sale regulations
- Locates and borrows
- Price test
- Close-out requirements
- Order marking requirements
- Short sale exemptions

FINRA Rules
- 6182 – Trade Reporting of Short Sales
- 6624 – Trade Reporting of Short Sales

SEC Rules and Regulations
- Regulation SHO
1.3 Handling Customer Orders

1.3.1 Meeting Obligations to Customers Regarding Orders

Knowledge of:
- Market hours vs. pre- and post-market trading
- Best execution requirements
- Adjustment of orders for stock splits, dividends
- Fair prices and commissions
- Net transactions
- Order marking

FINRA Rules
2010 – Standards of Commercial Honor and Principles of Trade
2121 – Fair Prices and Commissions
2124 – Net Transactions with Customers
2265 – Extended Hours Trading Risk Disclosure
5300 Series – Handling of Customer Orders
   5310 – Best Execution and Interpositioning
   5330 – Adjustment of Orders
   5350 – Stop Orders
6140 – Other Trading Practices

1.3.2 Identifying and Avoiding Prohibited Practices

Knowledge of:
- Trading ahead of customer orders
- Use of manipulative or deceptive devices
- Prohibited transactions of investment advisers

FINRA Rules
2020 – Use of Manipulative, Deceptive or Other Fraudulent Devices
5320 – Prohibition Against Trading Ahead of Customer Orders

Investment Advisers Act of 1940
Section 206 – Prohibited Transactions by Investment Advisers

1.3.3 Regulation NMS

Knowledge of:
- Order protection
- Customer limit order display requirements
- Trade through protection
- Sub-Penny Rule

SEC Rules and Regulations
Series 57

Regulation NMS – Regulation of the National Market System
600 – NMS Security Designation and Definitions
604 – Display of Customer Limit Orders
611 – Order Protection Rule
612 – Minimum Price Increments
Function 2: Maintaining Books and Records, Trade Reporting and Clearance and Settlement

2.1 Reporting Trades to the Designated Reporting Facility

Knowledge of:
- Distinctions among reporting facilities
- Trade reporting requirements (e.g., modifiers, timing, trade acceptance)

FINRA Rules
6100 Series – Quoting and Trading in NMS Stock
   6110 – Trading Otherwise than on an Exchange
   6160 – Multiple MPIDs for Trade Reporting Facility Participants
   6170 – Multiple MPIDs for Alternative Display Facility Participants
   6181 – Timely Transaction Reporting
   6183 – Exemption from Trade Reporting Obligation for Certain Alternative Trading Systems

6280 Series – Transaction Reporting
   6281 – Reporting Transactions in ADF-Eligible Securities
   6282 – Transactions Reported by Members to the ADF

7100 Series – Alternative Display Facility
   7110 – Definitions
   7120 – Trade Reporting Participation Requirements
   7130 – Trade Report Input
   7140 – Trade Report Processing
   7150 – Obligation to Honor Trades
   7160 – Audit Trail Requirements

6300A/7200A Series – FINRA/Nasdaq Trade Reporting Facility
6300B/7200B Series – FINRA/NYSE Trade Reporting Facility
   6310A/6300B – General
   6320A/6320B – Definitions
   6380A/6380B – Transaction Reporting
   7210A/7210B – Definitions
   7220A/7220B – Trade Reporting Participation Requirements
   7230A/7230B – Trade Report Input
   7240A/7240B – Trade Report Processing
   7250A/7250B – Obligation to Honor Trades
   7260A/7260B – Audit Trail Requirements
   7270A/7270B – Violation of Reporting Rules

6550 – Transaction Reporting (OTCBB)

6600 Series – OTC Reporting Facility
   6610 – General
   6621 – Definitions
   6622 – Transaction Reporting
   6623 – Timely Transaction Reporting
   6625 – Exemption from Trade Reporting Obligation for Certain Alternative Trading Systems

7300 Series – OTC Reporting Facility
   7310 – Definitions
   7320 – Trade Reporting Participation Requirements
   7330 – Trade Report Input
   7340 – Trade Report Processing
   7350 – Obligation to Honor Trades
2.2 Creating, Retaining and Reporting Required Records of Orders and Transactions

Knowledge of:
- Large Trade ID and related reporting and monitoring requirements
- Order execution/routing information
- Order Audit Trail System (OATS) and OATS reporting obligations, including timing and required fields
- Consolidated Options Audit Trail System (COATS)
- Books and records requirements and pre-time stamping
- ATS transparency

FINRA Rules
- 4511 – General Requirements
- 4515 – Approval and Documentation of Changes in Account Name or Designation
- 4590 – Synchronization of Member Business Clocks
- 5340 – Pre-Time Stamping
- 6800 Series – Consolidated Audit Trail Compliance Rule
- 7400 Series – Order Audit Trail System (OATS)
  - 7410 – Definitions
  - 7420 – Applicability
  - 7440 – Recording of Order Information
  - 7450 – Order Data Transmission Requirements
  - 7460 – Violation of Order Audit Trail System Rule

SEC Rules and Regulations
- Securities Exchange Act of 1934 Rules
  - 13h-1 – Large Trader Reporting
  - 17a-3 – Records To Be Made By Certain Exchange Members, Brokers and Dealers
- Regulation NMS
  - 605 – Disclosure of Order Execution Information
  - 606 – Disclosure of Order Routing Information

CBOE Rules
- 6.51 – Reporting Duties
- 6.58 – Submission of Trade Information to the Exchange
- 15.1 – Maintenance, Retention and Furnishing of Books, Records and Other Information

2.3 Clearance and Settlement

Knowledge of:
- Confirmations
- Standard settlement time frames for various products
- Options Clearing Corporation (OCC) assignment procedure
- Close-out requirements for various products

FINRA Rules
- 2232 – Customer Confirmations
- 6274/6350A/6350B – Clearance and Settlement
11000 Series – Uniform Practice Code
   11130 – When, As and If Issued/Distributed Contracts
   11140 – Transactions in Securities “Ex-Dividend,” “Ex-Rights” or “Ex-Warrants”
   11320 – Dates of Delivery

SEC Rules and Regulations
   Securities Exchange Act of 1934
      10b-10 – Confirmation of Transactions
      15c6-1 – Settlement Cycle

CBOE Rules
   6.50 – Submission for Clearance
   11.1 – Exercise of Option Contracts
   11.2 – Allocation of Exercise Notices
   11.3 – Delivery and Payment