

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="39"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2018"/> - * <input type="text" value="005"/>	Amendment No. (req. for Amendments *) <input type="text"/>
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Filing by Financial Industry Regulatory Authority
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input checked="" type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input checked="" type="checkbox"/>
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Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposed Rule Change to Revise the Research Analyst (Series 86 and 87) Examinations

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * <input type="text" value="Philip"/>	Last Name * <input type="text" value="Shaikun"/>
Title * <input type="text" value="Vice President and Associate General Counsel"/>	
E-mail * <input type="text" value="philip.shaikun@finra.org"/>	
Telephone * <input type="text" value="(202) 728-8451"/>	Fax <input type="text" value="(202) 728-8264"/>

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date <input type="text" value="02/09/2018"/>	<input type="text" value="Senior Vice President and Deputy General Counsel"/>
By <input type="text" value="Patrice M. Gliniecki"/>	<input type="text" value="Patrice Gliniecki,"/>
(Name *)	

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

Add Remove View

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “SEA”),¹ Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) revisions to the content outline and selection specifications for the Research Analyst (Series 86 and 87) examinations as part of the restructuring of the representative-level examination program.² The proposed revisions also update the material to reflect changes to the laws, rules and regulations covered by the examinations and to incorporate the functions and associated tasks currently performed by a Research Analyst. 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 Series 86 and 87 content outline is attached. The revised Series 86 and 87 selection specifications have been submitted to the Commission under separate cover with a request for confidential treatment pursuant to SEA Rule 24b-2.³

(b) Not applicable.

(c) Not applicable.

¹ 15 U.S.C. 78s(b)(1).

² FINRA also is proposing corresponding revisions to the Series 86 and 87 question banks. Based on instruction from SEC staff, FINRA is submitting this filing for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(1) thereunder, and is not filing the question banks. 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 banks are available for SEC review.

³ 17 CFR 240.24b-2.

2. Procedures of the Self-Regulatory Organization

At its meeting on December 15, 2015, the FINRA Board of Governors authorized the filing of the proposed rule change with the SEC. No other action by FINRA is necessary for the filing of the proposed rule change.

As discussed further below, FINRA is filing the proposed rule change for immediate effectiveness. The implementation date will be October 1, 2018, to coincide with the implementation of the restructured representative-level examination program. FINRA will also announce the implementation date of the proposed rule change in a Regulatory Notice.

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

(a) Purpose

Section 15A(g)(3) of the Act⁴ 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.

⁴ 15 U.S.C. 78q-3(g)(3).

The SEC recently approved a proposed rule change to restructure the FINRA representative-level qualification examination program.⁵ The rule change, which will become effective on October 1, 2018,⁶ restructures the examination program into a new format whereby all new representative-level applicants will be required to take a general knowledge examination (the Securities Industry Essentials or SIE™) and a tailored, specialized knowledge examination (a revised representative-level qualification examination) for their particular registered role.

The restructured program eliminates duplicative testing of general securities knowledge on the current representative-level qualification examinations by moving such content into the SIE examination.⁷ The SIE examination will test fundamental securities-related knowledge, including knowledge of basic products, the structure and function of the securities industry, the regulatory agencies and their functions and regulated and prohibited practices, whereas the revised representative-level qualification examinations will test knowledge relevant to day-to-day activities, responsibilities and job functions of representatives.⁸

⁵ See Securities Exchange Act Release No. 81098 (July 7, 2017), 82 FR 32419 (July 13, 2017) (Order Approving File No. SR-FINRA-2017-007).

⁶ See Regulatory Notice 17-30 (SEC Approves Consolidated FINRA Registration Rules, Restructured Representative-Level Qualification Examinations and Changes to Continuing Education Requirements) (October 2017).

⁷ Each of the current representative-level examinations covers general securities knowledge, with the exception of the Research Analyst (Series 86 and 87) examinations.

⁸ FINRA filed the SIE content outline with the SEC for immediate effectiveness. See Securities Exchange Act Release No. 82578 (January 24, 2018), 83 FR 4375 (January 30, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2018-002). In addition to the proposed rule change relating to the revised Series 86 and 87 examinations, FINRA will file with the Commission for

Currently, an individual registering as an equity Research Analyst must satisfy the General Securities Representative co-requisite registration and pass the Research Analyst (Series 86 and 87) examinations. The purpose of the current co-requisite is to ensure that Research Analysts have general securities knowledge, because the Series 86 and 87 examinations do not cover such knowledge. As part of the restructuring process, FINRA has eliminated the requirement that individuals registering as Research Analysts satisfy the General Securities Representative co-requisite registration. Instead, individuals registering as Research Analysts will be required to pass the SIE examination, which will cover general securities knowledge, as a co-requisite.

Further, FINRA, in consultation with a committee of industry representatives, undertook a review of the Research Analyst (Series 86 and 87) examinations to revise the Series 86 and 87 content outline to reflect changes to the laws, rules and regulations covered by the examinations and to incorporate the functions and associated tasks currently performed by a Research Analyst. The proposed change will align the organization of the Series 86 and 87 content outline with the organization of the content outlines of the other revised representative-level examinations.⁹ FINRA also is proposing to make other changes to the format of the Series 86 and 87 content outline.

immediate effectiveness the content outlines for the other revised representative-level qualification examinations.

⁹ FINRA currently has organized several FINRA qualification examinations, such as the Securities Trader (Series 57) examination, based on the functions that are performed by the respective registered persons and the associated tasks. FINRA is proposing similar layouts for all of the representative-level examinations, including the Series 86 and 87 examinations.

Beginning on October 1, 2018, new applicants seeking to register as Research Analysts must pass the SIE examination as well as the revised Research Analyst (Series 86 and 87) examinations.

Current Content Outline

The Series 86 examination contains the analysis portion of the Research Analyst examinations and tests knowledge of fundamental analysis and valuation of equity securities. The Series 87 examination contains the regulatory portion of the Research Analyst examinations and tests knowledge of applicable rules and regulations pertaining to equity research. The current Series 86 and 87 content outline is divided into four sections. The Series 86 covers two sections and the Series 87 covers the other two sections. The following are the four sections, denoted Section 1 through Section 4, with the associated number of questions:

Series 86

1. Information and Data Collection, 10 questions;
2. Analysis, Modeling and Valuation, 90 questions;

Series 87

3. Preparation of Research Reports, 32 questions; and
4. Dissemination of Information, 18 questions.

In addition, each section includes references to 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.

Revised Content Outline

FINRA is proposing to update the content outline to reflect changes to the laws, rules and regulations covered by the examinations and to incorporate the functions and associated tasks currently performed by a Research Analyst. However, FINRA is not proposing to adjust the number of questions on the examinations or to adjust the number of questions assigned to each section on the current outline. Further, the proposed functions match the sections on the current outline. The following are the four major job functions, denoted Function 1 through Function 4, with the associated number of questions:

Series 86

Function 1: Information and Data Collection, 10 questions;

Function 2: Analysis, Modeling and Valuation, 90 questions;

Series 87

Function 3: Preparation of Research Reports, 32 questions; and

Function 4: Dissemination of Information, 18 questions.

Each function also includes specific tasks describing activities associated with performing that function. There are four tasks (1.1 – 1.4) associated with Function 1;¹⁰ four tasks (2.1 – 2.4) associated with Function 2;¹¹ four tasks (3.1 – 3.4) associated with Function 3;¹² and five tasks (4.1 – 4.5) associated with Function 4.¹³ For example, one

¹⁰ See Exhibit 3a, Outline Page 3.

¹¹ See Exhibit 3a, Outline Pages 4-6.

¹² See Exhibit 3a, Outline Pages 7-8.

¹³ See Exhibit 3a, Outline Pages 9-10.

such task (Task 1.1) is gathering macroeconomic data.¹⁴ Further, the content outline lists the knowledge required to perform each function and associated tasks (e.g., short- and long-term trends in the economy, demographic information, domestic and international issues). 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 (e.g., FINRA Rule 2241 (Research Analysts and Research Reports)) .

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 2711 (Research Analysts and Research Reports) was adopted as FINRA Rule 2241 (Research Analysts and Research Reports)).¹⁵

FINRA is proposing similar changes to the Series 86 and 87 selection specifications and question banks.

Finally, FINRA is proposing to make other changes to the format of the content outline, including to the preface, sample questions and reference materials.¹⁶ Among other changes, FINRA is proposing to: (1) reduce the preface to one page of introductory information; (2) streamline details regarding the purpose of the examinations; (3) move the application procedures to FINRA's website; and (4) explain that the passing score is

¹⁴ See Exhibit 3a, Outline Page 3.

¹⁵ See Rule Conversion Chart, available at <http://www.finra.org/industry/finra-rule-consolidation>.

¹⁶ FINRA is proposing similar changes to the content outlines for other representative-level examinations.

established using a standard setting procedure, and that a statistical adjustment process known as equating is used in scoring the examinations.¹⁷

The number of scored questions on the Series 86 examination will remain at 100 questions,¹⁸ and candidates will continue to have four hours and 30 minutes to complete the examination. The number of scored questions on the Series 87 examination will remain at 50 questions,¹⁹ and candidates will continue to have one hour and 45 minutes to complete the examination. Currently, a score of 73 percent is required to pass the Series 86 examination and a score of 74 percent is required to pass the Series 87 examination. The passing score for each examination will also remain the same.

Availability of Content Outline

The current Series 86 and 87 content outline is available on FINRA's website, at www.finra.org. The revised Series 86 and 87 content outline will replace the current content outline on FINRA's website, and it will be made available on the website on the date of this filing.

FINRA is filing the proposed rule change for immediate effectiveness. The implementation date will be October 1, 2018, to coincide with the implementation of the

¹⁷ See Exhibit 3a, Outline Page 2.

¹⁸ Consistent with FINRA's practice of including "pretest" questions on examinations, the Series 86 examination includes 10 additional, unidentified pretest questions that do not contribute towards the candidate's score. The pretest questions are designed to ensure that new examination questions meet acceptable testing standards prior to use for scoring purposes. Therefore, the Series 86 examination actually consists of 110 questions, 100 of which are scored. The 10 pretest questions are randomly distributed throughout the examination.

¹⁹ The Series 87 examination includes five additional pretest questions. Therefore, the Series 87 examination actually consists of 55 questions, 50 of which are scored. The five pretest questions are randomly distributed throughout the examination.

restructured representative-level examination program. FINRA will also announce the implementation date of the proposed rule change in a Regulatory Notice.

(b) Statutory Basis

FINRA believes that the proposed revisions to the Series 86 and 87 examinations are consistent with the provisions of Section 15A(b)(6) of the Act,²⁰ 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,²¹ 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 examinations and to incorporate the functions and associated tasks currently performed by a Research Analyst.

4. 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 examinations align with the functions and associated tasks currently performed by a Research Analyst 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 examinations more effective. FINRA also provided a detailed economic impact assessment regarding the introduction of the SIE examination

²⁰ 15 U.S.C. 78o-3(b)(6).

²¹ 15 U.S.C. 78o-3(g)(3).

and the restructuring of the representative-level examinations as part of the proposed rule change to restructure the FINRA representative-level qualification examination program.²²

5. 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.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)

The proposed rule change is effective upon filing pursuant to Section 19(b)(3)(A)(i) of the Act²³ and Rule 19b-4(f)(1) thereunder,²⁴ in that the proposed rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of FINRA. The implementation date will be October 1, 2018, to coincide with the implementation of the restructured representative-level examination program. FINRA will also announce the implementation date of the proposed rule change in a Regulatory Notice.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

²² See Securities Exchange Act Release No. 80371 (April 4, 2017), 82 FR 17336 (April 10, 2017) (Notice of Filing of File No. SR-FINRA-2017-007).

²³ 15 U.S.C. 78s(b)(3)(A)(i).

²⁴ 17 CFR 240.19b-4(f)(1).

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1. Completed notice of proposed rule change for publication in the Federal Register.

Exhibit 3a. Revised Content Outline for the Series 86 and 87 Examinations.

Exhibit 3b. Revised Selection Specifications for the Series 86 and 87 Examinations. FINRA has requested confidential treatment for the Series 86 and 87 revised selection specifications, and thus the specifications are omitted from this filing. The Series 86 and 87 revised selection specifications have been filed separately with the Commission pursuant to SEA Rule 24b-2.²⁵

Exhibit 3c. Letter to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, Inc. from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000.

²⁵ 17 CFR 240.24b-2.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2018-005)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Revise the Research Analyst (Series 86 and 87) Examinations

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on , 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 Act³ and Rule 19b-4(f)(1) thereunder,⁴ which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

FINRA is proposing revisions to the content outline and selection specifications for the Research Analyst (Series 86 and 87) examinations as part of the restructuring of

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(i).

⁴ 17 CFR 240.19b-4(f)(1).

the representative-level examination program.⁵ The proposed revisions also update the material to reflect changes to the laws, rules and regulations covered by the examinations and to incorporate the functions and associated tasks currently performed by a Research Analyst. 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 Series 86 and 87 content outline is attached. The revised Series 86 and 87 selection specifications have been submitted to the Commission under separate cover with a request for confidential treatment pursuant to SEA Rule 24b-2.⁶

The text of the proposed rule change is available on FINRA's website at <http://www.finra.org>, at the principal office of FINRA and at the Commission's Public Reference Room.

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

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

⁵ FINRA also is proposing corresponding revisions to the Series 86 and 87 question banks. Based on instruction from SEC staff, FINRA is submitting this filing for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(1) thereunder, and is not filing the question banks. 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 banks are available for SEC review.

⁶ 17 CFR 240.24b-2.

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

1. Purpose

Section 15A(g)(3) of the Act⁷ 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.

The SEC recently approved a proposed rule change to restructure the FINRA representative-level qualification examination program.⁸ The rule change, which will become effective on October 1, 2018,⁹ restructures the examination program into a new format whereby all new representative-level applicants will be required to take a general knowledge examination (the Securities Industry Essentials or SIETM) and a tailored, specialized knowledge examination (a revised representative-level qualification examination) for their particular registered role.

⁷ 15 U.S.C. 78o-3(g)(3).

⁸ See Securities Exchange Act Release No. 81098 (July 7, 2017), 82 FR 32419 (July 13, 2017) (Order Approving File No. SR-FINRA-2017-007).

⁹ See Regulatory Notice 17-30 (SEC Approves Consolidated FINRA Registration Rules, Restructured Representative-Level Qualification Examinations and Changes to Continuing Education Requirements) (October 2017).

The restructured program eliminates duplicative testing of general securities knowledge on the current representative-level qualification examinations by moving such content into the SIE examination.¹⁰ The SIE examination will test fundamental securities-related knowledge, including knowledge of basic products, the structure and function of the securities industry, the regulatory agencies and their functions and regulated and prohibited practices, whereas the revised representative-level qualification examinations will test knowledge relevant to day-to-day activities, responsibilities and job functions of representatives.¹¹

Currently, an individual registering as an equity Research Analyst must satisfy the General Securities Representative co-requisite registration and pass the Research Analyst (Series 86 and 87) examinations. The purpose of the current co-requisite is to ensure that Research Analysts have general securities knowledge, because the Series 86 and 87 examinations do not cover such knowledge. As part of the restructuring process, FINRA has eliminated the requirement that individuals registering as Research Analysts satisfy the General Securities Representative co-requisite registration. Instead, individuals registering as Research Analysts will be required to pass the SIE examination, which will cover general securities knowledge, as a co-requisite.

¹⁰ Each of the current representative-level examinations covers general securities knowledge, with the exception of the Research Analyst (Series 86 and 87) examinations.

¹¹ FINRA filed the SIE content outline with the SEC for immediate effectiveness. See Securities Exchange Act Release No. 82578 (January 24, 2018), 83 FR 4375 (January 30, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2018-002). In addition to the proposed rule change relating to the revised Series 86 and 87 examinations, FINRA will file with the Commission for immediate effectiveness the content outlines for the other revised representative-level qualification examinations.

Further, FINRA, in consultation with a committee of industry representatives, undertook a review of the Research Analyst (Series 86 and 87) examinations to revise the Series 86 and 87 content outline to reflect changes to the laws, rules and regulations covered by the examinations and to incorporate the functions and associated tasks currently performed by a Research Analyst. The proposed change will align the organization of the Series 86 and 87 content outline with the organization of the content outlines of the other revised representative-level examinations.¹² FINRA also is proposing to make other changes to the format of the Series 86 and 87 content outline.

Beginning on October 1, 2018, new applicants seeking to register as Research Analysts must pass the SIE examination as well as the revised Research Analyst (Series 86 and 87) examinations.

Current Content Outline

The Series 86 examination contains the analysis portion of the Research Analyst examinations and tests knowledge of fundamental analysis and valuation of equity securities. The Series 87 examination contains the regulatory portion of the Research Analyst examinations and tests knowledge of applicable rules and regulations pertaining to equity research. The current Series 86 and 87 content outline is divided into four sections. The Series 86 covers two sections and the Series 87 covers the other two sections. The following are the four sections, denoted Section 1 through Section 4, with the associated number of questions:

¹² FINRA currently has organized several FINRA qualification examinations, such as the Securities Trader (Series 57) examination, based on the functions that are performed by the respective registered persons and the associated tasks. FINRA is proposing similar layouts for all of the representative-level examinations, including the Series 86 and 87 examinations.

Series 86

1. Information and Data Collection, 10 questions;
2. Analysis, Modeling and Valuation, 90 questions;

Series 87

3. Preparation of Research Reports, 32 questions; and
4. Dissemination of Information, 18 questions.

In addition, each section includes references to 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.

Revised Content Outline

FINRA is proposing to update the content outline to reflect changes to the laws, rules and regulations covered by the examinations and to incorporate the functions and associated tasks currently performed by a Research Analyst. However, FINRA is not proposing to adjust the number of questions on the examinations or to adjust the number of questions assigned to each section on the current outline. Further, the proposed functions match the sections on the current outline. The following are the four major job functions, denoted Function 1 through Function 4, with the associated number of questions:

Series 86

Function 1: Information and Data Collection, 10 questions;

Function 2: Analysis, Modeling and Valuation, 90 questions;

Series 87

Function 3: Preparation of Research Reports, 32 questions; and

Function 4: Dissemination of Information, 18 questions.

Each function also includes specific tasks describing activities associated with performing that function. There are four tasks (1.1 – 1.4) associated with Function 1;¹³ four tasks (2.1 – 2.4) associated with Function 2;¹⁴ four tasks (3.1 – 3.4) associated with Function 3;¹⁵ and five tasks (4.1 – 4.5) associated with Function 4.¹⁶ For example, one such task (Task 1.1) is gathering macroeconomic data.¹⁷ Further, the content outline lists the knowledge required to perform each function and associated tasks (e.g., short- and long-term trends in the economy, demographic information, domestic and international issues). 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 (e.g., FINRA Rule 2241 (Research Analysts and Research Reports)).

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 2711 (Research Analysts and

¹³ See Exhibit 3a, Outline Page 3. The outline is attached as Exhibit 3a to the 19b-4 form.

¹⁴ See Exhibit 3a, Outline Pages 4-6.

¹⁵ See Exhibit 3a, Outline Pages 7-8.

¹⁶ See Exhibit 3a, Outline Pages 9-10.

¹⁷ See Exhibit 3a, Outline Page 3.

Research Reports) was adopted as FINRA Rule 2241 (Research Analysts and Research Reports)).¹⁸

FINRA is proposing similar changes to the Series 86 and 87 selection specifications and question banks.

Finally, FINRA is proposing to make other changes to the format of the content outline, including to the preface, sample questions and reference materials.¹⁹ Among other changes, FINRA is proposing to: (1) reduce the preface to one page of introductory information; (2) streamline details regarding the purpose of the examinations; (3) move the application procedures to FINRA's website; and (4) explain that the passing score is established using a standard setting procedure, and that a statistical adjustment process known as equating is used in scoring the examinations.²⁰

The number of scored questions on the Series 86 examination will remain at 100 questions,²¹ and candidates will continue to have four hours and 30 minutes to complete the examination. The number of scored questions on the Series 87 examination will

¹⁸ See Rule Conversion Chart, available at <http://www.finra.org/industry/finra-rule-consolidation>.

¹⁹ FINRA is proposing similar changes to the content outlines for other representative-level examinations.

²⁰ See Exhibit 3a, Outline Page 2.

²¹ Consistent with FINRA's practice of including "pretest" questions on examinations, the Series 86 examination includes 10 additional, unidentified pretest questions that do not contribute towards the candidate's score. The pretest questions are designed to ensure that new examination questions meet acceptable testing standards prior to use for scoring purposes. Therefore, the Series 86 examination actually consists of 110 questions, 100 of which are scored. The 10 pretest questions are randomly distributed throughout the examination.

remain at 50 questions,²² and candidates will continue to have one hour and 45 minutes to complete the examination. Currently, a score of 73 percent is required to pass the Series 86 examination and a score of 74 percent is required to pass the Series 87 examination. The passing score for each examination will also remain the same.

Availability of Content Outline

The current Series 86 and 87 content outline is available on FINRA's website, at www.finra.org. The revised Series 86 and 87 content outline will replace the current content outline on FINRA's website, and it will be made available on the website on the date of this filing.

FINRA is filing the proposed rule change for immediate effectiveness. The implementation date will be October 1, 2018, to coincide with the implementation of the restructured representative-level examination program. FINRA will also announce the implementation date of the proposed rule change in a Regulatory Notice.

2. Statutory Basis

FINRA believes that the proposed revisions to the Series 86 and 87 examinations are consistent with the provisions of Section 15A(b)(6) of the Act,²³ 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,²⁴

²² The Series 87 examination includes five additional pretest questions. Therefore, the Series 87 examination actually consists of 55 questions, 50 of which are scored. The five pretest questions are randomly distributed throughout the examination.

²³ 15 U.S.C. 78o-3(b)(6).

²⁴ 15 U.S.C. 78o-3(g)(3).

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 examinations and to incorporate the functions and associated tasks currently performed by a Research Analyst.

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 examinations align with the functions and associated tasks currently performed by a Research Analyst 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 examinations more effective. FINRA also provided a detailed economic impact assessment regarding the introduction of the SIE examination and the restructuring of the representative-level examinations as part of the proposed rule change to restructure the FINRA representative-level qualification examination program.²⁵

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)

²⁵ See Securities Exchange Act Release No. 80371 (April 4, 2017), 82 FR 17336 (April 10, 2017) (Notice of Filing of File No. SR-FINRA-2017-007).

of the Act²⁶ and paragraph (f)(1) of Rule 19b-4 thereunder.²⁷ At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FINRA-2018-005 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Robert W. Errett, Deputy Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

²⁶ 15 U.S.C. 78s(b)(3)(A).

²⁷ 17 CFR 240.19b-4(f)(1).

All submissions should refer to File Number SR-FINRA-2018-005. 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 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2018-005 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.²⁸

Robert W. Errett
Deputy Secretary

²⁸ 17 CFR 200.30-3(a)(12).



Exhibit 3a
SR-FINRA-2018-005

Research Analyst Qualification Examinations (Series 86 and 87)

CONTENT OUTLINE

Series 86/87**PURPOSE OF THE EXAMS**

The Series 86 and 87 exams are designed to assess the competency of entry-level Research Analysts. The Series 86 and 87 exams seek to measure the degree to which each candidate possesses the knowledge, skills and abilities needed to perform the critical functions of a Research Analyst. In order to obtain registration as a Research Analyst, candidates must pass both the Series 86 and 87 exams and a general knowledge co-requisite, the Securities Industry Essentials (SIE) exam. For more information about the activities requiring registration as a Research Analyst, see FINRA Rule 1220(b)(6).

STRUCTURE OF THE EXAMS

The exams consists of two parts: Part I (Series 86) and Part II (Series 87). Part I contains 100 multiple-choice items and Part II consists of 50 multiple-choice items. Each item consists of four answer choices. The allocation of exam items for each major function is as follows:

Part 1 (Series 86)			
Function	Description	Percentage of Exam Items	Number of Items
1	Information and Data Collection	10%	10
2	Analysis, Modeling and Valuation	90%	90
TOTAL		100%	100

Part 2 (Series 87)			
Function	Description	Percentage of Exam Items	Number of Items
3	Preparation of Research Reports	64%	32
4	Dissemination of Information	36%	18
TOTAL		100%	50

ADMINISTRATION OF THE EXAMS

The exams are administered via computer. A tutorial on how to take the exams is provided prior to taking the exams. Each candidate's exam includes additional, unidentified pretest items that do not contribute toward the candidate's score. The pretest items are randomly distributed throughout the exam. The Series 86 exam includes 10 additional pretest items, and the Series 87 exam includes 5 additional pretest items. Therefore, each candidate's Series 86 exam consists of a total of 110 items (100 scored and 10 unscored), and each candidate's Series 87 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 4 hours and 30 minutes to complete the Series 86 exam, and 1 hour and 45 minutes to complete the Series 87 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: Information and Data Collection — Collects Information and Data from Various Sources to Evaluate the Economy, the Industry Sector and the Individual Companies that the Analyst Covers

1.1. Gathers macroeconomic data

Knowledge of:

- Economic indicators, market forces, monetary policy, and government statistics (e.g., consumer confidence, disposable income, unemployment rates, inflation and interest rates, gross domestic product (GDP))
- Short- and long-term trends in the economy, demographic information, domestic and international issues

1.2. Gathers information about the industry sector to identify the industry's market size, cyclical nature, capital intensity, growth rate, product pricing flexibility, products offered, supply curve, potential entry and exit of competing companies and/or products, customer demand, supplier dynamics, and regulatory issues

Knowledge of:

- Attendance at industry conferences, seminars and trade shows
- Gathering information and data about the industry sector by reading industry/trade literature (e.g., trade magazines and journals) and using industry-specific databases
- Liaising with individuals within the industry sector (e.g., suppliers, vendors, buyers, industry associates, competitors, industry expert/consultants, other analysts)
- Regulatory impacts on the industry sector
- Competitors in the industry and/or peripheral industries
- Obtaining supplemental information (e.g., by conducting telephone and/or written/web-based surveys of the industry)

1.3. Gathers information about individual companies to understand the company's financial status, structure, supply chain, costs of production, sources of revenue, sources of economic growth, risk tolerance, quality of management, new product development, business plan, and how the business plan will be implemented

Knowledge of:

- Financial statements published by the subject companies (e.g., Form 10-Ks, Form 10-Qs income statement, balance sheet, statement of sources and uses of cash)
- Meeting with various levels of each company's management (e.g., CEO, chief financial officer (CFO), chief operating officer (COO), board of directors, middle/junior management), as applicable
- Meeting with each company's investor relations staff and corporate communications
- Visiting key facilities, and meeting operating management, salespeople, production/plant employees, and customers, as applicable

1.4. Assesses the relevance and importance of the information gathered to identify the drivers that influence the performance of the industry and/or the subject company

Function 2: Analysis, Modeling and Valuation — Analyzes the Industry Sector's Key Drivers as Well as the Individual Companies that the Analyst Covers to Develop a Forecast of the Industry Sector, Make Projections about the Subject Company, and Determine the Valuation of the Company's Stock

2.1 Conducts analysis of the data obtained about industry sector, competition within the industry, and supply and demand in the industry sector

Knowledge of:

- Key economic drivers that impact the industry which may be supplemented and/or confirmed by conducting correlation studies of industry factors (*e.g.*, using statistical techniques such as regression analysis)
- Short- and long-term trends within the industry sector (*i.e.*, secular, overall and cyclical) and their relationship to valuation and absolute/relative stock performance
- Product demand and profitability assessment (*i.e.*, what creates demand, what creates competition, product prices, what affects costs and profits)
- Inter-relationships of companies within the industry sector by conducting comparative analyses between like companies
- Inter-relationships of peripheral companies and sectors that may affect the industry
- Inter-industry and intra-industry competition to determine how companies are positioned competitively in and out of their industry
- The impact of corporate actions (*e.g.*, divestitures, mergers and acquisitions (M&A)) on the industry sector
- The potential impact of government and industry regulation, economic policy, monetary policy, and fiscal policy
- Projections about the direction of the industry sector

2.2 Conducts analysis of the data obtained about individual companies, including financial statement analysis

Knowledge of:

- Building and maintaining/updating a historical record of the company's financial performance
 - Identifying short- and long-term trends within the historical record of the company to project future earnings and financial condition
- Fundamental analysis based on the company's financial statements and supplemental information, including all footnotes
 - The company's financial statements (*e.g.*, income statements, cash flow statements, and balance sheets), and the inter-relationships of these statements, including relevant ratios or metrics
 - Factors that would influence a company's profits or growth prospects (*e.g.*, quality of management, current capacity and capacity for growth, new ideas or strategies, product assessment, strength of business model)
 - The impact of corporate actions (*e.g.*, M&A, restructurings and divestitures) on individual companies
 - The company's accounting practices for understanding the methodology variances and/or conservatism versus industry peers based on generally accepted accounting principles (GAAPs) and Financial Accounting Standards Board (FASB) principles
 - Other financial considerations (*e.g.*, cash collection cycle including receivable turnover, inventory turnover, payables turnover, leases, pension liability accounting, tax accounting including tax rate calculation and deferred tax accounting)
 - Other key economic factors in the company's accounting and financial statement analysis (*e.g.*, pre-tax margin,

Series 86/87

- gross profit margin, net profit margin, inventory valuation (last-in, first-out (LIFO), first-in, first-out (FIFO)), net profit margin, return on equity (ROE), return on assets (ROA), return on invested capital (ROIC)
- Corporate governance, as detailed in proxy statements or other documents
- The impact of industry drivers on companies
- Projections about the earnings potential of a company, using qualitative and quantitative data
 - Forecasts of key financial statements (e.g., income statement, cash flow statement, balance sheet)
 - Performance of due diligence to evaluate assumptions and support the theory based on the data that was analyzed
 - Updating/maintaining/adjusting financial models and projections on an ongoing basis

2.3 Determines the valuation of the company's stock

Knowledge of:

- Valuation methods
 - Price to earnings (P/E)
 - Current ratio (working capital ratio)
 - Debt to capital ratio (total and long-term)
 - Debt to equity ratio (total and long-term)
 - Discounted cash flow (DCF)/dividend discount method
 - Enterprise value (EV) to earnings before interest, taxes, depreciation and amortization (EBITDA)
 - EV to sales
 - Interest coverage ratio
 - P/E to growth (PEG) ratio
 - Price-to-book (P/B) value (stated and tangible)
 - Quick ratio (acid test)
- Advantages and limitations of each ratio
- Valuation methods that may apply knowledge or calculation
 - Cost of capital
 - DCF
 - Dividend yield
 - Earnings yield
 - Economic profit
 - Free cash flow yield
 - P/E normalized earnings (for cyclical industries: mid-cycle or trend-line)
 - Price to free cash flow
 - Private equity value/sum of the parts analysis
- Analyzing the data (qualitative and quantitative) collected to determine if the company's stock is undervalued or overvalued

Series 86/87

- 2.4. Identifies key catalysts that may alter the price of a stock and identifies patterns or events (macro, political, or company-specific) that move stock prices and create investment opportunities

Knowledge of:

- The general market direction and characteristics
- Risk assessment: factors that could impact the perceived risk of an investment
- Supplemental information (*e.g.*, charts/data analyses prepared by technical analysts)

Function 3: Preparation of Research Reports — Prepares a Variety of Reports Summarizing the Research Conducted on Industry Sectors or Subject Companies. Develops Comprehensive Statements or Opinions Based on the Interpretation of the Data Collected and Analyzed. Creates Drafts of Research Reports or Notes

3.1. Adheres to regulatory requirements in preparing research reports

Knowledge of:

- Certifications (e.g., by analysts)
- Disclosures (e.g., investment banking conflicts)
- Firm's ownership of securities and market-making status
- Ratings systems
- Distribution of ratings issued by the firm
- Price chart with historical information
- Product risks

FINRA Rules

- 2241 – Research Analysts and Research Reports
- 2262 – Disclosure of Control Relationship with Issuer
- 2269 – Disclosure of Participation or Interest in Primary or Secondary Distribution
- 5121 – Public Offerings of Securities with Conflicts of Interest
- 5141 – Sale of Securities in a Fixed Price Offering
- 5230 – Payments Involving Publications that Influence Market Price of a Security

SEC Rules and Regulations

- 15c1-5 – Disclosure of Control
- 15c1-6 – Disclosure of Interest in Distributions
- Regulation A – Conditional Small Issues Exemption
- Regulation AC – Analyst Certification
- Regulation FD – Selective Disclosure and Insider Trading (Fair Disclosure)
- Regulation G – Non-GAAP Disclosures
- Regulation S – Rules Governing Offers and Sales Made Outside the U.S. Without Registration Under the Act of 1933

3.2. Prepares various types of research reports

Knowledge of:

- Initiation reports: coverage of companies not previously covered
- Earnings analysis, earnings preview, and earnings review reports
- Fundamental reports
- Topical reports on relevant issues or theme pieces
- Reports announcing change of ratings, recommendations or projected earnings
- Reports announcing eliminating coverage of companies
- Short notes and summaries of pertinent news
- Industry reports

3.3. Writes reports with a conclusion supported by evidence and analysis

Knowledge of:

- Business model analysis
- Company overview
- Competitive position
- Dividend outlook
- Financial position
- Industry overview
- Industry and company outlook (projection)
- Investment thesis
- Quality/quantity of earnings
- Quality of management
- Ratings or recommendations
- Review of recently released financial data
- Review of recent news
- Risk of investment
- Sensitivity of company costs and revenues
- Valuation of company stock

3.4. Ensures adherence to regulatory and compliance requirements

Knowledge of:

- Proper disclosures (by the analyst and the firm) included in reports and in oral dissemination of information
- Appropriate approvals obtained prior to disseminating reports or information
- Presentation of reports that contain changes of ratings, initiation of coverage and termination of coverage
- Compliance with the restrictions on the issuance of research reports and participation in public appearances
- Compliance with communications restrictions and disclosure requirements
- Compliance with compensation restrictions and disclosures
- Compliance with trading restrictions associated with publishing research
- Compliance with record keeping and document retention procedures
- Compliance with other applicable SRO rules or regulations

FINRA Rules

- 1220(a)(14) – Supervisory Analyst
- 2210 – Communications with the Public
- 3110 – Supervision
- 3120 – Supervisory Control System

FUNCTION 4: Dissemination of Information — Presents the Results of the Analysis, Orally and in Writing, to Various Parties

4.1. Presents and discusses recommendations with the following individuals and/or groups

Knowledge of:

- Clients and any other buyers (*i.e.*, buy-side analysts, portfolio managers, hedge fund managers, mutual fund managers, pension fund managers, money managers)
- Institutional sales force
- Retail sales force (registered representatives)
- Trading departments
- Management of companies
- Press and media

FINRA Rule

1220(b)(6) – Research Analyst

4.2. Meets with clients

Knowledge of:

- One-on-one meetings and group meetings

4.3. Disseminates information via various means

Knowledge of:

- Telephone, blast voice mail, facsimile, email, firm's website, internal "squawk box," external news information sources and social media

FINRA Rule

2220 – Options Communications

SEC Rules and Regulations

Securities Act of 1933

Section 5(b)(1)(2) – Prospectus Requirements – Delivery of Prospectus for New Issues

Section 11 – Civil Liabilities on Account of False Registration Statement

Section 12 – Civil Liabilities Arising in Connection with Prospectuses and Communication

Section 15 – Liabilities of Controlling Persons

Section 17 – Fraudulent Interstate Transactions

Securities Exchange Act of 1934

Section 9(a)(5) – Dissemination of Information for Consideration — Market Manipulation

Section 15D – Securities Analysts and Research Reports

10b-1 – Prohibition of Use of Manipulative or Deceptive Devices or

Contrivances with Respect to Certain Securities Exempted from Registration

10b-3 – Employment of Manipulative and Deceptive Devices (by Brokers or Dealers)

17a-4 – Records to Be Preserved by Certain Exchange Members, Brokers and Dealers

Regulation A-R – Special Exemptions

134 – Communications Not Deemed a Prospectus

134a – Options Material Not Deemed a Prospectus

135 – Notice of Proposed Registered Offerings

Series 86/87

137 – Publications or Distributions of Research Reports by Brokers or Dealers that are not Participating in an Issuer's Registered Distribution of Securities (*i.e.*, definition of "offers," "participates" or "participation" in Section 2(11) of the Securities Act of 1933 in relation to certain publications by persons independent of participants in a distribution)

138 – Publications or Distributions of Research Reports by Brokers or Dealers About Securities Other than Those They Are Distributing (*i.e.*, definition of "offer for sale" and "offer to sell" in Sections 2(a)(10) and 5(c) of the Securities Act of 1933 in relation to certain publications)

139 – Publications or Distributions of Research Reports by Brokers or Dealers Distributing Securities (*i.e.*, definition of "offer for sale" and "offer to sell" in Sections 2(a)(10) and 5(c) of the Securities Act of 1933 in relation to certain publications)

144 – Persons Deemed Not To Be Engaged in a Distribution and Therefore Not Underwriters

144A – Private Resales of Securities to Institutions

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

Regulation M

101(b)(1) – Activities by Distribution Participant: Research

101(c)(1) – Activities by Distribution Participant: Excepted Securities

NYSE Rule

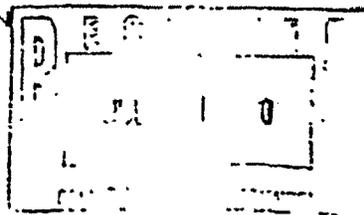
435(5) – Miscellaneous Prohibitions-Circulation of Rumors

4.4. Responds to inquiries from clients and/or the public

4.5. Discusses market trends with clients, the firm's institutional and retail sales forces, and trading department



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549



July 24, 2000

Mr. Alden S. Adkins
Senior Vice President & General Counsel
NASD Regulation, Inc.
1735 K Street, N. W.
Washington, D.C. 20006-1500

Re: Procedure for Filings Relating to Qualification Examinations

Dear Mr. Adkins: ^{Alden}

I am writing to inform you of a change in the filing requirements for proposed rule changes involving qualification examinations for associated persons. In the past, the Division required the SROs to file question banks for new examinations for Commission approval pursuant to Section 19(b)(2) of the Exchange Act. The Division also required SROs to file questions being added to the question bank for Commission approval.

The Division has decided that it is no longer necessary for SROs to file new exam question banks for Commission approval under Section 19(b)(2). In the future, any new examinations should be filed as non-controversial rule changes for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Exchange Act and Rule 19b-4(f)(6) thereunder. As you know, Rule 19b-4(f)(6) requires the SRO to give notice to the Commission of its intent to file a proposed rule change five days before doing so. During the five days prior to filing, the Division will determine if the proposed rule change is appropriately filed as non-controversial. To assist us in our analysis, please include a complete description of the examination in your rule filing. For example, the proposed rule change should address who will be required to take the exam, what information the exam will cover, the time allotted for each section, the weight assigned to each topic, the effective date of the exam requirement, and any other information that would be helpful to us in determining whether the proposal should become effective on filing. Also, pursuant to Rule 19b-4(f)(6), the rule change should be designated as effecting a change that does not significantly affect the protection of investors or the public interest, does not impose any significant burden on competition and, by its terms, does not become operative for 30 days after the date of the filing.

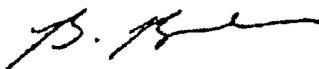
Alden S. Adkins

Page 2

Filings to modify an existing examination should be submitted as "constituting a stated policy, practice, or interpretation with respect to the meaning, administration or enforcement of an existing rule..." pursuant to Section 19(b)(3)(A) of the Exchange Act.

Our goal in changing these procedures is to expedite the effectiveness of proposed rule changes involving examination requirements for persons associated with SRO members. Please contact Kathy England, Assistant Director, at 202-942-0154, or Karl Varner, Special Counsel, at 202-942-7125, if you have any questions.

Sincerely,



Belinda Blaine
Associate Director