

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="38"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2018"/> - * <input type="text" value="010"/>	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 Securities Trader (Series 57) Examination

**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="Victoria"/>	Last Name * <input type="text" value="Crane"/>
Title * <input type="text" value="Associate General Counsel"/>	
E-mail * <input type="text" value="victoria.crane@finra.org"/>	
Telephone * <input type="text" value="(202) 728-8104"/>	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="02/12/2018"/>	<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 \***

Add Remove View

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 \***

Add Remove View

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 \***

Add Remove View

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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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”),<sup>1</sup> 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 Securities Trader (Series 57) examination as part of the restructuring of the representative-level examination program.<sup>2</sup> 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 57 content outline is attached. The revised Series 57 selection specifications have been submitted to the Commission under separate cover with a request for confidential treatment pursuant to SEA Rule 24b-2.<sup>3</sup>

(b) Not applicable.

(c) Not applicable.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> FINRA also is proposing corresponding revisions to the Series 57 question bank. 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 bank. See Letter to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000. The question bank is available for SEC review.

<sup>3</sup> 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 Act<sup>4</sup> authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. In accordance with that provision, FINRA has developed examinations that are designed to establish that persons associated with FINRA members have attained specified levels of competence and knowledge, consistent with applicable registration requirements under FINRA rules. FINRA periodically reviews the content of the examinations to determine whether revisions are necessary or appropriate in view of changes pertaining to the subject matter covered by the examinations.

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<sup>4</sup> 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.<sup>5</sup> The rule change, which will become effective on October 1, 2018,<sup>6</sup> 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.<sup>7</sup> 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.<sup>8</sup>

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

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

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

<sup>8</sup> 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 57 examination, FINRA is filing with the Commission for immediate

As part of the restructuring process and in consultation with a committee of industry representatives, FINRA undertook a review of the Securities Trader (Series 57) examination to remove the general securities knowledge currently covered on the examination and to create a tailored examination to test knowledge relevant to the day-to-day activities, responsibilities and job functions of a Securities Trader. In addition, FINRA is proposing to make changes to the format of the Series 57 content outline.

Beginning on October 1, 2018, new applicants seeking to register as Securities Traders must pass the SIE examination and the revised Securities Trader (Series 57) examination.

### **Current Content Outline**

The current Series 57 content outline is divided into four major job functions that are performed by a Securities Trader. The following are the four major job functions, denoted Function 1 through 4, with the associated number of questions:

Function 1: Market Overview and Products, 22 questions;

Function 2: Engaging in Professional Conduct and Adhering to Regulatory Requirements, 12 questions;

Function 3: Trading Activities, 79 questions; and

Function 4: Maintaining Books and Records and Trade Reporting, 12 questions.

Each function also includes specific tasks describing activities associated with performing that function. There are three tasks (1.1 – 1.3) associated with Function 1; two tasks (2.1 – 2.2) associated with Function 2; three tasks (3.1 – 3.3) associated with Function 3; and two tasks (4.1 – 4.2) associated with Function 4. For example, one such

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

task (Task 4.2) relates to creating, retaining, and reporting required records of orders and transactions. Further, the content outline lists the knowledge required to perform each function and associated tasks (e.g., in connection with Task 4.2, large trader ID and related reporting and monitoring requirements and order execution and routing information). In addition, where applicable, the content outline lists the laws, rules and regulations a candidate is expected to know to perform each function and associated tasks. These include applicable federal securities laws, as well as FINRA and other self-regulatory organization rules and regulations. The content outline also includes a preface (e.g., table of contents, details regarding the purpose of the examination and eligibility requirements), sample questions and reference materials.

### **Revised Content Outline**

As noted above, FINRA is proposing to move the general securities knowledge currently covered on the Series 57 examination to the SIE examination. For example, FINRA Rule 3220 (Influencing or Rewarding Employees of Others) (the Gifts Rule) will now be tested on the SIE examination, rather than on the Series 57 examination. As a result, the revised Series 57 examination will test knowledge specific to the day-to-day activities, responsibilities and job functions of a Securities Trader.

Further, FINRA is proposing to make changes to the major job functions that are performed by a Securities Trader. The following are the revised job functions, denoted Function 1 and Function 2, with the associated number of questions:

Function 1: Trading Activities, 41 questions; and

Function 2: Maintaining Books and Records, Trade Reporting and Clearance and Settlement, 9 questions.

FINRA also is proposing to adjust the number of questions assigned to each major job function to ensure that the overall examination better reflects the key tasks performed by a Securities Trader. The questions on the revised Series 57 examination will place emphasis on tasks such as trading activities, trade reporting and related books and records.

Further, FINRA is proposing to make changes to the specific tasks associated with performing each function. There are three tasks (1.1 – 1.3) associated with Function 1<sup>9</sup> and three tasks (2.1 – 2.3) associated with Function 2.<sup>10</sup> For example, one such task (Task 2.1) is reporting trades to the designated reporting facility.<sup>11</sup> The content outline also lists the knowledge required to perform each revised function and associated tasks (e.g., distinctions among reporting facilities). In addition, where applicable, the content outline lists the laws, rules and regulations a candidate is expected to know to perform each revised function and associated tasks (e.g., SEA Rule 13h-1).

FINRA is proposing similar changes to the Series 57 selection specifications and question bank.

Finally, FINRA is proposing to make changes to the format of the content outline, including to the preface, sample questions and reference materials.<sup>12</sup> 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 examination; (3) move

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<sup>9</sup> See Exhibit 3a, Outline Pages 3-9.

<sup>10</sup> See Exhibit 3a, Outline Pages 10-12.

<sup>11</sup> See Exhibit 3a, Outline Page 10.

<sup>12</sup> FINRA is proposing similar changes to the content outlines for other representative-level examinations.

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 examination.<sup>13</sup>

As a result of the proposed changes, the number of scored questions on the Series 57 examination will be reduced from 125 questions to 50 questions.<sup>14</sup> Further, the test time, which is the amount of time candidates will have to complete the examination, will be reduced from three hours and 45 minutes to one hour and 45 minutes. Currently, a score of 70 percent is required to pass the examination. FINRA will publish the passing score of the revised Series 57 examination on its website, at [www.finra.org](http://www.finra.org), prior to its first administration.

#### **Availability of Content Outline**

The current Series 57 content outline is available on FINRA's website. The revised Series 57 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.

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<sup>13</sup> See Exhibit 3a, Outline Page 2.

<sup>14</sup> Consistent with FINRA's practice of including "pretest" questions on examinations, the Series 57 examination includes five 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 57 examination actually consists of 55 questions, 50 of which are scored. The five pretest questions are randomly distributed throughout the examination.

(b) Statutory Basis

FINRA believes that the proposed revisions to the Series 57 examination program are consistent with the provisions of Section 15A(b)(6) of the Act,<sup>15</sup> which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and Section 15A(g)(3) of the Act,<sup>16</sup> which authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. The proposed rule change will improve the examination program, without compromising the qualification standards, by removing the general knowledge content currently covered on the Series 57 examination, since that content will be covered in the co-requisite SIE examination.

**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 examination aligns with the functions and associated tasks currently performed by a Securities Trader and tests knowledge of the most current laws, rules, regulations and skills relevant to those functions and associated tasks. As such, the proposed revisions would make the examination more 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

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

<sup>16</sup> 15 U.S.C. 78q-3(g)(3).

change to restructure the FINRA representative-level qualification examination program.<sup>17</sup>

**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 Act<sup>18</sup> and Rule 19b-4(f)(1) thereunder,<sup>19</sup> 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.

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

Not applicable.

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<sup>17</sup> 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).

<sup>18</sup> 15 U.S.C. 78s(b)(3)(A)(i).

<sup>19</sup> 17 CFR 240.19b-4(f)(1).

**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 57 Examination.

Exhibit 3b. Revised Selection Specifications for the Series 57 Examination.

FINRA has requested confidential treatment for the Series 57 revised selection specifications, and thus the specifications are omitted from this filing. The Series 57 revised selection specifications have been filed separately with the Commission pursuant to SEA Rule 24b-2.<sup>20</sup>

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.

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<sup>20</sup> 17 CFR 240.24b-2.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-FINRA-2018-010)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Revise the Securities Trader (Series 57) Examination

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> 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 Act<sup>3</sup> and Rule 19b-4(f)(1) thereunder,<sup>4</sup> which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

FINRA is proposing revisions to the content outline and selection specifications for the Securities Trader (Series 57) examination as part of the restructuring of the

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

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

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

representative-level examination program.<sup>5</sup> 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 57 content outline is attached. The revised Series 57 selection specifications have been submitted to the Commission under separate cover with a request for confidential treatment pursuant to SEA Rule 24b-2.<sup>6</sup>

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.

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

1. Purpose

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<sup>5</sup> FINRA also is proposing corresponding revisions to the Series 57 question bank. 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 bank. See Letter to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000. The question bank is available for SEC review.

<sup>6</sup> 17 CFR 240.24b-2.

Section 15A(g)(3) of the Act<sup>7</sup> authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. In accordance with that provision, FINRA has developed examinations that are designed to establish that persons associated with FINRA members have attained specified levels of competence and knowledge, consistent with applicable registration requirements under FINRA rules. FINRA periodically reviews the content of the examinations to determine whether revisions are necessary or appropriate in view of changes pertaining to the subject matter covered by the examinations.

The SEC recently approved a proposed rule change to restructure the FINRA representative-level qualification examination program.<sup>8</sup> The rule change, which will become effective on October 1, 2018,<sup>9</sup> 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

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<sup>7</sup> 15 U.S.C. 78o-3(g)(3).

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

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

content into the SIE examination.<sup>10</sup> 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.<sup>11</sup>

As part of the restructuring process and in consultation with a committee of industry representatives, FINRA undertook a review of the Securities Trader (Series 57) examination to remove the general securities knowledge currently covered on the examination and to create a tailored examination to test knowledge relevant to the day-to-day activities, responsibilities and job functions of a Securities Trader. In addition, FINRA is proposing to make changes to the format of the Series 57 content outline.

Beginning on October 1, 2018, new applicants seeking to register as Securities Traders must pass the SIE examination and the revised Securities Trader (Series 57) examination.

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

<sup>11</sup> 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 57 examination, FINRA is filing with the Commission for immediate effectiveness the content outlines for the other revised representative-level qualification examinations.

Current Content Outline

The current Series 57 content outline is divided into four major job functions that are performed by a Securities Trader. The following are the four major job functions, denoted Function 1 through 4, with the associated number of questions:

Function 1: Market Overview and Products, 22 questions;

Function 2: Engaging in Professional Conduct and Adhering to Regulatory Requirements, 12 questions;

Function 3: Trading Activities, 79 questions; and

Function 4: Maintaining Books and Records and Trade Reporting, 12 questions.

Each function also includes specific tasks describing activities associated with performing that function. There are three tasks (1.1 – 1.3) associated with Function 1; two tasks (2.1 – 2.2) associated with Function 2; three tasks (3.1 – 3.3) associated with Function 3; and two tasks (4.1 – 4.2) associated with Function 4. For example, one such task (Task 4.2) relates to creating, retaining, and reporting required records of orders and transactions. Further, the content outline lists the knowledge required to perform each function and associated tasks (e.g., in connection with Task 4.2, large trader ID and related reporting and monitoring requirements and order execution and routing information). In addition, where applicable, the content outline lists the laws, rules and regulations a candidate is expected to know to perform each function and associated tasks. These include applicable federal securities laws, as well as FINRA and other self-regulatory organization rules and regulations. The content outline also includes a preface (e.g., table of contents, details regarding the purpose of the examination and eligibility requirements), sample questions and reference materials.

Revised Content Outline

As noted above, FINRA is proposing to move the general securities knowledge currently covered on the Series 57 examination to the SIE examination. For example, FINRA Rule 3220 (Influencing or Rewarding Employees of Others) (the Gifts Rule) will now be tested on the SIE examination, rather than on the Series 57 examination. As a result, the revised Series 57 examination will test knowledge specific to the day-to-day activities, responsibilities and job functions of a Securities Trader.

Further, FINRA is proposing to make changes to the major job functions that are performed by a Securities Trader. The following are the revised job functions, denoted Function 1 and Function 2, with the associated number of questions:

Function 1: Trading Activities, 41 questions; and

Function 2: Maintaining Books and Records, Trade Reporting and Clearance and Settlement, 9 questions.

FINRA also is proposing to adjust the number of questions assigned to each major job function to ensure that the overall examination better reflects the key tasks performed by a Securities Trader. The questions on the revised Series 57 examination will place emphasis on tasks such as trading activities, trade reporting and related books and records.

Further, FINRA is proposing to make changes to the specific tasks associated with performing each function. There are three tasks (1.1 – 1.3) associated with Function 1<sup>12</sup> and three tasks (2.1 – 2.3) associated with Function 2.<sup>13</sup> For example, one such task

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<sup>12</sup> See Exhibit 3a, Outline Pages 3-9. The outline is attached as Exhibit 3a to the 19b-4 form.

<sup>13</sup> See Exhibit 3a, Outline Pages 10-12.

(Task 2.1) is reporting trades to the designated reporting facility.<sup>14</sup> The content outline also lists the knowledge required to perform each revised function and associated tasks (e.g., distinctions among reporting facilities). In addition, where applicable, the content outline lists the laws, rules and regulations a candidate is expected to know to perform each revised function and associated tasks (e.g., SEA Rule 13h-1).

FINRA is proposing similar changes to the Series 57 selection specifications and question bank.

Finally, FINRA is proposing to make changes to the format of the content outline, including to the preface, sample questions and reference materials.<sup>15</sup> 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 examination; (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 examination.<sup>16</sup>

As a result of the proposed changes, the number of scored questions on the Series 57 examination will be reduced from 125 questions to 50 questions.<sup>17</sup> Further, the test

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<sup>14</sup> See Exhibit 3a, Outline Page 10.

<sup>15</sup> FINRA is proposing similar changes to the content outlines for other representative-level examinations.

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

<sup>17</sup> Consistent with FINRA's practice of including "pretest" questions on examinations, the Series 57 examination includes five 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 57 examination actually consists of 55 questions, 50 of which are scored. The five pretest questions are randomly distributed throughout the examination.

time, which is the amount of time candidates will have to complete the examination, will be reduced from three hours and 45 minutes to one hour and 45 minutes. Currently, a score of 70 percent is required to pass the examination. FINRA will publish the passing score of the revised Series 57 examination on its website, at [www.finra.org](http://www.finra.org), prior to its first administration.

#### Availability of Content Outline

The current Series 57 content outline is available on FINRA's website. The revised Series 57 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 57 examination program are consistent with the provisions of Section 15A(b)(6) of the Act,<sup>18</sup> which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and Section 15A(g)(3) of the Act,<sup>19</sup> which authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. The proposed rule change will improve the

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<sup>18</sup> 15 U.S.C. 78o-3(b)(6).

<sup>19</sup> 15 U.S.C. 78o-3(g)(3).

examination program, without compromising the qualification standards, by removing the general knowledge content currently covered on the Series 57 examination, since that content will be covered in the co-requisite SIE examination.

B. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The updated examination aligns with the functions and associated tasks currently performed by a Securities Trader and tests knowledge of the most current laws, rules, regulations and skills relevant to those functions and associated tasks. As such, the proposed revisions would make the examination more 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.<sup>20</sup>

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>21</sup> and paragraph (f)(1) of Rule 19b-4 thereunder.<sup>22</sup> At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily

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<sup>20</sup> 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).

<sup>21</sup> 15 U.S.C. 78s(b)(3)(A).

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](mailto:rule-comments@sec.gov). Please include File Number SR-FINRA-2018-010 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.

All submissions should refer to File Number SR-FINRA-2018-010. 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

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<sup>22</sup> 17 CFR 240.19b-4(f)(1).

(<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-2018-010 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>23</sup>

Robert W. Errett  
Deputy Secretary

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<sup>23</sup> 17 CFR 200.30-3(a)(12).



Exhibit 3a  
SR-FINRA-2018-010

# Securities Trader Qualification Examination (Series 57)

CONTENT OUTLINE

## Series 57

### 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:

Function	Description	Percentage of Exam Items	Number of Items
1	Trading Activities	82%	41
2	Maintaining Books and Records, Trade Reporting and Clearance and Settlement	18%	9
<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 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](http://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

## Series 57

- 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

## Series 57

### 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
  - 6277/6360A/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

## Series 57

### SEC Rules and Regulations

#### Securities Exchange Act of 1934

##### Section 3(a)(51) – Definition of Penny Stock

##### 15c2-11 – Initiation or Resumption of Quotations Without Specified Information

##### 15g-1 – Exemptions for Certain Transactions

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

##### 15g-4 – Disclosure of Compensation to Brokers or Dealers

##### 15g-5 – Disclosure of Compensation to Associated Persons in Connection with Penny Stock Transactions

##### 15g-8 – Sales of Escrowed Securities of Blank Check Companies

### 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

## Series 57

- 200 – Definition of “Short Sale” and Marking Requirements
- 201 – Circuit Breaker
- 203 – Borrowing and Delivery Requirements
- 204 – Close-out Requirement

### 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

## Series 57

### 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

## Series 57

7360 – Audit Trail Requirements  
7370 – Violation of Reporting Rules

### 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

## Series 57

### 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

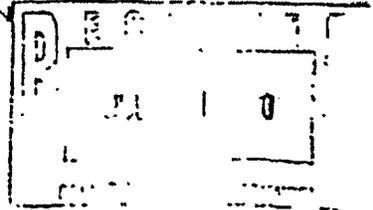
11.2 – Allocation of Exercise Notices

11.3 – Delivery and Payment



DIVISION OF  
MARKET REGULATION

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: <sup>Alden</sup>

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.

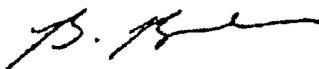
Alden S. Adkins

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