

# Regulatory Notice

## 16-02

## Qualifications Examinations

### FINRA Revises the Series 9/10 Examination Program

**Implementation Date: March 7, 2016**

#### Executive Summary

FINRA periodically reviews the content of qualification examinations to determine whether revisions are necessary or appropriate in view of changes—including changes to the laws, rules and regulations—pertaining to the subject matter the examinations cover. Based on this review process, FINRA has revised the General Securities Sales Supervisor (Series 9/10) examination program.<sup>1</sup>

The changes are reflected in the Series 9/10 content outline on FINRA's website and will appear in Series 9/10 examinations administered on or after March 7, 2016.

Questions regarding this *Notice* should be directed to:

- ▶ Carl Rubin, Qualifications Analyst, Testing and Continuing Education Department, at (240) 386-6446; or
- ▶ Gemma Sartori, Qualifications Analyst, Testing and Continuing Education Department, at (212) 858-4146.

#### Background

Section 15A(g)(3) of the Securities Exchange Act of 1934 (SEA) authorizes FINRA to prescribe standards of training, experience and competence for persons associated with FINRA-regulated firms. In accordance with that provision, FINRA has developed examinations that are designed to establish that persons associated with FINRA-regulated firms have attained specified levels of competence and knowledge, consistent with applicable registration requirements under FINRA rules.

**January 2016**

#### Notice Type

- ▶ Guidance

#### Suggested Routing

- ▶ Compliance
- ▶ Legal
- ▶ Operations
- ▶ Registration
- ▶ Training

#### Key Topics

- ▶ General Securities Sales Supervisor
- ▶ Qualification Examinations
- ▶ Series 9/10

#### Referenced Rules & Notices

- ▶ FINRA Rule 2111
- ▶ FINRA Rule 2210
- ▶ FINRA Rule 3230
- ▶ FINRA Rule 4510
- ▶ MSRB Rule G-27(e)
- ▶ NASD Rule 1021(e)
- ▶ NASD Rule 1022(g)
- ▶ NASD Rule 1030 Series
- ▶ NASD Rule 2212
- ▶ NASD Rule 2310
- ▶ NASD Rule 3110
- ▶ Rule 135a under the Securities Act of 1933
- ▶ SEA Rule 15c3-3
- ▶ SEA Section 15A(g)(3)

NASD Rule 1022(g) states that members may register with FINRA an individual as a General Securities Sales Supervisor if the individual's supervisory responsibilities in the investment banking and securities business are limited solely to the securities sales activities of a member, including the training of sales and sales supervisory personnel and the maintenance of records of original entry and ledger accounts of the member required to be maintained in branch offices by SEC recordkeeping rules.<sup>2</sup> A General Securities Sales Supervisor is precluded from performing any of the following activities: (1) functioning in a principal capacity with responsibility over any area of business activity not stated above; (2) supervision of the origination and structuring of underwritings; (3) supervision of market making commitments; (4) supervision of the custody of firm or customer funds or securities for purposes of SEA Rule 15c3-3; or (5) supervision of overall compliance with financial responsibility rules for broker-dealers promulgated pursuant to the provisions of the SEA. Further, a General Securities Sales Supervisor is not qualified to be included for purposes of the principal numerical requirements of NASD Rule 1021(e)(1).

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

In consultation with a committee of industry representatives, FINRA recently undertook a review of the Series 9/10 examination program. As a result of this review, FINRA has revised the content outline to reflect changes to the laws, rules and regulations covered by the examination and to incorporate the functions and associated tasks currently performed by a General Securities Sales Supervisor. FINRA also has revised the format of the content outline.

### Revisions

FINRA has divided the content outline into two parts with the eight major job functions that are performed by a General Securities Sales Supervisor. The following are the two parts each with four major job functions, denoted as Parts 1 and 2 with Function 1 through Function 4, respectively:

#### Part 1 (Series 10):

**Function 1:** Supervise Associated Persons and Personnel Management Activities;

**Function 2:** Supervise the Opening and Maintenance of Customer Accounts;

**Function 3:** Supervise Sales Practices and General Trading Activities; and

**Function 4:** Supervise Communications with the Public.

**Part 2 (Series 9):**

**Function 1:** Supervise the Opening and Maintenance of Customer Options Accounts;

**Function 2:** Supervise Sales Practices and General Options Trading Activities;

**Function 3:** Supervise Options Communications; and

**Function 4:** Supervise Associated Persons and Personnel Management Activities.

FINRA also adjusted the number of questions assigned to each major job function to ensure that the overall examination better reflects the key tasks performed by a General Securities Sales Supervisor. The questions on the revised Series 9/10 examination will place greater emphasis on key tasks such as supervision of registered persons, sales practices and compliance. The following are the number of questions assigned to each of the functions on the Series 9/10.

**Part 1 (Series 10):**

**Function 1:** 28 questions;

**Function 2:** 49 questions;

**Function 3:** 52 questions; and

**Function 4:** 16 questions.

**Part 2 (Series 9):**

**Function 1:** 18 questions;

**Function 2:** 19 questions;

**Function 3:** 5 questions; and

**Function 4:** 13 questions.

Each function also includes specific tasks describing activities associated with performing that function. In Part 1, there are five tasks (1.1 – 1.5) associated with Function 1; four tasks (2.1 – 2.4) associated with Function 2; five tasks (3.1 – 3.5) associated with Function 3; and four tasks (4.1 – 4.4) associated with Function 4. In Part 2, there are three tasks (1.1 – 1.3) associated with Function 1; four tasks (2.1 – 2.4) associated with Function 2; three tasks (3.1 – 3.3) associated with Function 3; and one task (4.1) associated with Function 4.<sup>3</sup> For example, one such task (Task 4.2 in Part 1) is review retail communications and determine appropriate approval.<sup>4</sup> Further, the content outline lists the knowledge required to perform each function and associated tasks (*e.g.*, types of retail communications, required approvals).<sup>5</sup> In addition, where applicable, the content outline lists the laws, rules and

regulations a candidate is expected to know to perform each function and associated tasks. These include the applicable FINRA Rules (*e.g.*, FINRA Rule 2210), MSRB Rules (*e.g.*, MSRB Rule G-27(e)) and SEC rules (*e.g.*, Rule 135a under the Securities Act of 1933).<sup>6</sup>

FINRA conducted a job analysis study of General Securities Sales Supervisors, which included the use of a survey, in developing each function and associated tasks and updating the required knowledge set forth in the revised content outline. The functions and associated tasks, which appear in the revised content outline for the first time, reflect the day-to-day activities of a General Securities Sales Supervisor. FINRA also has revised the content outline to reflect changes to the laws, rules and regulations covered by the examination. Among other revisions, FINRA has revised the content outline to reflect the adoption of rules in the consolidated FINRA rulebook (*e.g.*, NASD Rule 2310 (Recommendations to Customers (Suitability)), NASD Rule 2212 (Telemarketing) and NASD Rule 3110 (Books and Records) were adopted as FINRA Rule 2111 (Suitability), FINRA Rule 3230 (Telemarketing) and FINRA Rule 4510 Series (Books and Records Requirements), respectively).<sup>7</sup>

In conjunction with the changes to the content outline, FINRA has made changes to the weighting of questions on the topics on the content outline and to the question bank for the Series 9/10 examination.

Finally, FINRA has revised the format of the content outline, including the preface, sample questions and reference materials.

The number of questions on the Series 9/10 examination will remain at 200 multiple-choice questions (55 on the Series 9 and 145 on the Series 10),<sup>8</sup> and candidates will have 90 minutes to complete the Series 9 exam and 240 minutes to complete the Series 10 exam. The passing score for the Series 9 is 70 percent and the passing score for the Series 10 is 70 percent. These are unchanged.

### **Availability of Content Outline**

The revised Series 9/10 content outline is available on FINRA's [website](#).

## Endnotes

1. See Securities Exchange Act Release No. 76812 (December 31, 2015), 81 FR 834 (January 7, 2016) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2015-058).
2. NASD Rule 1022(g) also includes additional requirements applicable to General Securities Sales Supervisors engaged in securities futures activities.
3. See Series 9/10 Outline Pages 5 – 26.
4. See Series 9/10 Outline Page 17.
5. See Series 9/10 Outline Page 17.
6. See Series 9/10 Outline Page 17-18.
7. See Rule Conversion Chart, available at <http://www.finra.org/industry/finra-rule-consolidation>.
8. Consistent with FINRA's practice of including "pretest" items on certain qualification examinations, which is designed to ensure that new examination items meet acceptable testing standards prior to use for scoring purposes, the examination includes 15 additional, unidentified pretest items (5 on the Series 9 and 10 on the Series 10) that do not contribute towards the candidate's score. Therefore, the examination actually consists of 215 items, 200 of which are scored. The 15 pretest items are randomly distributed throughout the examination.