



**Investment Company
Products/Variable Contracts
Limited Representative
Qualifications Examination
(Test Series 6)**

STUDY OUTLINE

Introduction

The FINRA Investment Company/Variable Contracts Products Limited Representative Qualification Examination (Series 6) is used to qualify individuals seeking registration with FINRA under Article III, Section 2 of the NASD By-Laws and applicable Membership, Registration and Qualification Rules. Registered Representatives in this limited category of registration are permitted to transact a member's business in redeemable securities of companies registered pursuant to the Investment Company Act of 1940, securities of closed-end companies registered pursuant to the Investment Company Act of 1940 during the period of original distribution only, and variable contracts and insurance premium funding programs and other contracts issued by an insurance company except contracts that are exempt securities pursuant to Section 3(a)(8) of the Securities Act of 1933. This category of registration, by itself, does not allow a registered representative to transact a member's business in corporate securities, direct participation programs, municipal securities, or options products. Candidates seeking to transact these latter products must also register in one or more of FINRA's other limited representative categories, or as a General Securities Registered Representative.

This study outline has been prepared to assist FINRA member firms in preparing candidates to sit for the Series 6 examination. It may be used to structure or prepare training materials, develop lecture notes and seminar programs, and as a training aid for candidates themselves. This outline and the examination are divided into six topical sections listed below, along with the percentage of each section's representation in the overall examination.

Section	Description	Number of Questions
1	Securities Markets, Investment Securities and Economic Factors	8
2	Securities and Tax Regulation	23
3	Marketing, Prospecting and Sales Presentation	18
4	Evaluation of Customers	13
5	Product Information; Investment Company Securities and Variable Contracts	26
6	Opening and Servicing Customer Accounts	12
Total		100

The Series 6 examination is comprised of 100 multiple-choice questions covering all of the materials in the following outline in accordance with the subject-matter distribution shown above. Candidates will be allowed 135 minutes to complete the examination. A candidate must correctly answer 70 percent of the questions to receive a passing grade.

At the completion of the examination, each candidate will receive an informational breakdown of their performance on each section and their overall score. The examination is a closed-book test and candidates will not be permitted to use any reference material during their testing session. Scratch paper and a basic electronic calculator will be provided by the test center administrator. Severe penalties are imposed on candidates who cheat on securities industry qualification examinations.

Examination questions are updated regularly to reflect the most current interpretations of the rules and regulations. Questions on new rules will be added to the pool of questions for this examination within a reasonable period of their effective dates.

To ensure that new questions meet acceptable testing standards prior to use, this examination includes 5 additional, unidentified "pre-test" questions that do not contribute towards the candidate's score. The 5 questions are randomly distributed throughout the examination. Therefore, each candidate takes a total of 105 questions, of which 100 questions are scored.

At the end of this outline are four sample questions written in the various formats used in the actual Series 6 examination. The samples do not mirror the difficulty level of actual test questions or the subject matter distribution of the test itself. Their use is merely to familiarize the candidate with the style of multiple-choice questions used in the Series 6 examination.

Information about qualifications exams may be found at <http://www.finra.org/Industry/Compliance/Registration/QualificationsExams/RegisteredReps/Qualifications/index.htm>

Please Note: Candidates are responsible for keeping abreast of changes made to the applicable rules and regulations, as the examination is updated when new rules are introduced and/or amended.

The following reference materials may be used in preparing for the examination.

REFERENCE MATERIALS*

Code of Federal Regulations

Title 17-Commodity and Securities
Exchanges
Superintendent of Documents
U.S. Government Printing Office
Mail Stop SSOP
Washington, DC 20402

**An Explanation of the Securities
Investor Protection Act of 1970**

Securities Investor Protection Corp.
900 Seventh Street, NW
Washington, DC 20006

Federal Securities Law Reporter

Volume 1 – Securities Act
Volume 2 – Exchange Act
Volume 3 – Investment Company Act
Commerce Clearing House, Inc.
4025 W. Peterson Avenue
Chicago, IL 60646-6085

Fundamentals of Private Pensions

Dan M. McGill and Richard D. Irwin

**Regulation of Brokers, Dealers and
Securities Markets**

N. Wolfson, R.M. Phillips, and T.A. Russon
Warren, Gorham & Lamont, Inc.
210 South Street
Boston, MA 02111

Dow Jones-Irwin

Homewood, IL 60430

Individual Retirement Accounts

L.L. Unthank and Harry M. Behrendt
Dow Jones-Irwin
Homewood, Il 60430

*Other publications available through
FINRA Website:*

www.finra.org

FINRA/NASD Rules

FINRA Notices

NASD Guide to Rule Interpretations

NASD Sanctions Guidelines

Pension and Profit Sharing Plans

Jeffrey D. Mamorsky
Executive Enterprise Publications Co.,
Inc.
33 West 60th Street
New York, NY 10023

1.0
Securities Markets, Investment Securities and Economic Factors

1.1 Securities Markets

1.1.1 Exchange Markets

Nature of auction markets

1.1.2 Over-The-Counter (OTC)/Negotiated Market

Nature of a negotiated market

1.1.3 New Issue Market

Primary offering

Role of investment banker

1.1.4 Market Terms

Trade date

Settlement date

Declaration date

Record date

Ex-dividend date

Payment date

1.1.5 Price and Yield Terms

Market value

Bid

Asked or offering

Net Asset Value (NAV) or bid

Premium, par and discount

Current yield

Nominal yield

Yield to maturity

Duration

1.2 Investment Securities

1.2.1 Corporate Securities

1.2.1.1 Equity Securities – definitions and features

Common Stock

Preferred Stock

Right to earnings

Right to dividends

Voting rights

Liquidation preference

- Dividend preferred
- Convertible
- American Depositary Receipts (ADRs)
- Rights
- Warrants
- Options

1.2.1.2 Debt Securities – definitions and features (redemption, call provisions)

- Secured bond
- Unsecured bond
- Zero coupon bond
- Convertible bond
- Mortgage-backed securities (pass-through)
- Collateralized mortgage obligations (CMOs)

1.2.2 U.S. Government Securities

1.2.2.1 Marketable issues

- Treasury bills
- Treasury notes
- Treasury bonds
- Agency bonds (government sponsored enterprise)

1.2.3 Municipal Bonds

1.2.3.1 Tax implications

1.2.3.2 Types of bonds

- General obligation bonds
- Revenue bonds
- Industrial revenue bonds

1.2.4 Money Market Instruments

1.2.4.1 Treasury bills

1.2.4.2 Certificate of deposit (negotiable)

- Commercial paper
- Bankers acceptances

1.2.5 Special Securities

1.2.5.1 Exchange traded funds (ETFs)

1.2.5.2 Hedge funds

1.3 Economic Factors

1.3.1 Price Changes in the Economy

- Inflation and deflation

1.3.2

Monetary Policy

1.3.2.1

Role of the Federal Reserve

1.3.2.2

Changing interest rates and the money supply

Relation to the level of economic activity

Relation to prices and the return on securities investments

1.3.3

Fiscal Policy

1.3.3.1

Federal taxation

Federal spending

1.3.4

International Economic Factors

Currency exchange rates

2.0
Securities and Tax Regulations

2.1 General Industry Regulations

2.1.1 Securities Act of 1933, Registration of Securities and SEC Rules Thereunder

2.1.1.1 Section 2--Definitions
Issuer
Underwriter

2.1.1.2 Regulation D--Rules governing the limited offer and sale of securities without registration under the Securities Act of 1933 (Private placements of variable life exempt from registration)

Rule 501--Definitions and terms used in Regulation D
Accredited investor
Number of purchasers
Issuer

2.1.2 Securities Exchange Act of 1934 (Regulation of exchanges, brokers and dealers) and SEC Rules Thereunder

2.1.2.1 Section 3(a)--Definitions under the Act
Broker
Dealer
Security
Investment contract (Howie case)
Statutory disqualification

2.1.2.2 Section 4--Securities and Exchange Commission

2.1.2.3 Section 15A--Registered Securities Associations

Rule 17f-2--Fingerprinting of security industry personnel

2.1.3 Investment Advisers Act of 1940

2.1.3.1 Section 201--Purpose

2.1.3.2 Section 202(a)--Definitions
Investment adviser

Persons associated with an investment adviser

2.1.3.3 Section 203-Registration of investment advisers (SEC Release IA-1092--Staff interpretation)

Requirements
Exemptions

2.1.4 Investment Company Act of 1940

2.1.4.1 Section 2--General Definitions

- 2.1.4.2 Section 3--Definition of investment company
Section 4--Classification of investment companies
Section 5--Sub-classification of management companies
Section 6--Exemptions
Section 8--Registration of Investment Companies
- 2.1.5 Insider Trading and Securities Fraud Enforcement Act of 1988**
 - 2.1.5.1 Prohibition of misuse of material, nonpublic information
 - 2.1.5.1.1 Section 3--Civil penalties
 - 2.1.5.2.2 Section 4--Criminal penalties
 - Section 5--Liability to contemporaneous traders for insider trading
 - Policies and procedures to be developed by broker/dealers
- 2.1.6 Rules and By-Laws of FINRA/NASD**
 - 2.1.6.1 Certificate of Incorporation
FINRA By-Laws
 - Article V--Registered representatives and associated persons
 - Sec.1--Qualification requirements
 - Sec.2--Application for registration
 - Sec.3--Notification of termination
 - Sec.4--Retention of jurisdiction
 - 2.1.6.2 NASD Membership and Registration Rules
 - Rule 1000--Membership, registration and qualification requirements
 - Rule 1030--Registration of representatives
 - Definitions of representatives
 - Categories of representative registration
 - Rule 1060--Persons Exempt from registration
 - Rule 1080--Confidentiality of Examinations
 - 2.1.6.3 FINRA Rule
 - Rule 2320--Variable contracts of an insurance company
 - Application
 - Definitions
 - Receipt of payment
 - Transmittal
 - Selling Agreements
 - Redemption
 - Member compensation
 - 2.1.6.4 NASD Conduct Rule
 - Rule 2830--Investment company securities
 - Application

- Definitions
- Sales charges
- Selling dividends
- Withhold orders
- Refund of sales charges
- Dealer concessions
- Member compensation
- Execution of portfolio transactions

2.2 Federal Income Tax Regulations

2.2.1 Tax Consequences of the Investment Company's Activities

- "Regulated Investment Company" - defined by Internal Revenue Code
 - "Conduit" or "pipeline" theory
 - Required distribution of income and realized capital gains
- Tax treatment of capital gains distributions and income distributions
 - Net qualifying dividends

2.2.2 Tax Consequences of an Individual Investor's Activities

- 2.2.2.1 Mutual Fund Investor Activities
 - Shareholder responsibility to report dividend and capital gains distributions to IRS and state tax agency
 - Tax treatment of securities transactions
 - Definition of net capital gains/loss
 - Computation
 - Tax treatment of realized/unrealized net capital gains/capital losses
 - Exchanges as taxable event
 - Shareholder's tax basis
 - Offering price
 - Exchange of securities
 - Gift of securities
 - Inheritance of securities
 - Reinvested dividends and capital gains distributions
 - Holding period of securities
 - Determined by trade date
 - Acquisition
 - Redemption
 - Wash sale rule
- 2.2.2.2 Tax treatment of variable annuity contracts
 - Accumulation period
 - Annuitization period

72(t) Taxation of annuity payments
Withdrawals and surrenders
Death benefits
1035 exchanges

2.2.2.3 Tax treatment of variable life insurance to the policyholder
During the life of the policy
Upon the death of the insured
Upon full or partial surrender of the policy
1035 exchanges

2.3 Retirement and Tax Advantaged Plans

2.3.1 Individual Retirement Plans

2.3.1.1 Traditional IRA
2.3.1.2 Rollover
2.3.1.3 Roth IRA
Contributory
Conversion
2.3.1.4 Establishment and maintenance issue
Eligibility requirements
Contribution limits
Catch-up provisions
2.3.1.5 Transfer/Rollover rules
2.3.1.6 Distribution/Withdrawal rules
Early
Mandatory
Death
Beneficiary

2.3.2 Employer-Sponsored Retirement Plans

2.3.2.1 Keogh: Self employed only
Simplified Employee Pension plans (SEP)
Savings Incentive Match Plans for Employees (SIMPLE)
IRA and 401(k)
Money purchase
Profit sharing
401(k)
403(b) and 403(b)(7): 501(c)(3) only
457: governmental entities and certain tax exempt only
2.3.2.2 Defined contribution versus defined benefit
2.3.2.3 ERISA considerations
Eligibility
Retirement age: normal and early
Vesting provisions

Contribution limits
Funding requirements
Fiduciary responsibilities

2.3.2.4 Rollover and transfer rules

2.3.2.5 Distribution/Withdrawal rules
Early
Mandatory
Death
Beneficiary

2.3.3 Non-Qualified Deferred Compensation

2.3.4 Other Tax Advantaged Plans

2.3.4.1 Section 529 College Savings Plans
Tax treatment
Contributions
Accumulation
Withdrawals
Benefits

2.3.4.2 Coverdell Education Savings Plan
Tax treatment
Contributions
Accumulation
Withdrawals
Benefits

3.0
Marketing, Prospecting and Sales Presentations

3.1 Regulations Related to Marketing/Prospecting

3.1.1 Securities Act of 1933

- 3.1.1.1 Prospectus and Statement of Additional Information (SAI)
 - Section 2--Definitions
 - Offer to sell
 - Prospectus
- 3.1.1.2 Registration requirement
 - Statement of Additional Information
 - Availability requirement
 - Contents
 - Investment objectives, policies and restrictions
 - Sales loads and fees
 - Share classes
 - Breakpoint, rights of accumulation, combination of accounts and letter of intent
 - Methods of sale
 - Methods of redemption
 - Financial statements
 - Section 5--Prohibitions relating to interstate commerce and the mails
 - Prospectus
 - Delivery requirement
 - Section 10--Information required in prospectus
 - Section 12—Civil liabilities arising in connection with prospectuses and communications
 - Inclusion of untrue statements of material fact
 - Exclusion of material facts required to be stated
 - Section 17--Fraudulent interstate transactions
 - Section 23--Unlawful representation
 - SEC "no approval" clause

3.2 Rules Related to Sales Presentations/Materials:

3.2.1 NASD Conduct Rules

- 3.2.1.1 Rule 2210--Communications with the public
 - Definitions
 - Advertisements
 - Sales literature
 - Correspondence
 - Institutional sales material
 - Public appearance
 - Independently prepared reprints
 - Approval and recordkeeping
 - Filing requirements and review procedures
 - Standards applicable to communications with the public
 - General standards
 - Interpretive material
- 3.2.1.2 Rule 2211--Institutional sales marketing material
- 3.2.1.3 Rule 2212--Telemarketing
- 3.2.2 Rules and Regulations under the Securities Act of 1933**
 - 3.2.2.1 Rule 135A--Generic advertising
 - Rule 156--Investment company sales literature
 - Rule 482--Advertising by an investment company as satisfying requirements of Section 10 of Securities Act of 1933
- 3.2.3 Securities Exchange Act of 1934**
 - Section 10--Regulation of the use of manipulative and deceptive devices
 - Rule 10b-3--Employment of manipulative and deceptive devices by any broker or dealer
- 3.2.4 Investment Company Act of 1940 and Rules Thereunder**
 - Section 30(b)--Periodic and other reports
 - Rule 34b-1 Sales literature deemed to be misleading
 - Section 35(d)--Deceptive or misleading names
 - Rule 35d-1--Investment company names
- 3.3 Sales Practice Rules**
 - 3.3.1 FINRA Rule 2000--Duties and conflicts
 - 3.3.2 FINRA Rule 2010--Standards of commercial honor and principles of trade
 - 3.3.3 FINRA Rule 2020--Use of manipulative, deceptive or other fraudulent devices
 - 3.3.4 NASD Rule 3010--Supervision

- Supervisory system
- Written procedures
- Internal inspections
- Written approval
- Qualifications investigated
- Definitions
 - Office of supervisory jurisdiction (OSJ)
 - Branch office

3.3.5 FINRA Rule 4513--Records of Written Customer Complaints

3.3.6 FINRA Rule 3270--Outside Business Activities of Registered Persons

3.3.7 NASD Rule 3040--Private securities transactions of an associated person

- Applicability
- Written notice
- Transactions for compensation
- Definitions
 - Private securities transactions
 - Selling compensation

4.0 Evaluation of Customers

4.1 Investment Risk Factors

4.1.1 Types of Investment Risk

- Business
- Credit
- Interest rate
- Purchasing power
- Liquidity
- Reinvestment
- Taxability
- Market
- Social and political
- Currency exchange

4.1.2 Concept of Risk/Reward

- Degree of risks relative to returns on investment
- Importance of diversification
- Defensive and aggressive investment strategies

4.2 Suitability Factors

4.2.1 Financial Status of Clients

- Personal financial information
 - Age
 - Marital status
 - Dependents
 - Income
 - Expenses
 - Disposable income
 - Discretionary income
 - Assets and liabilities
 - Liquid assets
 - Insurance needs
 - Participation in retirement programs
 - Participation in benefit plans
 - Tax status

4.2.2 Investment Objectives

- Preservation of capital
- Current income
- Capital appreciation

Growth and income
Aggressive growth
Tax exempt income

4.2.3

Risk Tolerance of Clients

Short and long-term liquidity needs
Volatility
 Income level changes
 Inflation or deflation
 Attitudes toward risk

4.2.4

NASD Rule--2310 Recommendations to Customers

Fair dealing with customers
Recommending speculative securities
Excessive trading activity
Trading in mutual fund shares
Fraudulent activity
 Fictitious accounts
 Unauthorized transactions
 Misuse of customers' funds or securities
Recommending purchases beyond customer capability
New financial products
Share class recommendation

5.0
Product Information
Investment Company Securities and Variable Contracts

5.1 Investment Companies

5.1.1 General Concepts

- Investment portfolio
- Undivided interest
- Diversified by:
 - Industries
 - Types of investment instruments
 - Variety of securities issuers
 - Geographic areas
- Non-diversified
- Professional management
- Investment objective of the fund
- Timing of investment decisions
- Financial/economic research and analysis

5.1.2 Types of Funds

5.1.2.1

Equity Funds

- Income
- Growth
- Growth/Income
- Aggressive growth
- Value
- Blend/Core
- Balanced

5.1.2.2

Fixed Income

- Taxable
- Tax exempt
- High yield

5.1.2.3

Money Market

- Taxable
- Tax exempt

5.1.2.4

Specialized

- Industry (sector) concentration
- Geographic concentration
- Asset allocation
- International
- Mortgage backed securities

Index
Precious metals funds
Fund of funds
Principal protected funds

5.2 Open-End Investment Companies

5.2.1 Fund shares

Full and fractional shares
Continual offering and redemption of shares
Voting rights

5.2.2 Structure and Operation

5.2.2.1

Functions of board of directors
Investment policy
Oversee investment advisor, transfer agent, custodian
Dividend and capital gains policy
Approve 12b--1 plans

5.2.2.2

Functions of investment advisor
Investment portfolio
Investment advice
Conform to investment objectives and policy decisions of the Board

5.2.2.3

Functions of underwriter (distributor)
Wholesale marketing of fund shares to securities dealers
Direct sales to public
Preparation of sales literature
Compensation to dealers

5.2.2.4

Functions of custodian
Safeguard physical assets of fund
Payable/receivable functions

5.2.2.5

Functions of transfer agent
Issuance of physical shares or book entry
Cancellation of redeemed shares
Disbursement of dividend and capital gains distributions to shareholders

5.2.3 Rights of shareholders

Voting rights/proxies
Approve changes in investment objectives and policies
Approve investment advisory agreement

Approve changes in fees
Elect directors
Ratify selection of independent auditors

5.2.4 Common characteristics

Professional portfolio manager
Ease of diversification
Safekeeping of portfolio securities
Exchange privileges within families of funds
Automatic reinvestment of dividend income and capital gains distributions
Systematic purchase and withdrawal plans
Tax and recordkeeping information

5.2.5 Important Factors in Comparison of Funds

5.2.5.1

Basis of comparison
Investment objective
Investment style
Valuation
Capitalization
Investment policies
Management experience
Fees and expenses

5.2.5.2

Performance
Total return
Standardized yield
Expense ratio
After tax return
Quantitative risk management

5.2.6 Mutual Fund Sales Charges and Expenses

5.2.6.1

Net Asset Value (NAV) per share
When determined
How determined
Ex-dividend

5.2.6.2

Offering Price
Prospectus
Table of fees and expenses

5.2.6.3

Share Class

5.2.6.4

Sales charges and expenses

5.2.6.5

Distribution plans/SEC Rule 12b-1
Use of fund assets to finance the distribution of shares

- 5.2.6.6 Reduced Sales Charges/Quantity Discounts
 - Qualifying for reduced sales charges
 - Breakpoint
 - Letter of Intent
 - Backdating 90 days
 - Effect of incomplete investment
 - Contribution vs. appreciation
 - Rights of accumulation
 - Valuation of methods
 - Combining accounts
 - Reduction for qualifying groups

5.2.7 Redemption of Mutual Fund Shares

- 5.2.7.1 Methods
 - Considerations
 - Signature guarantee
 - Outstanding certificate
 - Redemption value
 - NAV next computed after receipt of proper redemption request
 - Sales charges and redemption fee
 - Timely payment by fund

5.3 Variable Contracts

5.3.1 Insurance Company Separate Accounts/General Accounts

- Exempt under 3a-8 of the Securities Act of 1933
- Investment Company Act of 1940 Section 2(a)(37)
- Definition
- Characteristics
- Underlying Investments

5.3.2 Variable Annuity Contracts

- Compare and contrast between variable and fixed annuities
 - Payment to the annuitant
 - Guarantees
 - Risk
 - Contract holder objective
- Types of variable annuities
 - Immediate
 - Deferred
 - Single payment
 - Periodic payment

Features

Tax deferred accumulation

Ownership interests

Voting rights

Pay out options

Other contractual provisions

Mortality guarantee

Expense guarantee

Death benefit

Surrender value

Exchange privilege

Bonus/enhancements

Dollar cost averaging

Sales charges and expenses

Level sales charge

Contingent deferred sales charge

Other charges and expenses

Investment management fee

Mortality and expense risk

Premium taxes

Administrative expenses

5.3.2.6

Valuation of variable annuity contracts

Accumulation units

Annuitization units

Assumed Interest Rate

5.3.3

Variable Life Insurance (Fixed and Flexible Premium Types)

Compare and contrast- variable, universal and whole life insurance

Death benefits

Cash value

Risk

Premium payments

Policyholder objective of purchasing variable life insurance

Features

Loans

Voting rights of policy holders

Other contractual provisions

Expense limitation

Termination

Surrender value

Conversion privilege

Dollar cost averaging (DCA)

Sales charge and expenses

Sales charge structure

Other charges and expenses

Mortality costs

Investment management fee
Administrative expenses
Cost of insurance
Settlement options
Valuation of a variable life insurance policy
Cash value
Death benefit

5.4 Unit Investment Trust (UIT)

5.4.1 Capitalization

5.4.2 Pricing

5.4.3 Secondary market trading

5.4.4 Redeemability

5.5 Closed-End Fund

5.5.1 Capitalization

5.5.2 Pricing

5.5.3 Secondary market trading

5.5.4 Redeemability

6.0 Opening and Servicing Customer Accounts

6.1 Customer Accounts

6.1.1 Requirements for opening new accounts

- FINRA Rule 4511--General requirements
- FINRA Rule 4512--Customer Account Information
- FINRA Rule 4514--Authorization Records for Negotiable Instruments Drawn from a Customer's Account
- FINRA Rule 4515--Approval and Documentation of Changes in Account Name or Designation

6.1.2 Bank Secrecy Act

- Wires in excess of \$3,000
- Cash transactions over \$10,000
 - Required information on transmitter of funds and the recipient of the funds

6.1.3 Anti-Money Laundering Compliance Program

- Customer Identification Program
- Suspicious Activity Report (SAR)

6.1.4 Regulation S-P Privacy of Consumer Financial Information

- Definitions
- Privacy and Opt-out notices
- Disclosure limitations
- Exceptions

6.1.5 Forms of Ownership of Mutual Fund Shares

- Individual registration
 - Transfer on death
- Joint tenants with right of survivorship
- Tenants in common
- Trust accounts
- Custodial accounts under the Uniform Transfers/Gifts to Minors Act
 - Irrevocability of gift
 - Custodian
 - Shares registered to beneficiary upon attaining majority

6.2 FINRA/NASD Rules

6.2.1 FINRA Rule 2150--Improper Use of Customers' Securities or Funds;

Prohibition Against Guarantees and Sharing in Accounts

Prohibition Against Guarantees
Sharing in Accounts; Extent Permissible

- 6.2.2 FINRA Rule 3240--Borrowing from or Lending to Customers**
 - Conditions when permissible
 - Definition of immediate family
- 6.2.3 NASD Rule 2420--Dealing with Non-Members**
 - Sharing commissions with non-members
- 6.2.4 NASD Rule 3050--Transactions for or by Associated Persons**
 - Obligations of Associated Persons Concerning an Account with an Investment Adviser, Bank or Other Financial Institution
 - Exemption for Transactions in Investment Company Shares and Unit Investment Trust
- 6.3 FINRA Rules--Complaints, Investigations and Sanctions**
 - 6.3.1 Rule 8210--Provision of Information and Testimony and Inspection and Copying of Books**
- 6.4 FINRA Procedural Rules--Code of Arbitration Procedure**
 - 6.4.1 Rule 10100--Administrative Provisions**
 - Matters Eligible for Submission
 - National Arbitration Committee
 - Composition and Appointment of Panels
 - 6.4.2 Rule 10300--Uniform code of arbitration**
 - Required submission
 - Simplified arbitration
 - Limit on dollar amount disputed or claimed
 - Relatively prompt resolution
 - 6.4.3 Rule 10330--Awards**
- 6.5 Securities Exchange Act of 1934**
 - 6.5.1 Section 10-Manipulative and Deceptive Devices**
 - (Rule 10b-10) Confirmation of transactions
 - 6.5.2 Section 17--Accounts and records, reports, examination of exchange members and others**

(Rule 17a-8) Financial recordkeeping and reporting of currency and foreign transactions

6.6 Federal Reserve Board/Regulation T-Credit by Brokers and Dealers

6.6.1 Cash Accounts

Prompt payment for securities purchased

Extension of time

Frozen accounts

Arranging for loans by others prohibited

SAMPLE QUESTIONS

The questions that follow are similar in format and content to questions on the actual examination. They are not intended, however, to parallel either the level of difficulty or the subject matter distribution of the test itself. The purpose here is to assist candidates and training personnel in preparing for the types of multiple-choice questions that will appear in the examination.

1. In the investment company act of 1940, the term “management company” applies to all of the following EXCEPT:
 - (A) Unit investment trusts
 - (B) Non-diversified companies
 - (C) Open-end companies
 - (D) Closed-end companies

2. Which of the following mutual fund services must be offered continually to its shareholders?
 - (A) Issuing shares
 - (B) Redeeming shares
 - (C) Exchanging shares
 - (D) Transferring ownership of shares

3. Reductions in the maximum sales charge for investment company shares may be made available under which of the following circumstances?
 - I. An investor purchases a substantial dollar amount of investment company shares.
 - II. An investor elects to reinvest income dividends.
 - III. Shares are purchased by the trustee of a company pension plan.
 - IV. Shares are purchased by a unit investment trust as the sole investment underlying a contractual plan.
 - (A) I only
 - (B) I and II
 - (C) II and III
 - (D) I, II, III and IV

4. An open end investment company may do each of the following EXCEPT:

- (A) Issue senior securities
- (B) Borrow money
- (C) Lend money
- (D) Purchase call option contracts

ANSWERS

- 1. (A)
- 2. (D)
- 3. (D)
- 4. (A)