

Qualification Examinations

FINRA Revises the Series 55 Examination Program

Implementation Date: August 12, 2013

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 covered by the examinations. Based on this review process, FINRA has revised the Equity Trader (Series 55) examination program.¹

The changes are reflected in the [Series 55 content outline](#) on FINRA's website and will appear in the Series 55 examination starting on August 12, 2013.

Questions regarding this *Notice* should be directed to:

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Background & Discussion

Section 15A(g)(3) of the Securities Exchange Act of 1934 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.

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Notice Type

- ▶ Guidance

Suggested Routing

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

Key Topics

- ▶ Equity Trader (Series 55)
- ▶ Qualification Examination

Referenced Rules & Notices

- ▶ FINRA Rule 5320
- ▶ Information Notice 3/12/08
- ▶ Investment Company Act of 1940
- ▶ NASD IM-2110-2
- ▶ NASD Rule 1031(b)
- ▶ NASD Rule 1032(f)
- ▶ NASD Rule 2111
- ▶ SEA Section 15A(g)(3)

Each associated person of a firm who is included within the definition of representative in NASD Rule 1031(b) (Definition of Representative) is required to register with FINRA as an Equity Trader if, with respect to transactions in equity, preferred or convertible debt securities effected otherwise than on a securities exchange, the associated person is engaged in proprietary trading, the execution of transactions on an agency basis or the direct supervision of such activities.² There is an exception from the Equity Trader requirement for any associated person of a firm whose trading activities are conducted principally on behalf of an investment company that is registered with the Securities and Exchange Commission pursuant to the Investment Company Act of 1940 and that controls, is controlled by, or is under common control with the firm. The Series 55 examination qualifies an individual to function as an Equity Trader. Before registration as an Equity Trader may become effective, the individual must be registered as either a General Securities Representative (Series 7) or Corporate Securities Representative (Series 62).

In concert with a committee of industry representatives, FINRA recently undertook a review of the Series 55 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 reflect the functions currently performed by an Equity Trader. Among other revisions, FINRA has revised the outline to reflect the adoption of rules in the consolidated FINRA rulebook (e.g., NASD IM-2110-2 (Trading Ahead of Customer Limit Order) and NASD Rule 2111 (Trading Ahead of Customer Market Orders) were consolidated as FINRA Rule 5320 (Prohibition Against Trading Ahead of Customer Orders)).³

FINRA has divided the content outline into three major job functions that are performed by an Equity Trader. The following are the three major job functions, denoted Function 1 through Function 3, and the number of questions associated with each of the functions:

- ▶ **Function 1:** Trading, 45 questions;
- ▶ **Function 2:** Order Handling, 36 questions; and
- ▶ **Function 3:** Record Keeping and Regulatory Reporting, 19 questions.

In addition, each function contains sections that describe the areas of knowledge required to perform that function, and each of these areas of knowledge contains subsections that list the laws, rules and regulations related to that particular area of knowledge.

In conjunction with the changes to the content outline, FINRA also has made changes to the weighting of questions on content outline topics and to the question bank for the Series 55 examination.

The number of questions on the Series 55 examination remains at 100 multiple-choice questions,⁴ and candidates continue to have three hours to complete the examination. Currently, a score of 70 percent is required to pass the examination. A score of 67 percent is required to pass the revised examination.

Content Outline

The revised Series 55 content outline is available on FINRA's website.

Endnotes

1. See File No. SR-FINRA-2013-028, which was filed with the SEC for immediate effectiveness on June 27, 2013.
2. See NASD Rule 1032(f) (Limited Representative – Equity Trader).
3. The current FINRA rulebook consists of (1) FINRA Rules; (2) NASD Rules; and (3) rules incorporated from NYSE (Incorporated NYSE Rules) (together, the NASD Rules and Incorporated NYSE Rules are referred to as the “Transitional Rulebook”). While the NASD Rules generally apply to all FINRA member firms, the Incorporated NYSE Rules apply only to those member firms of FINRA that are also member firms of the NYSE (Dual Members). The FINRA Rules apply to all FINRA member firms, unless such rules have a more limited application by their terms. For more information about the rulebook consolidation process, see *Information Notice*, March 12, 2008 (Rulebook Consolidation Process). See also [Rule Conversion Chart](#).
4. Consistent with FINRA's practice of including “pre-test” questions on certain qualification examinations, which is designed to ensure that new examination questions meet acceptable testing standards prior to use for scoring purposes, the examination includes 10 additional, unidentified pre-test questions that do not contribute towards the candidate's score. Therefore, the examination actually consists of 110 questions, 100 of which are scored. The 10 pre-test questions are randomly distributed throughout the examination.