

## Qualification Examinations

### FINRA Revises the Investment Company and Variable Contracts Products Representative (Series 6) Examination Program

Implementation Date: December 16, 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 the examinations cover. Based on this review process, FINRA has revised the Investment Company and Variable Contracts Products Representative (Series 6) examination program.<sup>1</sup>

The changes are reflected in the [Series 6 content outline](#) on FINRA's website and will appear in Series 6 examinations administered on or after December 16, 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<sup>2</sup> 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

- ▶ Series 6 Qualification Examination

#### Referenced Rules & Notices

- ▶ FINRA Rule 1250
- ▶ FINRA Rule 2111
- ▶ FINRA Rule 4510
- ▶ Information Notice 3/12/08
- ▶ NASD Rule 1032(a)
- ▶ NASD Rule 1032(b)
- ▶ NASD Rule 1070
- ▶ NYSE Rule 345.15(3) and its interpretation
- ▶ SEA Rule 17f-2
- ▶ SEA Section 15A(g)(3)
- ▶ Securities Act Section 3(a)(8)

Pursuant to NASD Rule 1032(b)<sup>3</sup> (Limited Representative – Investment Company and Variable Contracts Products), if a representative's activities are limited solely to redeemable securities of companies registered under the Investment Company Act of 1940 (Investment Company Act), securities of closed-end companies registered under the Investment Company Act during the period of original distribution, 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), the representative may register and qualify as an Investment Company and Variable Contracts Products Representative instead of registering and qualifying as a General Securities Representative (Series 7) pursuant to NASD Rule 1032(a) (General Securities Representative).<sup>4</sup> The Series 6 examination qualifies an individual to function as an Investment Company and Variable Contracts Products Representative.

In consultation with a committee of industry representatives, FINRA recently undertook a review of the Series 6 examination program. As a result of this review, FINRA has revised the content outline to reflect changes to the laws, rules and regulations the examination covers and to incorporate the functions and associated tasks an Investment Company and Variable Contracts Products Representative currently performs. FINRA also has revised the format of the content outline.

## Revisions

FINRA has divided the content outline into four major job functions and included specific tasks for each function. The following are the four major job functions and the number of questions associated with each function:

**Function 1:** Regulatory fundamentals and business development, 22 questions;

**Function 2:** Evaluates customers' financial information, identifies investment objectives, provides information on investment products, and makes suitable recommendations, 47 questions;

**Function 3:** Opens, maintains, transfers and closes accounts and retains appropriate account records, 21 questions; and

**Function 4:** Obtains, verifies, and confirms customer purchase and sale instructions, 10 questions.

Each function also includes specific tasks describing activities associated with performing that function. There are four tasks (1.1 – 1.4) associated with Function 1; four tasks (2.1 – 2.4) 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.<sup>5</sup> For example, one task (Task 2.1) is to gather customers' financial and non-financial information to identify, analyze and assess risk tolerance, investment experience and sophistication level.<sup>6</sup> Further, the outline lists the knowledge required to perform each function and associated tasks (*e.g.*, account authorizations and legal documents).<sup>7</sup> In addition, where applicable, the 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 1250), NASD rules (*e.g.*, NASD Rule 1070) and SEC rules (*e.g.*, SEA Rule 17f-2).<sup>8</sup>

FINRA conducted a job analysis study of Investment Company and Variable Contracts Products Representatives, which included the use of a survey, in developing each function and associated tasks and updating the required knowledge set forth in the revised outline. The functions and associated tasks, which appear in the revised outline for the first time, reflect the day-to-day activities of an Investment Company and Variable Contracts Products Representative. FINRA also has revised the content outline to reflect changes to the laws, rules and regulations the examination covers. 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)) and NASD Rule 3110 (Books and Records) were adopted as FINRA Rule 2111 (Suitability) and FINRA Rule 4510 Series (Books and Records), respectively).<sup>9</sup> FINRA has adopted similar changes to the Series 6 selection specifications and question bank.

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 6 examination will remain at 100 multiple-choice questions,<sup>10</sup> and candidates will continue to have 135 minutes to complete the examination. A score of 70 percent is required to pass the examination, which is the same as the current passing score.

## Availability of Content Outline

The revised [Series 6 content outline](#) is available on FINRA's website.

## Endnotes

1. See File No. SR-FINRA-2013-045, which was filed with the SEC for immediate effectiveness on October 16, 2013.
2. 15 U.S.C. 78q-3(g)(3).
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 members, the Incorporated NYSE Rules apply only to those members of FINRA that are also members of the NYSE (Dual Members). The FINRA Rules apply to all FINRA members, 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).
4. See also Incorporated NYSE Rule 345.15(3) and Incorporated NYSE Rule Interpretation 345.15/02.
5. See Exhibit 3a, Outline Pages 6-18.
6. See Exhibit 3a, Outline Page 10.
7. See Exhibit 3a, Outline Page 15.
8. See Exhibit 3a, Outline Pages 6-7.
9. See Rule Conversion Charts.
10. 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 five additional, unidentified pre-test questions that do not contribute towards the candidate’s score. Therefore, the examination actually consists of 105 questions, 100 of which are scored. The five pre-test questions are randomly distributed throughout the examination.