Firm Calls on Exam Restructuring

FINRA
Securities Industry Essentials Exam and Exam Restructuring

August 15, 2018
Mark the Date – October 1, 2018

- SEC approved SR-FINRA-2017-007.
  - Consolidates FINRA registration rules
  - Restructures the rep-level qualification exams
  - Introduces the Securities Industry Essentials Exam

- FINRA Regulatory Notice 17-30 announced the rule changes.

- FINRA will implement the new rules and make available the Essentials Exam on October 1, 2018.
Rep-level Qualification Exam Restructuring

- Respond to industry and regulatory changes
- Reduce the redundancy of content across exams
- Streamline the exam process
- Minimize impact and change to the registration rules
- Ensure registered representatives have a solid breadth of understanding of the industry
Revised Rep-level Exam Structure

Series 6
Series 99
Series 86/87
Series 82
Series 7
Series 22
Series 79
Series 52
Series 57

Essentials Exam
SIE – Answers to ‘Essential’ Questions

- How many questions? 75
- How long do I have? 105 minutes
- How long is it good for? 4 years
- Can I take it even if I do not work for a firm? Yes
- How much will the SIE cost? $60 (filing pending and SEC approval)
SIE – ‘Essential’ Facts

- Content areas covered:
  - Knowledge of capital markets
  - Understanding products and their risks
  - Understanding trading, customer accounts and prohibited activities
  - Overview of the regulatory framework
Top-offs – ‘Essential’ Facts

- Series 6 – 50 questions
- Series 7 – 125 questions
- Series 22 – 50 questions
- Series 52 – 75 questions
- Series 57 – 50 questions
- Series 79 – 75 questions
- Series 82 – 50 questions
- Series 86/87 – 100/50 questions
- Series 99 – 50 questions
Other Features of the Restructuring

- On October 1, 2018, FINRA will no longer offer the following exams:
  - Series 11
  - Series 17/37/38
  - Series 42
  - Series 62
  - Series 72

- Persons holding registrations associated with these exams will be able to continue to hold them until they leave the industry for more than 2 years.
Effect on Current Registrants

- Most current registrants will be considered to have passed the Essentials Exam, and it will be valid for 4 years upon leaving the industry. CRD will reflect this.

- Registrants who return between 2 and 4 years later will not need to take the Essentials Exam, only the top-off exam for the registration position.

- Registrants who return more than 4 years later will need to take both the Essentials and the top-off exam.
Individuals who apply for registration on or before September 30 will take their exam under the current program, even if their exam appointment date is on or after October 1.

Individuals who apply for registration on or after October 1 will take the SIE and the revised qualification exam (i.e., SIE + Series 7).

Individuals who take and fail an exam in September will take, as their next attempt, the SIE and the revised qualification exam on or after October 1.
Essentials Exam Enrollment for Individuals

- Will access enrollment system from finra.org
- Will need to create an account to enroll and pay
- Will access direct link to Prometric appointment scheduling
- Will receive score report at test center
- Can also view result in enrollment system
- Can pay for exam with credit card or by redeeming voucher
Securities Industry Essentials Exam Mockup

Available Beginning October 1, 2018

The Securities Industry Essentials (SIE or Essentials) Exam, available beginning October 1, 2018, is a new FINRA exam for prospective securities industry professionals. This introductory-level exam assesses a candidate's knowledge of basic securities industry information including concepts fundamental to working in the industry, such as types of products and their risks; the structure of the securities industry markets, regulatory agencies and their functions; and prohibited practices.

Key Features of the Essentials Exam
Essentials Exam Enrollment Options for Firms

- Through CRD, there will be two options for a firm to request an enrollment for the Essentials Exam:
  - **Form U4:** request a rep-level registration (e.g., GS request opens SIE and S7 exam enrollments)
  - **Non-Form U4:** enrollment system
    - **Group** – upload a list of candidates
    - **Purchase vouchers** – used by candidates to enroll for the SIE
Non-U4 SIE Enrollment

- Web CRD will include an option for firms to enroll non-registered individuals for the SIE, and pay the exam fees from the firm’s Flex-Funding Account.
Non-U4 SIE Enrollment (cont.)

- Firms will be able to upload a CSV file to enroll and pay for specific individuals to take the SIE (up to 100 at a time).

Note: The Manually Add feature to purchase single enrollments for individuals one at a time may be available in the future, however will not likely be included on October 1, 2018.
Firms can use the downloadable templates to create the CSV file and then select for upload.
Non-U4 SIE Enrollment (cont.)

- SIE enrollments uploaded and paid for by the firm will be added to the Individuals Enrolled for SIE list.
  - Once an individual sits for the exam, the same list will be updated with the exam result and score (if applicable).

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<thead>
<tr>
<th>ID</th>
<th>First Name</th>
<th>Last Name</th>
<th>Email</th>
<th>Group Name</th>
<th>Billing Code</th>
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<td>123</td>
<td>12/11/2018</td>
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</tr>
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Non-U4 SIE Enrollment - Vouchers

Firms will also have the option to purchase SIE vouchers (up to 100 at a time). The vouchers can then be provided to individuals for them to enroll themselves for the SIE.
Non-U4 SIE Enrollment (cont.)

- After vouchers are purchased, firms can download a spreadsheet to obtain the list of voucher codes and track their redemption.

<table>
<thead>
<tr>
<th>Available Vouchers</th>
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<td>Securities Industry Essentials (SIE) Exam</td>
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1 Voucher Group(s)

Expired and Redeemed Vouchers

0 Voucher Group(s)
Non-U4 SIE Enrollment (cont.)

Non-U4 SIE Enrollment Reminders

- Enrolling an individual for the SIE outside of Form U4 does not by itself create a CRD number for them. A CRD number will be assigned when a filing is made for the individual in CRD.

- Non-U4 SIE exam results can be seen in the “SIE Enrollment/Results” link, and can also be viewed via the existing Pre-Registration Search feature. However, they will not immediately be part of the individual’s CRD record.

- When an SIE-only individual becomes registered, their SIE “Pass” result will then be posted to their CRD record.
Viewing SIE Results

- Firms that pay the Essentials Exam fee will be able to view the individual’s result.
- If an individual pays the Essentials Exam fee, the firm will ONLY be able to view the result when:
  - Conducting a preregistration search or
  - Filing a Form U4 requesting a registration.
The existing Pre-Registration Search will be enhanced to display individuals that have passed the SIE outside of Form U4.
Change in CRD Display of Exam Results

- Starting on October 1, 2018, CRD will show the following:
  - For passing test results – will indicate that the individual passed the exam
  - For failing test results – will indicate that the individual failed the exam and will display the test score.
  - Once an individual passes the exam, the failing results will no longer be displayed. Only the passing result will be displayed.
Why is this change being made?

- CRD maintains registration information.
- FINRA qualification exams determine whether a person has demonstrated minimum proficiency to act in a registered capacity.
- Exam score is not intended to predict how well a person will perform in a position (i.e., a person who scores 90 will not necessarily perform better than a person with a score of 75).
- Test scores will not be stored in CRD.
CRD Exam Views

**Exam Results**
- Scores will **no longer** be posted to CRD for Pass results.
- Exam History and Reports will display non-passing exam results (Fail, No Show, etc.) and scores **only** until an exam result of Pass is received. After that, all prior non-passing results for that exam will disappear from CRD.

**Exam Validity**
- Exam History will have a new field that indicates if a passed/waived exam is still valid for registration purposes, including a future expiration date (if applicable).

**SIE Credit**
- SIE exam ‘credit’ will be automatically granted to individuals registered within the last 4 years, and displayed in Exam History.

(See sample screenshots on the following slide…)
Exam History

Exam History Samples

#1 – Currently registered individual

<table>
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<th>Exam History</th>
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</tr>
<tr>
<td>S6</td>
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<tr>
<td>S63</td>
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</table>

#2 – Not currently registered, but exams still valid

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</thead>
<tbody>
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<td>Exam</td>
</tr>
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<tr>
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<tr>
<td>S63</td>
</tr>
</tbody>
</table>

#3 – Out of the industry

<table>
<thead>
<tr>
<th>Exam History</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exam</td>
</tr>
</tbody>
</table>
Resources

- SR-FINRA-2017-007
- Regulatory Notice 17-30
- Essentials webpage: finra.org/industry/essentials-exam
- Exam Restructuring webpage: finra.org/industry/exam-restructuring
Questions