Firm Call on Exam Restructuring

FINRA
Securities Industry Essentials Exam, Exam Restructuring and Registration
Rule Consolidation
September 5, 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.
Revised Rep-level Exam Structure

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

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
- What is the passing score? 70
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

<table>
<thead>
<tr>
<th>Exam</th>
<th>Test Length</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 6</td>
<td>50</td>
<td>$40</td>
</tr>
<tr>
<td>Series 7</td>
<td>125</td>
<td>$245</td>
</tr>
<tr>
<td>Series 22</td>
<td>50</td>
<td>$40</td>
</tr>
<tr>
<td>Series 57</td>
<td>50</td>
<td>$60</td>
</tr>
<tr>
<td>Series 79</td>
<td>75</td>
<td>$245</td>
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<tr>
<td>Series 82</td>
<td>50</td>
<td>$40</td>
</tr>
<tr>
<td>Series 86</td>
<td>100</td>
<td>$185</td>
</tr>
<tr>
<td>Series 87</td>
<td>50</td>
<td>$130</td>
</tr>
<tr>
<td>Series 99</td>
<td>50</td>
<td>$40</td>
</tr>
</tbody>
</table>
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.
Preparing for October 1

- 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 \((i.e., \text{SIE} + \text{Series 7})\).

- 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.

![Web CRD screenshot](image)
Non-U4 SIE Enrollment (cont.)

Note: The manually add feature to request a single enrollment will be available after the October 1st launch.
**Non-U4 SIE Enrollment (cont)**

- Firms can use the downloadable templates to create the CSV file and then select for upload.

![Download Template](image)
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).

![FINRA interface](image.png)
Non-U4 SIE Enrollment - Vouchers

- Firms will also have the option to purchase SIE vouchers (up to 100 at a time) to provide to individuals who can enroll themselves for the SIE.
After vouchers are purchased, firms can download a spreadsheet to obtain the list of voucher codes and track their redemption.

<table>
<thead>
<tr>
<th>Exam Name</th>
<th>Group Name</th>
<th>Billing Code</th>
<th>Expiration Date</th>
<th>Remaining</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities Industry Essentials (SIE) Exam</td>
<td>firmCCVoucher</td>
<td></td>
<td>2019-02-08</td>
<td>2 of 2</td>
</tr>
</tbody>
</table>

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 pre-registration 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.
Change in CRD Display of Exam Results (cont.)

- 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.
Revised Test Center Exam Results Report – Pass

<table>
<thead>
<tr>
<th>CANDIDATE INFORMATION</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Name:</td>
<td>John Doe</td>
</tr>
<tr>
<td>ID:</td>
<td>285750</td>
</tr>
<tr>
<td>Test Center:</td>
<td>2818 AL HUNTSVILLE</td>
</tr>
<tr>
<td>Date:</td>
<td>07/31/2018</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TEST RESULT</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Result:</td>
<td>Pass</td>
</tr>
</tbody>
</table>

1 of 1

3709978594
Revised Test Center Exam Results Report – Fail

**Candidate Information**

<table>
<thead>
<tr>
<th>Name:</th>
<th>John Doe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Test Center:</td>
<td>2816 AL HUNTSVILLE</td>
</tr>
<tr>
<td>ID:</td>
<td>285750</td>
</tr>
<tr>
<td>Date:</td>
<td>07/31/2018</td>
</tr>
</tbody>
</table>

**Test Result**

<table>
<thead>
<tr>
<th>Result:</th>
<th>Fail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score:</td>
<td>20%</td>
</tr>
</tbody>
</table>

**Section Analysis**

<table>
<thead>
<tr>
<th>Section</th>
<th>Content Area</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Knowledge of Capital Markets</td>
<td>Low Performance</td>
</tr>
<tr>
<td>2</td>
<td>Understanding Products and Their Risks</td>
<td>Borderline Performance</td>
</tr>
<tr>
<td>3</td>
<td>Understanding Trading, Customer Accounts and Prohibited Activities</td>
<td>Adequate Performance</td>
</tr>
<tr>
<td>4</td>
<td>Overview of the Regulatory Framework</td>
<td>Low Performance</td>
</tr>
</tbody>
</table>

**Additional Information**

The test result shown on this report reflects equating that accounts for the difficulty of questions on each candidate’s exam. This allows for fair comparison and ensures that every candidate is held to the same passing standard regardless of which set of exam questions he or she received.

The section analysis above is to inform you of the section(s) of the content outline that may require further study.

- **Adequate Performance**: Your performance in this area is at or above the performance needed to pass this test.
- **Borderline Performance**: Your performance in this area is close to the performance needed to pass this test.
- **Low Performance**: Your performance in this area is below the performance needed to pass this test.
- **Very Low Performance**: Your performance in this area is well below the performance needed to pass this test.
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>
<thead>
<tr>
<th>Exam History</th>
<th>Enrollment ID</th>
<th>Exam Status</th>
<th>Status Date</th>
<th>Exam Date</th>
<th>Grade</th>
<th>Score</th>
<th>Window Begin Date</th>
<th>Window End Date</th>
<th>Exam Validity</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIE</td>
<td>992727444</td>
<td>Credit</td>
<td>10/01/2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Valid</td>
</tr>
<tr>
<td>S6</td>
<td>23625055</td>
<td>Official Result</td>
<td>02/13/2012</td>
<td>02/10/2012</td>
<td>Passed</td>
<td></td>
<td>01/24/2012</td>
<td>05/23/2012</td>
<td>Valid</td>
</tr>
<tr>
<td>S63</td>
<td>23625056</td>
<td>Official Result</td>
<td>02/22/2012</td>
<td>02/21/2012</td>
<td>Passed</td>
<td></td>
<td>01/24/2012</td>
<td>05/23/2012</td>
<td>Valid</td>
</tr>
</tbody>
</table>

#### #2 – Not currently registered, but exams still valid

<table>
<thead>
<tr>
<th>Exam History</th>
<th>Enrollment ID</th>
<th>Exam Status</th>
<th>Status Date</th>
<th>Exam Date</th>
<th>Grade</th>
<th>Score</th>
<th>Window Begin Date</th>
<th>Window End Date</th>
<th>Exam Validity</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIE</td>
<td>993125699</td>
<td>Credit</td>
<td>08/18/2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Valid until 08/18/2020</td>
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<tr>
<td>S7</td>
<td>23594790</td>
<td>Official Result</td>
<td>04/03/2000</td>
<td>03/31/2000</td>
<td>Passed</td>
<td></td>
<td>03/30/2000</td>
<td>07/28/2000</td>
<td>Valid until 08/18/2018</td>
</tr>
<tr>
<td>S63</td>
<td>23594788</td>
<td>Official Result</td>
<td>04/07/2000</td>
<td>04/05/2000</td>
<td>Passed</td>
<td></td>
<td>02/08/2000</td>
<td>06/07/2000</td>
<td>Valid until 08/18/2018</td>
</tr>
</tbody>
</table>

#### #3 – Out of the industry

<table>
<thead>
<tr>
<th>Exam History</th>
<th>Enrollment ID</th>
<th>Exam Status</th>
<th>Status Date</th>
<th>Exam Date</th>
<th>Grade</th>
<th>Score</th>
<th>Window Begin Date</th>
<th>Window End Date</th>
<th>Exam Validity</th>
</tr>
</thead>
</table>
Consolidated Registration Rules

- Consolidates NASD and incorporated NYSE registration rules into FINRA registration rules (FINRA Rule 1200 Series)
- Requires firms to designate a Principal Financial Officer and a Principal Operations Officer (can be same person at non-clearing firms)
Chief Compliance Officer

- Chief Compliance Officers (CCOs) will have a FINRA Compliance Officer registration requirement - CR (Series 14 exam)

- Persons with a General Securities Representative and General Securities Principal (S7 GS and S24 GP) registration can register as a Compliance Officer without taking the Series 14 exam

- On October 1 FINRA will automatically grant CR registration to persons with a GS/GP who is listed as the CCO on Schedule A of Form BD
New Principal Positions

- Investment Banking Principal (BP) – S79 + S24
- Private Securities Offering Principal (PO) – S82 + S24
- General Securities Principal (GP) will be limited to S7 + S24

- On October 1 FINRA will automatically grant the BP to persons holding the IB (S79) and GP registrations.
- On October 1 FINRA will automatically grant the PO to persons holding the PR (S82) and GP registrations.
New Principal Positions (cont.)

- Sample screenshot of individual automatically granted the BP, and GP automatically terminated:

<table>
<thead>
<tr>
<th>Regulatory Authority</th>
<th>Registration Category</th>
<th>Filing Date</th>
<th>Status Date</th>
<th>Registration Status</th>
<th>Approval Date</th>
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<tbody>
<tr>
<td>FINRA</td>
<td>BP</td>
<td>10/01/2018</td>
<td>10/01/2018</td>
<td>APPROVED</td>
<td>10/01/2018</td>
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<tr>
<td>FINRA</td>
<td>GP</td>
<td>04/01/2011</td>
<td>10/01/2018</td>
<td>ADMTERM</td>
<td>07/14/2011</td>
</tr>
<tr>
<td>FINRA</td>
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<td>04/01/2011</td>
<td>06/21/2011</td>
<td>APPROVED</td>
<td>05/21/2011</td>
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<tr>
<td>CT</td>
<td>AG</td>
<td>04/01/2011</td>
<td>07/08/2011</td>
<td>APPROVED</td>
<td>07/08/2011</td>
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</table>

Form Filing History

<table>
<thead>
<tr>
<th>ID</th>
<th>Date</th>
<th>Type</th>
<th>Submitted by</th>
<th>User ID</th>
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</thead>
<tbody>
<tr>
<td>49539784</td>
<td>10/01/2018</td>
<td>U5 ADMIN</td>
<td></td>
<td>2018 Registration Consolidation</td>
</tr>
<tr>
<td>49533389</td>
<td>10/01/2018</td>
<td>U4 ADMIN</td>
<td></td>
<td>2018 Registration Consolidation</td>
</tr>
</tbody>
</table>
Permissive Registration

- Allows permissive registration of persons engaged in a bona fide business purpose of a member (i.e., an associated person)

- Expands current NASD rule allowing for permissive registration of persons performing certain limited functions (e.g., legal, compliance, internal audit)

- Such persons will be subject to a level of supervision commensurate with their status
Financial Services Affiliate Waiver Program (FSAWP)

- FSAWP will allow an individual working for a financial services affiliate of a member to receive a waiver of a qualification exam requirement upon returning to the member for up to seven years, provided the firm and the individual satisfy certain criteria.
Overview of FSAWP Process

- Firm files Form U5 for individual and emails FINRA requesting FSA eligibility (must meet 10/5/1 rule)
- Member email includes email address for individual
- FINRA notifies individual via email his/her FSA eligibility and individual’s responsibilities to maintain eligibility, including CE requirement
- FINRA notifies individual via email of each upcoming CE requirement with a link to enrollment page
Overview of FSAWP Process (cont)

- When individual returns, firm files Form U4 and an FSAWP exam waiver request
- FINRA processes waiver request within 30 days
- Individual who has successfully maintained eligibility is granted an unconditional exam waiver
Resources

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