

2016-05

Publication Date
January 28, 2016

Stakeholders
Municipal Securities
Dealers

Notice Type
Regulatory
Announcement

Effective Date
March 7, 2016

Category
Professional
Qualification

MSRB Revises Content Outline for the General Securities Sales Supervisor Qualification Examination

Overview

The Municipal Securities Rulemaking Board (MSRB) filed a proposed rule change with the Securities and Exchange Commission (SEC) on January 22, 2016, to revise the content outline for the General Securities Sales Supervisor Qualification Examination (Series 9/10).¹ Periodic reviews of the qualifications examinations are required 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 of the qualification examination. In consultation with a committee of industry representatives, the Financial Industry Regulatory Authority (FINRA) and the MSRB participated in a review of the Series 9/10. As a result, the content outline for the Series 9/10 has been amended to reflect changes to the laws, rules and regulations covered by the examination and, among other things, incorporate the functions and associated tasks performed by a Municipal Securities Sales Principal.²

The revisions to the Series 9/10 examination program are effective immediately and will be implemented on March 7, 2016.

Series 9/10 Content Outline Changes

MSRB Rule G-3(c) defines an individual associated with a dealer whose supervisory activities with respect to municipal securities are limited exclusively to supervising sales to and purchases from customers of municipal securities as a Municipal Securities Sales Principal. Pursuant to

¹ On January 22, 2016, the MSRB filed these changes to the Series 9/10 content outline with the SEC. See [SR-MSRB-2016-02](#).

² On December 23, 2015, FINRA also filed these changes to the content outline with the SEC as well as changes to the Series 9/10 question bank and selection specifications with the SEC. See Release No. 34-76812 (December 31, 2015); File No. SR-FINRA-2015-058.



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MSRB Rule G-3(c), every Municipal Securities Sales Principal is required to take and pass the General Securities Sales Supervisor Qualification Examination prior to acting in such capacity.³

Current Content Outline

The current content outline is divided into six sections. The following are the six sections and the number of questions associated with each of the sections, denoted Section 1 through Section 6:

1. Hiring, Qualifications, and Continuing Education, 9 questions;
2. Supervision of Accounts and Sales Activities, 94 questions;
3. Conduct of Associated Persons, 14 questions;
4. Recordkeeping Requirements, 8 questions;
5. Municipal Securities Regulation, 20 questions;
6. Options Regulation, 55 questions.

Each section also includes the applicable laws, rules and regulations associated with that section. The current content outline also includes a preface (addressing, among other things, the purpose, administration and scoring of the examination), sample questions and reference materials.

Proposed Revisions

The proposed revisions divide the content outline into two parts with eight major job functions that are performed by a Municipal Securities Sales Principal. The following are the two parts, each with four major job functions, denoted as Parts 1 and 2 with Function 1 through Function 4, respectively, with the associated number of questions:

Part 1:

Function 1: Supervise Associated Persons and Personnel Management Activities, 28 questions;

Function 2: Supervise the Opening and Maintenance of Customer Accounts, 49 questions;

Function 3: Supervise Sales Practices and General Trading Activities, 52 questions;

³ The General Securities Sales Supervisor is defined in NASD Rule 1022(g).

Function 4: Supervise Communications with the Public, 16 questions.

Part 2:

Function 1: Supervise the Opening and Maintenance of Customer Options Accounts, 18 questions;

Function 2: Supervise Sales Practices and General Options Trading Activities, 19 questions;

Function 3: Supervise Options Communications, 5 questions;

Function 4: Supervise Associated Persons and Personnel Management Activities, 13 questions.

The proposed revisions reflect changes to the laws, rules and regulations covered by the examination. Among other revisions, certain revisions are being made to reflect the adoption of rules in the consolidated FINRA rulebook (*e.g.*, NASD Rule 2310 (Recommendations to Customers (Suitability), NASD Rule 2212 (Telemarketing) and NASD Rule 3110 (Books and Records) were adopted as FINRA Rule 2111 (Suitability), FINRA Rule 3230 (Telemarketing) and FINRA Rule 4510 Series (Books and Records Requirements), respectively).

Finally, the proposed revisions include changes to the format of the content outline, including the preface, sample questions and reference materials. Proposed changes include: (1) adding a table of contents; (2) providing more details regarding the purpose of the examination; (3) providing more details on the application procedures; (4) providing more details on the development and maintenance of the content outline and examination; (5) explaining that the passing scores are established by FINRA staff, in consultation with a committee of industry representatives, using a standard setting procedure, and that a statistical adjustment process known as equating is used in scoring exams; and (6) noting that each candidate will receive a report at the end of the test session that will indicate a pass or fail status and include a score profile listing the candidate's performance on each major content area covered on the examination.

In addition, the number of questions assigned to each major job function is being adjusted to ensure that the overall examination better reflects the key tasks performed by a Municipal Securities Sales Principal. The allocation of questions on the revised Series 9/10 examination will place greater emphasis on key tasks such as supervision of registered persons, sales practices and

compliance. Each function also includes specific tasks describing activities associated with performing that function. In Part 1, there are five tasks (1.1 – 1.5) associated with Function 1; four tasks (2.1 – 2.4) associated with Function 2; five tasks (3.1 – 3.5) associated with Function 3; and four tasks (4.1 – 4.4) associated with Function 4. In Part 2, there are three tasks (1.1 – 1.3) 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 one task (4.1) associated with Function 4. Further, the content outline lists the knowledge required to perform each function and associated tasks (*e.g.*, types of retail communications, required approvals). In addition, where applicable, the content outline lists the laws, rules and regulations a candidate is expected to know to perform each function and associated tasks. These include the applicable MSRB Rules (*e.g.*, MSRB Rule G-27(e)). A job analysis study was conducted of General Securities Sales Supervisors that are qualified with the 9/10 examination, which included the use of a survey, in developing each function and associated tasks typically performed in the conduct of their activity and, as a result, updating the required knowledge set forth in the revised content outline. The functions and associated tasks, which appear in the revised content outline for the first time, reflect the day-to-day activities of a General Securities Sales Supervisor.

The total number of questions on the Series 9/10 examination will remain at 200 multiple-choice questions (55 on the Series 9 and 145 on the Series 10). Candidates will continue to have 90 minutes to complete the Series 9 examination and 240 minutes to complete the Series 10 examination. The passing score for the Series 9 is 70 percent and the passing score for the Series 10 is 70 percent. These are unchanged.

Availability of the Content Outline

The revised Series 9/10 content outline will replace the current content outline on FINRA's website.⁴

Questions about this notice may be directed to Gail Marshall, Associate General Counsel, or Michael Cowart, Assistant General Counsel, at 202-838-1500.

January 28, 2016

⁴ See <http://www.finra.org/industry/series9-10>