

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 43	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2018 - * 009 Amendment No. (req. for Amendments *)
Filing by Financial Industry Regulatory Authority Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934		
Initial * ☒ Amendment * ☐ Withdrawal ☐	Section 19(b)(2) * ☐ Section 19(b)(3)(A) * ☒ Section 19(b)(3)(B) * ☐	Rule ☒ 19b-4(f)(1) ☐ 19b-4(f)(4) ☐ 19b-4(f)(2) ☐ 19b-4(f)(5) ☐ 19b-4(f)(3) ☐ 19b-4(f)(6)
Pilot ☐ Extension of Time Period for Commission Action * ☐ Date Expires *	Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) * ☐ Section 806(e)(2) * ☐ Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) * ☐	
Exhibit 2 Sent As Paper Document ☐	Exhibit 3 Sent As Paper Document ☒	
Description Provide a brief description of the action (limit 250 characters, required when Initial is checked *). Proposed Rule Change to Revise the Direct Participation Programs Representative (Series 22) Examination		
Contact Information Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action. First Name * Kosha Last Name * Dalal Title * Associate Vice President and Associate General Counsel E-mail * kosha.dalal@finra.org Telephone * (202) 728-6903 Fax (202) 728-8264		
Signature Pursuant to the requirements of the Securities Exchange Act of 1934, has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized. (Title *) Date 02/12/2018 By Patrice M. Gliniecki (Name *) Senior Vice President and Deputy General Counsel Patrice Gliniecki,		
NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.		

SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549	
For complete Form 19b-4 instructions please refer to the EFFT website.	
Form 19b-4 Information * Add Remove View	The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.
Exhibit 1 - Notice of Proposed Rule Change * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies * Add Remove View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications Add Remove View Exhibit Sent As Paper Document ☐	Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.
Exhibit 3 - Form, Report, or Questionnaire Add Remove View Exhibit Sent As Paper Document ☒	Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.
Exhibit 4 - Marked Copies Add Remove View	The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.
Exhibit 5 - Proposed Rule Text Add Remove View	The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.
Partial Amendment Add Remove View	If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “SEA”),¹ Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) revisions to the content outline and selection specifications for the Direct Participation Programs Representative (Series 22) examination as part of the restructuring of the representative-level examination program.² The proposed revisions also update the material to reflect changes to the laws, rules and regulations covered by the examination and to incorporate the functions and associated tasks currently performed by a Direct Participation Programs Representative. In addition, FINRA is proposing to make changes to the format of the content outline. FINRA is not proposing any textual changes to the By-Laws, Schedules to the By-Laws or Rules of FINRA.

The revised Series 22 content outline is attached. The revised Series 22 selection specifications have been submitted to the Commission under separate cover with a request for confidential treatment pursuant to SEA Rule 24b-2.³

(b) Not applicable.

(c) Not applicable.

¹ 15 U.S.C. 78s(b)(1).

² FINRA also is proposing corresponding revisions to the Series 22 question bank. Based on instruction from SEC staff, FINRA is submitting this filing for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(1) thereunder, and is not filing the question bank. See Letter to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000. The question bank is available for SEC review.

³ 17 CFR 240.24b-2.

2. Procedures of the Self-Regulatory Organization

At its meeting on December 15, 2015, the FINRA Board of Governors authorized the filing of the proposed rule change with the SEC. No other action by FINRA is necessary for the filing of the proposed rule change.

As discussed further below, FINRA is filing the proposed rule change for immediate effectiveness. The implementation date will be October 1, 2018, to coincide with the implementation of the restructured representative-level examination program. FINRA will also announce the implementation date of the proposed rule change in a Regulatory Notice.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

Section 15A(g)(3) of the Act⁴ authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. In accordance with that provision, FINRA has developed examinations that are designed to establish that persons associated with FINRA members have attained specified levels of competence and knowledge, consistent with applicable registration requirements under FINRA rules. FINRA periodically reviews the content of the examinations to determine whether revisions are necessary or appropriate in view of changes pertaining to the subject matter covered by the examinations.

⁴ 15 U.S.C. 78o-3(g)(3).

The SEC recently approved a proposed rule change to restructure the FINRA representative-level qualification examination program.⁵ The rule change, which will become effective on October 1, 2018,⁶ restructures the examination program into a new format whereby all new representative-level applicants will be required to take a general knowledge examination (the Securities Industry Essentials or SIE[™]) and a tailored, specialized knowledge examination (a revised representative-level qualification examination) for their particular registered role.

The restructured program eliminates duplicative testing of general securities knowledge on the current representative-level qualification examinations by moving such content into the SIE examination.⁷ The SIE examination will test fundamental securities-related knowledge, including knowledge of basic products, the structure and function of the securities industry, the regulatory agencies and their functions and regulated and prohibited practices, whereas the revised representative-level qualification examinations will test knowledge relevant to day-to-day activities, responsibilities and job functions of representatives.⁸

⁵ See Securities Exchange Act Release No. 81098 (July 7, 2017), 82 FR 32419 (July 13, 2017) (Order Approving File No. SR-FINRA-2017-007).

⁶ See Regulatory Notice 17-30 (SEC Approves Consolidated FINRA Registration Rules, Restructured Representative-Level Qualification Examinations and Changes to Continuing Education Requirements) (October 2017).

⁷ Each of the current representative-level examinations covers general securities knowledge, with the exception of the Research Analyst (Series 86 and 87) examinations.

⁸ FINRA filed the SIE content outline with the SEC for immediate effectiveness. See Securities Exchange Act Release No. 82578 (January 24, 2018), 83 FR 4375 (January 30, 2018) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2018-002). In addition to the proposed rule change relating to the revised Series 22 examination, FINRA is filing with the Commission for immediate

As part of the restructuring process and in consultation with a committee of industry representatives, FINRA undertook a review of the Direct Participation Programs Representative (Series 22) examination to remove the general securities knowledge currently covered on the examination and to create a tailored examination to test knowledge relevant to the day-to-day activities, responsibilities and job functions of a Direct Participation Programs Representative. As a result of this review, FINRA also is proposing to revise the Series 22 content outline to reflect changes to the laws, rules and regulations covered by the examination and to incorporate the functions and associated tasks currently performed by a Direct Participation Programs Representative. The proposed change will align the organization of the Series 22 content outline with the organization of the content outlines of the other revised representative-level examinations.⁹ In addition, FINRA is proposing to make other changes to the format of the Series 22 content outline.

Beginning on October 1, 2018, new applicants seeking to register as Direct Participation Programs Representatives must pass the SIE examination and the revised Direct Participation Programs Representative (Series 22) examination.

effectiveness the content outlines for the other revised representative-level qualification examinations.

⁹ FINRA currently has organized several FINRA qualification examinations, such as the Securities Trader (Series 57) examination, based on the functions that are performed by the respective registered persons and the associated tasks. FINRA is proposing similar layouts for all of the representative-level examinations, including the Series 22 examination.

Current Content Outline

The current Series 22 content outline is divided into six sections. The following are the six sections, denoted Section 1 through Section 6, with the associated number of questions:

1. Investment Entities for Direct Participation Programs, 12 questions;
2. Types of Direct Participation Programs, 11 questions;
3. Offering Practices Applicable to Direct Participation Programs, 14 questions;
4. Tax Issues Applicable to Direct Participation Programs, 20 questions;
5. Regulation of Direct Participation Programs, 32 questions; and
6. Factors to Consider in Evaluating Direct Participation Programs, 11 questions.

In addition, each section includes references to 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.

Revised Content Outline

As noted above, FINRA is proposing to move the general securities knowledge currently covered on the Series 22 examination to the SIE examination. For example, FINRA Rule 3220 (Influencing or Rewarding Employees of Others) (the Gifts Rule) will now be tested on the SIE examination, rather than on the Series 22 examination. As a result, the revised Series 22 examination will test knowledge specific to the day-to-day activities, responsibilities and job functions of a Direct Participation Programs Representative.

Further, FINRA is proposing to reorganize the content outline by dividing it into four major job functions that are performed by a Direct Participation Programs Representative. The proposed change aligns the major job functions performed by a Direct Participation Programs Representative with the major job functions performed by other sales representatives, including Investment Company and Variable Contracts Products Representatives, General Securities Representatives and Private Securities Offerings Representatives. The following are the four major job functions, denoted Function 1 through Function 4, with the associated number of questions:

Function 1: Seeks Business for the Broker-Dealer from Customers and Potential Customers, 17 questions;

Function 2: Opens Accounts After Obtaining and Evaluating Customers' Financial Profile and Investment Objectives, 4 questions;

Function 3: Provides Customers with Information About Investments, Makes Suitable Recommendations, Transfers Assets and Maintains Appropriate Records, 27 questions; and

Function 4: Obtains and Verifies Customers' Purchase Instructions and Agreements; Processes, Completes and Confirms Transactions, 2 questions.

FINRA also is proposing to adjust the number of questions assigned to each major job function to ensure that the overall examination better reflects the key tasks performed by a Direct Participation Programs Representative. The questions on the revised Series 22 examination will place emphasis on tasks such as seeking business for the broker-dealer from customers and potential customers, opening customer accounts, providing

customers with suitable recommendations and verifying customer agreements and transactions.

Each function also includes specific tasks describing activities associated with performing that function. There are two tasks (1.1 – 1.2) associated with Function 1;¹⁰ four tasks (2.1 – 2.4) associated with Function 2;¹¹ four tasks (3.1 – 3.4) associated with Function 3;¹² and three tasks (4.1 – 4.3) associated with Function 4.¹³ For example, one such task (Task 1.1) is contacting current and potential customers in person and by telephone, mail and electronic means, developing promotional and advertising materials and seeking appropriate approvals to distribute marketing materials.¹⁴ The content outline also lists the knowledge required to perform each function and associated tasks (e.g., standards and required approvals of communications). 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 (e.g., FINRA Rule 2111 (Suitability)).

FINRA also is proposing to revise the content outline to reflect changes to the laws, rules and regulations covered by the examination. Among other revisions, FINRA is proposing to revise the content outline to reflect the adoption of new FINRA rules

¹⁰ See Exhibit 3a, Outline Pages 3-4.

¹¹ See Exhibit 3a, Outline Pages 5-6.

¹² See Exhibit 3a, Outline Pages 7-10.

¹³ See Exhibit 3a, Outline Pages 11-12.

¹⁴ See Exhibit 3a, Outline Page 3.

(e.g., FINRA Rule 2273 (Educational Communication Related to Recruitment Practices and Account Transfers)).

FINRA is proposing similar changes to the Series 22 selection specifications and question bank.

Finally, FINRA is proposing to make other changes to the format of the content outline, including to the preface, sample questions and reference materials.¹⁵ Among other changes, FINRA is proposing to: (1) reduce the preface to one page of introductory information; (2) streamline details regarding the purpose of the examination; (3) move the application procedures to FINRA's website; and (4) explain that the passing score is established using a standard setting procedure, and that a statistical adjustment process known as equating is used in scoring the examination.¹⁶

As a result of the proposed changes, the number of scored questions on the Series 22 examination will be reduced from 100 questions to 50 questions.¹⁷ Further, the test time, which is the amount of time candidates will have to complete the examination, will be reduced from two hours and 30 minutes to one hour and 30 minutes. Currently, a score of 70 percent is required to pass the examination. FINRA will publish the passing

¹⁵ FINRA is proposing similar changes to the content outlines for other representative-level examinations.

¹⁶ See Exhibit 3a, Outline Page 2.

¹⁷ Consistent with FINRA's practice of including "pretest" questions on examinations, the Series 22 examination includes five additional, unidentified pretest questions that do not contribute towards the candidate's score. The pretest questions are designed to ensure that new examination questions meet acceptable testing standards prior to use for scoring purposes. Therefore, the Series 22 examination actually consists of 55 questions, 50 of which are scored. The five pretest questions are randomly distributed throughout the examination.

score of the revised Series 22 examination on its website, at www.finra.org, prior to its first administration.

Availability of Content Outline

The current Series 22 content outline is available on FINRA's website. The revised Series 22 content outline will replace the current content outline on FINRA's website, and it will be made available on the website on the date of this filing.

FINRA is filing the proposed rule change for immediate effectiveness. The implementation date will be October 1, 2018, to coincide with the implementation of the restructured representative-level examination program. FINRA will also announce the implementation date of the proposed rule change in a Regulatory Notice.

(b) Statutory Basis

FINRA believes that the proposed revisions to the Series 22 examination program are consistent with the provisions of Section 15A(b)(6) of the Act,¹⁸ which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and Section 15A(g)(3) of the Act,¹⁹ which authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. The proposed rule change will improve the examination program, without compromising the qualification standards, by removing the general knowledge content currently covered on the Series 22 examination, since that content will be covered in the co-requisite SIE examination. In addition, the proposed

¹⁸ 15 U.S.C. 78o-3(b)(6).

¹⁹ 15 U.S.C. 78o-3(g)(3).

revisions will further the purposes of the Act by updating the examination program to reflect changes to the laws, rules and regulations covered by the examination and to incorporate the functions and associated tasks currently performed by a Direct Participation Programs Representative.

4. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The updated examination aligns with the functions and associated tasks currently performed by a Direct Participation Programs Representative and tests knowledge of the most current laws, rules, regulations and skills relevant to those functions and associated tasks. As such, the proposed revisions would make the examination more effective. FINRA also provided a detailed economic impact assessment regarding the introduction of the SIE examination and the restructuring of the representative-level examinations as part of the proposed rule change to restructure the FINRA representative-level qualification examination program.²⁰

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

6. Extension of Time Period for Commission Action

Not applicable.

²⁰ See Securities Exchange Act Release No. 80371 (April 4, 2017), 82 FR 17336 (April 10, 2017) (Notice of Filing of File No. SR-FINRA-2017-007).

7. **Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)**

The proposed rule change is effective upon filing pursuant to Section 19(b)(3)(A)(i) of the Act²¹ and Rule 19b-4(f)(1) thereunder,²² in that the proposed rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of FINRA. The implementation date will be October 1, 2018, to coincide with the implementation of the restructured representative-level examination program. FINRA will also announce the implementation date of the proposed rule change in a Regulatory Notice.

8. **Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission**

Not applicable.

9. **Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act**

Not applicable.

10. **Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act**

Not applicable.

11. **Exhibits**

Exhibit 1. Completed notice of proposed rule change for publication in the Federal Register.

Exhibit 3a. Revised Content Outline for the Series 22 Examination.

Exhibit 3b. Revised Selection Specifications for the Series 22 Examination.

²¹ 15 U.S.C. 78s(b)(3)(A)(i).

²² 17 CFR 240.19b-4(f)(1).

FINRA has requested confidential treatment for the Series 22 revised selection specifications, and thus the specifications are omitted from this filing. The Series 22 revised selection specifications have been filed separately with the Commission pursuant to SEA Rule 24b-2.²³

Exhibit 3c. Letter to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, Inc. from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000.

²³ 17 CFR 240.24b-2.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2018-009)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Revise the Direct Participation Programs Representative (Series 22) Examination

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on , Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as “constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule” under Section 19(b)(3)(A)(i) of the Act³ and Rule 19b-4(f)(1) thereunder,⁴ which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

FINRA is proposing revisions to the content outline and selection specifications for the Direct Participation Programs Representative (Series 22) examination as part of

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(i).

⁴ 17 CFR 240.19b-4(f)(1).

the restructuring of the representative-level examination program.⁵ The proposed revisions also update the material to reflect changes to the laws, rules and regulations covered by the examination and to incorporate the functions and associated tasks currently performed by a Direct Participation Programs Representative. In addition, FINRA is proposing to make changes to the format of the content outline. FINRA is not proposing any textual changes to the By-Laws, Schedules to the By-Laws or Rules of FINRA.

The revised Series 22 content outline is attached. The revised Series 22 selection specifications have been submitted to the Commission under separate cover with a request for confidential treatment pursuant to SEA Rule 24b-2.⁶

The text of the proposed rule change is available on FINRA's website at <http://www.finra.org>, at the principal office of FINRA and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at

⁵ FINRA also is proposing corresponding revisions to the Series 22 question bank. Based on instruction from SEC staff, FINRA is submitting this filing for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(1) thereunder, and is not filing the question bank. See Letter to Alden S. Adkins, Senior Vice President and General Counsel, NASD Regulation, from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000. The question bank is available for SEC review.

⁶ 17 CFR 240.24b-2.

the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Section 15A(g)(3) of the Act⁷ authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. In accordance with that provision, FINRA has developed examinations that are designed to establish that persons associated with FINRA members have attained specified levels of competence and knowledge, consistent with applicable registration requirements under FINRA rules. FINRA periodically reviews the content of the examinations to determine whether revisions are necessary or appropriate in view of changes pertaining to the subject matter covered by the examinations.

The SEC recently approved a proposed rule change to restructure the FINRA representative-level qualification examination program.⁸ The rule change, which will become effective on October 1, 2018,⁹ restructures the examination program into a new format whereby all new representative-level applicants will be required to take a general knowledge examination (the Securities Industry Essentials or SIE[™]) and a tailored,

⁷ 15 U.S.C. 78o-3(g)(3).

⁸ See Securities Exchange Act Release No. 81098 (July 7, 2017), 82 FR 32419 (July 13, 2017) (Order Approving File No. SR-FINRA-2017-007).

⁹ See Regulatory Notice 17-30 (SEC Approves Consolidated FINRA Registration Rules, Restructured Representative-Level Qualification Examinations and Changes to Continuing Education Requirements) (October 2017).

specialized knowledge examination (a revised representative-level qualification examination) for their particular registered role.

The restructured program eliminates duplicative testing of general securities knowledge on the current representative-level qualification examinations by moving such content into the SIE examination.¹⁰ The SIE examination will test fundamental securities-related knowledge, including knowledge of basic products, the structure and function of the securities industry, the regulatory agencies and their functions and regulated and prohibited practices, whereas the revised representative-level qualification examinations will test knowledge relevant to day-to-day activities, responsibilities and job functions of representatives.¹¹

As part of the restructuring process and in consultation with a committee of industry representatives, FINRA undertook a review of the Direct Participation Programs Representative (Series 22) examination to remove the general securities knowledge currently covered on the examination and to create a tailored examination to test knowledge relevant to the day-to-day activities, responsibilities and job functions of a Direct Participation Programs Representative. As a result of this review, FINRA also is proposing to revise the Series 22 content outline to reflect changes to the laws, rules and

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regulations covered by the examination and to incorporate the functions and associated tasks currently performed by a Direct Participation Programs Representative. The proposed change will align the organization of the Series 22 content outline with the organization of the content outlines of the other revised representative-level examinations.¹² In addition, FINRA is proposing to make other changes to the format of the Series 22 content outline.

Beginning on October 1, 2018, new applicants seeking to register as Direct Participation Programs Representatives must pass the SIE examination and the revised Direct Participation Programs Representative (Series 22) examination.

Current Content Outline

The current Series 22 content outline is divided into six sections. The following are the six sections, denoted Section 1 through Section 6, with the associated number of questions:

1. Investment Entities for Direct Participation Programs, 12 questions;
2. Types of Direct Participation Programs, 11 questions;
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6. Factors to Consider in Evaluating Direct Participation Programs, 11 questions.

¹² FINRA currently has organized several FINRA qualification examinations, such as the Securities Trader (Series 57) examination, based on the functions that are performed by the respective registered persons and the associated tasks. FINRA is proposing similar layouts for all of the representative-level examinations, including the Series 22 examination.

In addition, each section includes references to 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.

Revised Content Outline

As noted above, FINRA is proposing to move the general securities knowledge currently covered on the Series 22 examination to the SIE examination. For example, FINRA Rule 3220 (Influencing or Rewarding Employees of Others) (the Gifts Rule) will now be tested on the SIE examination, rather than on the Series 22 examination. As a result, the revised Series 22 examination will test knowledge specific to the day-to-day activities, responsibilities and job functions of a Direct Participation Programs Representative.

Further, FINRA is proposing to reorganize the content outline by dividing it into four major job functions that are performed by a Direct Participation Programs Representative. The proposed change aligns the major job functions performed by a Direct Participation Programs Representative with the major job functions performed by other sales representatives, including Investment Company and Variable Contracts Products Representatives, General Securities Representatives and Private Securities Offerings Representatives. The following are the four major job functions, denoted Function 1 through Function 4, with the associated number of questions:

Function 1: Seeks Business for the Broker-Dealer from Customers and Potential Customers, 17 questions;

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Function 4: Obtains and Verifies Customers' Purchase Instructions and Agreements; Processes, Completes and Confirms Transactions, 2 questions.

FINRA also is proposing to adjust the number of questions assigned to each major job function to ensure that the overall examination better reflects the key tasks performed by a Direct Participation Programs Representative. The questions on the revised Series 22 examination will place emphasis on tasks such as seeking business for the broker-dealer from customers and potential customers, opening customer accounts, providing customers with suitable recommendations and verifying customer agreements and transactions.

Each function also includes specific tasks describing activities associated with performing that function. There are two tasks (1.1 – 1.2) associated with Function 1;¹³ four tasks (2.1 – 2.4) associated with Function 2;¹⁴ four tasks (3.1 – 3.4) associated with Function 3;¹⁵ and three tasks (4.1 – 4.3) associated with Function 4.¹⁶ For example, one such task (Task 1.1) is contacting current and potential customers in person and by

¹³ See Exhibit 3a, Outline Pages 3-4. The outline is attached as Exhibit 3a to the 19b-4 form.

¹⁴ See Exhibit 3a, Outline Pages 5-6.

¹⁵ See Exhibit 3a, Outline Pages 7-10.

¹⁶ See Exhibit 3a, Outline Pages 11-12.

telephone, mail and electronic means, developing promotional and advertising materials and seeking appropriate approvals to distribute marketing materials.¹⁷ The content outline also lists the knowledge required to perform each function and associated tasks (e.g., standards and required approvals of communications). 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 (e.g., FINRA Rule 2111 (Suitability)).

FINRA also is proposing to revise the content outline to reflect changes to the laws, rules and regulations covered by the examination. Among other revisions, FINRA is proposing to revise the content outline to reflect the adoption of new FINRA rules (e.g., FINRA Rule 2273 (Educational Communication Related to Recruitment Practices and Account Transfers)).

FINRA is proposing similar changes to the Series 22 selection specifications and question bank.

Finally, FINRA is proposing to make other changes to the format of the content outline, including to the preface, sample questions and reference materials.¹⁸ Among other changes, FINRA is proposing to: (1) reduce the preface to one page of introductory information; (2) streamline details regarding the purpose of the examination; (3) move the application procedures to FINRA's website; and (4) explain that the passing score is

¹⁷ See Exhibit 3a, Outline Page 3.

¹⁸ FINRA is proposing similar changes to the content outlines for other representative-level examinations.

established using a standard setting procedure, and that a statistical adjustment process known as equating is used in scoring the examination.¹⁹

As a result of the proposed changes, the number of scored questions on the Series 22 examination will be reduced from 100 questions to 50 questions.²⁰ Further, the test time, which is the amount of time candidates will have to complete the examination, will be reduced from two hours and 30 minutes to one hour and 30 minutes. Currently, a score of 70 percent is required to pass the examination. FINRA will publish the passing score of the revised Series 22 examination on its website, at www.finra.org, prior to its first administration.

Availability of Content Outline

The current Series 22 content outline is available on FINRA's website. The revised Series 22 content outline will replace the current content outline on FINRA's website, and it will be made available on the website on the date of this filing.

FINRA is filing the proposed rule change for immediate effectiveness. The implementation date will be October 1, 2018, to coincide with the implementation of the restructured representative-level examination program. FINRA will also announce the implementation date of the proposed rule change in a Regulatory Notice.

¹⁹ See Exhibit 3a, Outline Page 2.

²⁰ Consistent with FINRA's practice of including "pretest" questions on examinations, the Series 22 examination includes five additional, unidentified pretest questions that do not contribute towards the candidate's score. The pretest questions are designed to ensure that new examination questions meet acceptable testing standards prior to use for scoring purposes. Therefore, the Series 22 examination actually consists of 55 questions, 50 of which are scored. The five pretest questions are randomly distributed throughout the examination.

2. Statutory Basis

FINRA believes that the proposed revisions to the Series 22 examination program are consistent with the provisions of Section 15A(b)(6) of the Act,²¹ which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest, and Section 15A(g)(3) of the Act,²² which authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA members. The proposed rule change will improve the examination program, without compromising the qualification standards, by removing the general knowledge content currently covered on the Series 22 examination, since that content will be covered in the co-requisite SIE examination. In addition, the proposed revisions will further the purposes of the Act by updating the examination program to reflect changes to the laws, rules and regulations covered by the examination and to incorporate the functions and associated tasks currently performed by a Direct Participation Programs Representative.

B. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The updated examination aligns with the functions and associated tasks currently performed by a Direct Participation Programs Representative and tests knowledge of the most current laws, rules, regulations and skills relevant to those functions and associated

²¹ 15 U.S.C. 78o-3(b)(6).

²² 15 U.S.C. 78o-3(g)(3).

tasks. As such, the proposed revisions would make the examination more effective.

FINRA also provided a detailed economic impact assessment regarding the introduction of the SIE examination and the restructuring of the representative-level examinations as part of the proposed rule change to restructure the FINRA representative-level qualification examination program.²³

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act²⁴ and paragraph (f)(1) of Rule 19b-4 thereunder.²⁵ At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

²³ See Securities Exchange Act Release No. 80371 (April 4, 2017), 82 FR 17336 (April 10, 2017) (Notice of Filing of File No. SR-FINRA-2017-007).

²⁴ 15 U.S.C. 78s(b)(3)(A).

²⁵ 17 CFR 240.19b-4(f)(1).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FINRA-2018-009 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Robert W. Errett, Deputy Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2018-009. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street,

NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2018-009 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁶

Robert W. Errett
Deputy Secretary

²⁶ 17 CFR 200.30-3(a)(12).



Exhibit 3a
SR-FINRA-2018-009

Direct Participation Programs Representative Qualification Examination (Series 22)

CONTENT OUTLINE

Series 22

PURPOSE OF THE EXAM

The Series 22 exam is designed to assess the competency of entry-level Direct Participation Programs Representatives. The Series 22 exam seeks to measure the degree to which each candidate possesses the knowledge, skills and abilities needed to perform the critical functions of a Direct Participation Programs Representative. In order to obtain registration as an Direct Participation Programs Representative, candidates must pass both the Series 22 exam and a general knowledge co-requisite, the Securities Industry Essentials (SIE) exam. For more information about the Direct Participation Programs Representative registration category, see FINRA Rule 1220(b)(8).

STRUCTURE OF THE EXAM

The exam consists of 50 multiple-choice items, and each item consists of four answer choices. The allocation of exam items for each major function is as follows:

Function	Description	Percentage of Exam Items	Number of Items
1	Seeks Business for the Broker-Dealer from Customers and Potential Customers	34%	17
2	Opens Accounts After Obtaining and Evaluating Customers' Financial Profile and Investment Objectives	8%	4
3	Provides Customers with Information About Investments, Makes Suitable Recommendations, Transfers Assets and Maintains Appropriate Records	54%	27
4	Obtains and Verifies Customers' Purchase Instructions and Agreements; Processes, Completes and Confirms Transactions	4%	2
TOTAL		100%	50

ADMINISTRATION OF THE EXAM

The exam is administered via computer. A tutorial on how to take the exam is provided prior to taking the exam. Each candidate's exam includes 5 additional, unidentified pretest items that do not contribute toward the candidate's score. The pretest items are randomly distributed throughout the exam. Therefore, each candidate's exam consists of a total of 55 items (50 scored and 5 unscored). There is no penalty for guessing. Therefore, candidates should attempt to answer all items. Candidates will be allowed 1 hour and 30 minutes to complete the Series 22 exam.

All candidate test scores are placed on a common scale using a statistical adjustment process known as equating. Equating scores to a common scale accounts for the slight variations in difficulty that may exist among the different sets of exam items that candidates receive. This allows for a fair comparison of scores and ensures that every candidate is held to the same passing standard regardless of which set of exam items they received.

Candidates are not permitted to bring reference materials to their testing session. Severe penalties are imposed on candidates who cheat or attempt to cheat on FINRA-administered exams.

Please visit www.finra.org for additional details.

Series 22

Function 1: Seeks Business for the Broker-Dealer from Customers and Potential Customers

- 1.1 Contacts current and potential customers in person and by telephone, mail and electronic means; develops promotional and advertising materials and seeks appropriate approvals to distribute marketing materials

Knowledge of:

- Standards and required approvals of public communications
- Types of communications (e.g., retail, institutional, correspondence)

FINRA Rule

2210 – Communications with the Public

- 1.2 Describes investment product offerings to current and potential customers with the intent of soliciting business

Knowledge of:

- Types of securities offerings (e.g., publicly registered, Regulation D, Regulation A, intrastate, other unregistered offerings)
- Prospectus requirements
- Methods of distribution (e.g., best efforts, firm commitment)
- Syndication practices
 - Dealer or manager functions (e.g., due diligence, solicits and allocates retail participation by other broker-dealers, maintains books and records, enters into dealer/manager agreement with the program sponsor)
 - Sponsor or issuer-managed offerings
 - Dealer agreement with sponsor or issuer
 - Functions of wholesalers
 - Role of finders and prohibited practices
- Due diligence
 - Purpose and requirement to perform
 - Typical reviews
 - Material statements and risk factors in the offering documents
 - Compliance with registration or exemption rules
 - Financial data and assets
 - Management background and prior performance
 - Assumptions in offering forecasts or projections
 - Fees and use of proceeds
 - Opinion of tax counsel

FINRA Rules

2310(b)(3) – Direct Participation Programs (Disclosure)

5110 – Corporate Financing Rule — Underwriting Terms and Arrangements

SEC Rules and Regulations

Securities Act of 1933

Section 2(a) – Definitions

Series 22

- Section 3(a)(11) – Any Security Which Is Part of an Issue Offered and Sold Only to Persons Resident Within a Single State or Territory
- Section 4(a)(5) – Transactions Involving Offers or Sales by an Issuer Solely to One or More Accredited Investors Up to the Section 3(b) Maximum
- Section 5 – Prohibitions Relating to Interstate Commerce and the Mails
- Section 6 – Registration of Securities and Signing of Registration Statement
- Section 10 – Information Required in Prospectus
- Section 11 – Civil Liabilities on Account of False Registration Statement
- Section 12 – Civil Liabilities Arising in Connection with Prospectus and Communications
- Securities Exchange Act of 1934
 - 15c2-8 – Delivery of Prospectus
- Regulation A-R – Special Exemptions
 - 134 – Communications Not Deemed a Prospectus
 - 135 – Notice of Proposed Registered Offerings
 - 135a – Generic Advertising
 - 147 – Interstate Offers and Sales
 - 174 – Delivery of Prospectus by Dealers; Exemptions Under Section 4(3) of the Act
- Regulation C – Registration
 - 425 – Filing of Certain Prospectuses and Communications Under §230.135 in Connection with Business Combination Transactions
- Regulation D – Rules Governing the Limited Offer and Sale of Securities Without Registration Under the Securities Act of 1933
 - 500 – Use of Regulation D
 - 501 – Definitions and Terms Used in Regulation D
 - 502 – General Conditions to be Met
 - 503 – Filing of Notice of Sale
 - 504 – Exemption for Limited Offerings and Sales of Securities Not Exceeding \$5,000,000
 - 506 – Exemption for Limited Offers and Sales Without Regard to Dollar Amount of Offering
 - 507 – Disqualifying Provision Relating to Exemptions under Rules 504 and 506
 - 508 – Insignificant Deviations from a Term, Condition or Requirement of Regulation D
- Securities Act Industry Guides
 - Guide 2 – Disclosure of Oil and Gas Operations
 - Guide 4 – Prospectus Relating to interests in Oil and Gas Programs
 - Guide 5 – Preparation of Registration Statements Relating to Interests in Real Estate Limited Partnerships

Series 22

Function 2: Opens Accounts After Obtaining and Evaluating Customers' Financial Profile and Investment Objectives

2.1 Informs customers of the types of accounts and their appropriateness and provides disclosures regarding various account types and restrictions

Knowledge of:

- Types of accounts
- Requirements for opening customer accounts
- Retirement plans and other tax advantaged accounts
 - Permissible investments, transfers, rollovers, eligibility, allowable contributions, distribution requirements, strategies and taxation
 - Employer-sponsored plans and ERISA (e.g., defined benefit, defined contribution)
- Account registration changes and internal transfers

FINRA Rules

2268 – Requirements When Using Predispute Arbitration Agreements for Customer Accounts
4512 – Customer Account Information

Employee Retirement Income Security Act of 1974 (ERISA)

2.2 Obtains and updates customer information and documentation, including required legal documents and identifies and escalates suspicious activity

Knowledge of:

- Customer screening (e.g., customer identification program (CIP), know your customer (KYC), domestic or foreign residency and/or citizenship, corporate insiders, employees of broker-dealers or self-regulatory organizations (SROs))
- Information security and privacy regulations (e.g., initial privacy disclosures to customers, opt-out notices, disclosure limitations, exceptions)
- Account authorizations (e.g., power of attorney (POA), trust documents, corporate resolutions)

FINRA Rule

2090 – Know Your Customer

SEC Rules and Regulations

Regulation S-P – Privacy of Consumer Financial Information and Safeguarding Personal Information

2.3 Makes reasonable efforts to obtain customer investment profile information including, but not limited to, the customer's other security holdings, financial situation and needs, tax status and investment objectives

Knowledge of:

- Essential facts regarding customers and customer relationships
- Financial factors relevant to assessing a customer's investment profile
 - Security holdings, other assets and liabilities, annual income, net worth, tax considerations
 - Other considerations (e.g., age, marital status, dependents, employment, investment experience, home ownership and financing, employee stock options, insurance, liquidity needs)

Series 22

- Investment objectives (e.g., preservation of capital, income, growth, speculation)
- Verification of investor accreditation and sophistication

FINRA Rule

2111 – Suitability

2.4 Obtains supervisory approvals required to open accounts

Knowledge of:

- Required review, approvals and documentation for account opening and maintenance
- Physical receipt, delivery and safeguarding of cash or cash equivalents, checks and securities
- Circumstances for refusing or closing accounts

FINRA Rules

3110 – Supervision

3120 – Supervisory Control System

Series 22

Function 3: Provides Customers with Information About Investments, Makes Suitable Recommendations, Transfers Assets and Maintains Appropriate Records

3.1 Provides customers with information about investment strategies, risks and rewards, and communicates relevant market, investment and research data to customers

Knowledge of:

- Types of direct participation programs (DPPs)
 - Investment or asset focus
 - Investment entities
 - Registered vs. unregistered (e.g., private placements)
- Real estate programs
 - Potential benefits and typical risks of:
 - Affordable housing (e.g., tax credits, passive losses government policy changes, limited cash distributions, loss of subsidies or credits, uncertain residual value)
 - Development properties (e.g., appreciation potential, partially tax deferred cash flow, passive losses, excess development costs, realizable occupancy and rental rates, availability of long-term mortgage financing)
 - Operating properties (e.g., in-place leases and net operating income, partially tax-deferred cash flow, appreciation, declines in occupancy or rental rates, increased maintenance and replacement costs, inability to cover debt service)
 - Land development (e.g., appreciation, delay or failure to develop, carrying costs with no cash flow)
 - Mortgage programs (e.g., predictable income, participation in appreciation, default by the borrower)
- Oil and gas programs
 - Potential benefits and typical risks of:
 - Exploratory (e.g., up-front tax benefit, high return potential from reserve discoveries, "dry holes," joint and several liability, environmental hazard, changing government regulation, commodity pricing)
 - Development (e.g., up-front tax benefit, return potential from reserve discoveries, fewer "dry holes" versus exploratory, joint and several liability, environmental hazard, changing government regulation, commodity pricing)
 - Income (e.g., predictable cash flow from reserves, partial tax benefits, overestimation of reserves, commodity pricing)
 - Overriding royalty interest (e.g., owner does not share program costs, owner shares in revenues through cost free interest in production revenues, payable under an oil and gas lease out of total production of well or deposit)
 - Working interest (e.g., interest in production revenues, partners share program costs)
 - Reversionary working interest (e.g., owner does not share program costs, owner shares in revenues after investors recover their costs)
 - Disproportional sharing arrangement (e.g., sponsor pays a lower percentage of all costs in return for a higher percentage of program revenues, sponsor may share in costs of "dry holes," normally investors pay deductible costs and sponsor pays non-deductible costs)
- Equipment leasing programs
 - Potential benefits and typical risk(s) (e.g., partially sheltered cash flow, lease defaults, uncertain residual value, phantom income on equipment sales)
- Business development companies (BDCs) and other debt investment programs
 - Potential benefits and typical risks (e.g., income, modest capital gains, borrower defaults and declining income, declining asset values from rising interest rates)

Series 22

- Other programs
 - Agricultural
 - Livestock
 - Entertainment
 - Research and development or venture capital
 - Commodity pools
 - Like-kind exchanges (e.g., tenants in common (TIC), Delaware statutory trust, Section 1031)
- Types of investment entities
 - Limited partnerships
 - Limited liability
 - Consequences of the pass through tax provision
 - Agreement of limited partnership (i.e., types of partners, capital contribution obligations, allocation of income, loss, capital gain, and cash distributions, general partner compensation)
 - Roles of partners (e.g., general, limited)
 - General partner(s): rights and obligations (e.g., exclusive power to manage the partnership, fiduciary responsibility to limited partners, unlimited liability)
 - Limited partners rights and obligations (e.g., limited voting rights (e.g., to change to general partner, to approve sale of all or substantially all the assets of the partnership, to amend partnership agreement), liability limited to capital contribution)
 - Limited ability to transfer of interest in limited partnership
 - Dissolution and liquidation of a limited partnership (e.g., withdrawal of last general partner, vote of partners, sale of all the assets of the partnership, expiration of partnership)
 - Limited liability corporations (LLC)
 - Same characteristics as limited partnerships except
 - Manager has limited liability, may elect to receive same pass-through tax advantages as a limited partnership, may elect members to manage the LLC
 - S corporations
 - Limited number of shareholders, domestic corporation, ownership by individuals, certain estates, trusts, or tax-exempt organizations
 - A tax pass-through entity, no disproportionate allocation
 - General partnerships
 - Unlimited liability of general partners
 - Passive general partner interests are treated as securities
 - Other investment entities
 - Joint ventures
 - Grantor trusts
- Evaluation of DPPs
 - Economic soundness of program
 - Basic objectives of program
 - Valuation of specified assets
 - Characteristics of assets (e.g., risk factors, conflicts of interest)
 - Sponsor's track record
 - Sources of capital (e.g., offering proceeds, installment or staged payments, loans, assessments)
 - Use of offering proceeds including organizational and offering costs
 - Types of organizational and offering costs (e.g., underwriting compensation, due diligence fees, advisory fees, direct costs) and regulatory limits
 - Use of amount available for investment (e.g., acquisition of assets, fees, working capital reserve)

Series 22

- Anticipated returns on investments (composition of returns (e.g., current income versus capital gains), pre- and post-tax return))
- Liquidity provisions (e.g., anticipated holding period, share redemption programs)
- Dividend reinvestment plans
- Tax treatment of DPPs
 - General characteristics
 - Conduit nature of entity
 - Requirements to file informational tax returns (IRS Form 1065)
 - Requirements to allocate profits, losses, deductions and credits to partners
 - Tax concepts ((e.g., ordinary income and loss, capital gain and loss, adjusted tax basis used to determine gain or loss on the sale of an asset, investment interest income and interest expense (e.g., expense deductible only to extent of income))
 - Passive income offset by passive losses (e.g., losses deductible only to extent of income, losses can be carried forward but not back)
 - Tax credits versus deductions (e.g., credit offset against tax liability, deduction offset against income)
 - Depreciation, depletion and amortization (e.g., allows noncash deduction based on entity's cost of asset, deduction varies by type of asset (e.g., term, straight-line, accelerated), partially shelters cash flow)
 - Phantom income (i.e., taxable income without associated cash distributions)
 - Tax-free exchanges of real estate (Section 1031) (e.g., gain or loss is deferred and tax basis is transferred)
 - "At risk" limitations on deduction of losses
 - Limited to partner's or member's capital contribution plus a portion of limited partnership or LLC liabilities for which the partner or member is liable
 - Qualified non-recourse financing in real estate is exempt from "at risk" limitations
 - Alternative minimum tax (AMT)
 - DPP preference items can trigger AMT

FINRA Rules

- 2310(b) – Direct Participation Programs (Requirements)
- 5122 – Private Placements of Securities Issued by Members
- 5123 – Private Placements of Securities

SEC Rules and Regulations

- Securities Act of 1933
 - Section 4(a)(2) – Transactions by an Issuer Not Involving Any Public Offering

3.2 Reviews and analyzes customers' investment profiles and product options to determine suitable investment recommendations

Knowledge of:

- Suitability
 - Ability to understand risks of the underlying investment
 - Investment objective of program versus investor
 - Composition and diversification of investor's current portfolio
 - Investor's liquidity needs
 - Investor's net worth and income

Series 22

FINRA Rules

- 2090 – Know Your Customer
- 2111 – Suitability
- 2122 – Charges for Services Performed
- 2214 – Requirements for the Use of Investment Analysis Tools

3.3 Provides appropriate disclosures regarding investment products and their characteristics, risks, services and expenses

Knowledge of:

- Required disclosures on specific transactions
- Costs and fees associated with investments
- Types of underwriting compensation
 - Cash and non-cash
 - Indeterminate (e.g., carried interest, continuing compensation, other securities)
 - Limitations on sales compensation in public offerings

FINRA Rules

- 2165 – Financial Exploitation of Specified Adults
- 2212 – Use of Investment Companies Rankings in Retail Communications
- 2310(b)(4) – Direct Participation Programs (Organization and Offering Expenses)

3.4 Communicates with customers about account information, processes requests and retains documentation

Knowledge of:

- Sources and timing of investment tax and financial information
- Tax information provided to investors (Schedule K-1)
- Current financial performance (e.g., distribution rates and valuation)
 - Method of account statement reporting (e.g., public versus private)
 - Disclosures of sources of cash distributions
- Reinvestment plan options
- Liquidity options
- Books and records

FINRA Rules

- 2273 – Educational Communication Related to Recruitment Practices and Account Transfers
- 2310 – Direct Participation Programs
- 4510 – Books and Records Requirements

NASD Rule

- 2340 – Customer Account Statements

SEC Rules and Regulations

- Securities Exchange Act of 1934
 - Section 17 – Accounts and Records, Examinations of Exchanges, Members and Others
- Regulation FD – Disclosure Requirements

Series 22

Function 4: Obtains and Verifies Customers' Purchase Instructions and Agreements; Processes, Completes and Confirms Transactions

4.1 Provides subscription information and offering prices

Knowledge of:

- Installment procedures
 - Restrictions on installment sales for SEC registered public offerings
- Share or unit class pricing and volume discounts

FINRA Rules

2310(b)(4)(c)(ii) – Direct Participation Programs (Organization and Offering Expenses)
5110 – Corporate Financing Rule - Underwriting Terms and Arrangements
5141 – Sale of Securities in a Fixed Price Offering

SEC Rules and Regulations

Securities Exchange Act of 1934
3a12-9 – Exemption of certain direct participation program securities from the arranging provisions of sections 7(c) and 11(d)(1)
10b-9 – Prohibited representations in connection with certain offerings
15c2-4 – Transmission or maintenance of payments received in connection with underwritings

4.2 Processes and confirms customers' transactions pursuant to regulatory requirements and informs customers of delivery obligations and settlement procedures

Knowledge of:

- Subscription practices
 - Order forms
 - Escrow procedures
 - Supervisory review of order by broker-dealer
 - Sales conditioned upon issuer's acceptance of subscribers
- Transaction disclosure requirements

FINRA Rule

2232 – Customer Confirmations

SEC Rules and Regulations

Securities Exchange Act of 1934
10b-10 – Confirmation of Transactions
15c2-4 – Transmission or maintenance of payments received in connection with underwritings.
17a-3 – Records To Be Made by Certain Exchange Members, Brokers and Dealers
17a-4 – Records To Be Preserved by Certain Exchange Members, Brokers and Dealers
17a-8 – Financial Recordkeeping and Reporting of Currency and Foreign Transactions

Series 22

- 4.3 Informs the appropriate supervisor and assists in the resolution of discrepancies, disputes, errors and complaints

Knowledge of:

- Requirements for addressing customer complaints and consequences of improper handling of complaints
- Methods of formal resolution (*e.g.*, arbitration, mediation, litigation)
- Form U4 reporting requirements

FINRA Rules

4513 – Records of Written Customer Complaints

4530 – Reporting Requirements

8000 Series – Investigations and Sanctions

12000 Series – Code of Arbitration Procedure for Customer Disputes

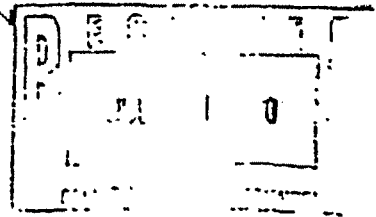
13000 Series – Code of Arbitration Procedure for Industry Disputes

14000 Series – Code of Mediation Procedure



DIVISION OF
MARKET REGULATION

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549



July 24, 2000

Mr. Alden S. Adkins
Senior Vice President & General Counsel
NASD Regulation, Inc.
1735 K Street, N. W.
Washington, D.C. 20006-1500

Re: Procedure for Filings Relating to Qualification Examinations

Dear Mr. Adkins: *Alden*

I am writing to inform you of a change in the filing requirements for proposed rule changes involving qualification examinations for associated persons. In the past, the Division required the SROs to file question banks for new examinations for Commission approval pursuant to Section 19(b)(2) of the Exchange Act. The Division also required SROs to file questions being added to the question bank for Commission approval.

The Division has decided that it is no longer necessary for SROs to file new exam question banks for Commission approval under Section 19(b)(2). In the future, any new examinations should be filed as non-controversial rule changes for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Exchange Act and Rule 19b-4(f)(6) thereunder. As you know, Rule 19b-4(f)(6) requires the SRO to give notice to the Commission of its intent to file a proposed rule change five days before doing so. During the five days prior to filing, the Division will determine if the proposed rule change is appropriately filed as non-controversial. To assist us in our analysis, please include a complete description of the examination in your rule filing. For example, the proposed rule change should address who will be required to take the exam, what information the exam will cover, the time allotted for each section, the weight assigned to each topic, the effective date of the exam requirement, and any other information that would be helpful to us in determining whether the proposal should become effective on filing. Also, pursuant to Rule 19b-4(f)(6), the rule change should be designated as effecting a change that does not significantly affect the protection of investors or the public interest, does not impose any significant burden on competition and, by its terms, does not become operative for 30 days after the date of the filing.

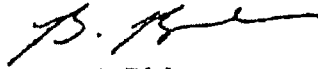
Alden S. Adkins

Page 2

Filings to modify an existing examination should be submitted as "constituting a stated policy, practice, or interpretation with respect to the meaning, administration or enforcement of an existing rule..." pursuant to Section 19(b)(3)(A) of the Exchange Act.

Our goal in changing these procedures is to expedite the effectiveness of proposed rule changes involving examination requirements for persons associated with SRO members. Please contact Kathy England, Assistant Director, at 202-942-0154, or Karl Varner, Special Counsel, at 202-942-7125, if you have any questions.

Sincerely,



Belinda Blaine
Associate Director