



## Solomon Exam Prep Series 24 Class Outline

### **Section 1: Supervision of Investment Banking, Underwriting Activities and Research (33 questions -- 22% of exam)**

- A. Registration of Securities
  - 1. Types of Offerings
  - 2. The Securities Act of 1933
  - 3. Types of Underwriting Commitments
  - 4. The Syndicate and Syndicate agreements
  - 5. Underwriting Compensation
  - 6. Types of Issuers
  - 7. SEC Registration Forms
  - 8. Prospectuses
  - 9. Timeline of the Registration Process
  - 10. Registration Period: Restrictions on Communications
  - 11. IPO Transaction Restrictions
  - 12. Regulation M
- B. Safe Harbors and Exemptions from Registration under the 1933 Act
  - 1. Example of Exempt Securities
  - 2. Regulation 147 Intrastate Offerings
  - 3. Regulation A
  - 4. Regulation D - Exemptions for Private Placements
  - 5. Regulation S - Exemptions for Off-Shore Transactions
  - 6. Rule 144 – Re-sales of Restricted and Control Securities
  - 7. Rule 144A - Private Re-sales of Securities to QIBs
- C. Other Investment Banking Topics
  - 1. SEC documents
  - 2. Mergers
  - 3. Fairness Opinions
  - 4. Proxies
  - 5. S-4 Documents
  - 6. Tender Offer Rules for Issuers
  - 7. Tender Offer Rules for Third Parties
  - 8. Company buybacks



## Section 2: Supervision of Trading and Market Making Practices (31 questions – 21% of the exam)

- A. Four Kinds of Markets Within the Secondary Market
- B. Principal versus Agency transactions/Broker versus Dealer transactions
- C. Net Basis Transactions
- D. Fair Prices and 5% Rule
- E. Order Information
  - 1. Kinds of Order Sizes
  - 2. Buy and Sell Orders
  - 3. Types of Price Orders
  - 4. Types of Time Orders
  - 5. On the Opening and On the Close Orders
- F. National Exchanges Trading
  - 1. Consolidated Tape
  - 2. NYSE and NYSE Listing Requirements
  - 3. Exchange Participants
  - 4. NYSE Trading Halts
  - 5. NYSE Rules
    - a. NYSE Rule 76 – Crossing Orders
    - b. NYSE Rule 77 – Prohibited Offers
    - c. NYSE Rule 78 – Pre-arranged trades are prohibited
    - d. NYSE Rule 92 – Customer orders get priority
    - e. Rule 127 –Block trading
- G. The NASDAQ Market
  - 1. NASDAQ Registration
  - 2. NASDAQ Listing Requirements
  - 3. NASDAQ Trading Halts
  - 4. NASDAQ Market Makers
    - a. Registering as a NASDAQ Market Maker
    - b. NASDAQ Market Maker Withdrawals
    - c. NASDAQ Market & Center Hours
  - 5. NASDAQ Market Center and NASDAQ Single Book
    - a. NASDAQ Single Book – Levels of Service



- b. NASDAQ Single Book - Types of Quotes
- c. NASDAQ Single Book – Locked and Crossed Quotes
- 6. Firm Quote Rule
- H. SEC Rules on Quotations and Transactions
  - 1. SEC Rule 604 -- Limit Order Display Rule
  - 2. Best Execution
  - 3. SEC Rule 605 – Disclosure of Order Execution Information
  - 4. SEC Rule 606 – Disclosure of Routing Information
  - 5. SEC Rule 610 – Access to Quotations
  - 6. SEC Rule 611 – Order Protection Rule
  - 7. SEC Rule 612 – Minimum Price Increments (The Sub-Penny Pricing Rule)
- I. Short Sales and SEC Regulation SHO
- J. FINRA Rule 5320 – Trading ahead of Customers
- K. Other Types of NASDAQ Orders
- L. NASDAQ Order Information
- M. NASDAQ Book Processing
  - 1. Price/Time Priority
  - 2. Decrementation
  - 3. Order Routing
  - 4. Anonymity
  - 5. Adjustment of Open Quotes & Orders
- N. Over the Counter (OTC) Markets – OTCBB  
SEC Rule 15c2-11 for OTC Securities
- O. Third Market
- P. Electronic Communications Networks (ECNs)
- Q. Alternative Display Facility (ADF)
- R. ACES Pass-Through System
- S. Prohibited Trading Practices
- T. Trade Reporting Facilities for OTC Transactions
- U. ACT (Automated Confirmation Transaction)
- V. OATS (Order Audit Trail System)
- W. TRACE (Trade Reporting and Compliance Engine)



## Section 3: Supervision of Brokerage Office Operations (29 questions - 19% of Exam)

- A. Required Information for New Accounts
  - 1. Customer Identification Verification
  - 2. Suitability Requirements
  - 3. Registration and Delivery
- B. Types of Customer Accounts
- C. Types of Fiduciary Customer Accounts
- D. Cash and Margin Accounts
  - 1. Long Margin Accounts
  - 2. Short Margin Accounts
  - 3. Hypothecating the Loan
  - 4. Arbitrage Accounts
  - 5. Day Trading Accounts
- E. Penny Stock Rules
- F. Uniform Practice Code
  - 1. Trade and Settlement Dates
  - 2. Important Dates in UPC
  - 3. Confirmations and DK Notices
  - 4. Good Delivery of Stock
  - 5. Good Delivery of Bonds
  - 6. When Issued Contracts
  - 7. Clearly Erroneous Transactions
- G. Investment Company Act of 1940
  - 1. Investment Trusts
  - 2. Management Companies
    - a. Fund Rules
    - b. Selling Dividends
    - c. Breakpoint Sales
    - d. A, B, and C Shares
- H. Soft Dollar Arrangements
- I. Annuities
- J. 1035 Exchanges



## K. Retirement Plans

1. Qualified versus Non-qualified Plans
2. ERISA
3. Defined Benefit Plan
4. Traditional IRAs
5. Roth IRAs
6. 529 Plans
7. Keogh Plans (HR-10 Plans)

## Section 4: Sales Supervision and General Supervision of Employees 43 (29%)

- A. FINRA (Financial Industry Regulatory Authority)
- B. Registration of BDs
- C. Registration of Representatives
- D. Continuing Education (CE) Requirements
- E. Fingerprinting
- F. Statutory Disqualification
- G. Supervisory Procedures
- H. Rules for Communications with the Public (Types of Communications)
- J. Record Keeping
- K. Business Conduct Rules
  1. No Manipulative Activities
  2. Insider Trading
  3. Regulation FD
  4. Chinese Walls and Restricted Lists
  5. Anti-Money Laundering
  6. Transactions with other professionals
  7. Outside business activities
  8. Private securities transactions
  9. Sharing in customer accounts
  10. Lending to and Borrowing from Customers
  11. Gifts and gratuities
  12. Non-cash Compensation
  13. Handling customer complaints



- 14. FINRA Investigations and resulting sanctions
- 15. Arbitration
- 16. Mediation

**Section 5: Compliance with Financial Responsibility Rules (14 questions  
- 9% of the Exam)**

- A. Net Capital Requirements
  - Calculating a Firm's Net Capital
- B. Aggregate Indebtedness
- C. Debt to Equity
- D. Alternative Net Capital Requirement
- E. Customer Free Credit Balances
- F. Hypothecation
- G. Focus Reports
- H. Annual Audit
- I. Financial Statements for Customers
- J. Quarterly Security Verifications
- K. Missing, Lost, Fake or Counterfeit Securities
- L. Fidelity Bonds
- M. SIPC