



Equity Trader Qualification Examination

(Series 55)

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INTRODUCTION

The Series 55 Examination is the Equity Trader Qualification Examination. The examination is developed and maintained by the Financial Industry Regulatory Authority (FINRA). This Content Outline provides a comprehensive guide to the topics covered on the Equity Trader Qualification Examination (Series 55). The outline is intended to familiarize examination candidates with the range of subjects covered on the examination, as well as the depth of knowledge required. Sample questions are also included to acquaint candidates with the types of multiple-choice questions used on the examination. It is recommended that candidates refer to the content outline as part of their preparation to take the examination. Candidates are responsible for planning their course of study in preparation for the examination.

THE PURPOSE OF THE EXAMINATION

The Series 55 Examination is designed to assess the competency of entry-level Equity Traders. It is intended to safeguard the investing public by helping to ensure that Equity Traders are competent to perform their jobs. Given this purpose, the Series 55 Examination seeks to measure the degree to which each candidate possesses the knowledge, skills and abilities needed to perform the critical functions of an Equity Trader. For more information about the permissible activities of an Equity Trader, please see NASD Rule 1032, which can be viewed in the FINRA Rule Manual through the following web link: www.finra.org.

ELIGIBILITY REQUIREMENTS

The candidate must be associated with and sponsored by a FINRA member firm to be eligible to take the Series 55 Examination. In order to be registered in this registration category, candidates must first be qualified as either Limited Representative Corporate Securities (Series 62) or General Securities Representative (Series 7). For more information on eligibility requirements, please see NASD Rule 1031, which can be viewed in the FINRA Rule Manual through the following web link: www.finra.org

APPLICATION PROCEDURES

The FINRA member firm that sponsors the applicant must file a Uniform Application for Securities Industry Registration or Transfer (Form U4) in the Central Registration Depository (CRD®) and request the Equity Trader position (ET) on the Form U4.

STRUCTURE OF THE EXAMINATION

The examination consists of 100 multiple-choice questions, which are distributed among the three major content areas listed in the table below.

Job Functions and Number of Questions by Job Function

Job Functions		Number of Questions
Function 1	Trading	45
Function 2	Order Handling	36
Function 3	Record Keeping and Regulatory Reporting	19
Total		100

DEVELOPMENT AND MAINTENANCE OF THE CONTENT OUTLINE AND EXAMINATION

The Series 55 Content Outline was developed based on the results of a job analysis study of Equity Traders. The job analysis process included collecting data about the job functions, tasks and required knowledge of Equity Traders from a wide variety of firms using numerous data collection techniques, including a survey.

To ensure and sustain the job relevance of the examination, under the guidance of FINRA staff, a committee of industry representatives (“the Committee”) writes, reviews and validates all test questions. Test questions are subjected to multiple reviews prior to inclusion on the examination and each question is linked directly to a component of the content outline. Test questions vary in difficulty and complexity. Each question will have only one correct or best answer.

The bank of test questions changes constantly as a result of amendments to, or the introduction of, government and self-regulatory organization (SRO) rules and regulations, changes in industry practice and the introduction of new products. It is the candidate’s responsibility to keep abreast of such changes when preparing to take the examination. Examination questions and their statistical performance are analyzed routinely by FINRA staff and the Committee to ensure that test questions continue to be relevant to the functions of Equity Traders. Examination questions are updated when necessary to reflect current industry practices and government and SRO rules and regulations. **Please Note: Candidates are responsible for keeping abreast of changes made to the applicable rules and regulations, as the examination is updated when new rules are introduced and when the rules are amended.**

THE ADMINISTRATION OF THE EXAMINATION

The examination is administered via computer. A tutorial on how to take the examination via computer is provided prior to taking the examination. Each candidate’s examination includes 10 additional, unidentified pretest questions that do not contribute toward the candidate’s score. The 10 questions are randomly distributed throughout the examination. Therefore, each candidate’s examination consists of a total of 110 questions (100 scored and 10 unscored). Each scored test question is worth one point. There is no penalty for guessing. Therefore, candidates should attempt to answer all questions. Candidates will be allowed three hours to complete the examination.

Scratch paper and basic electronic calculators will be provided to candidates by the test administrator, and must be returned to the test center administrator at the end of the testing session. Some test questions involve calculations. Only calculators provided by the test center administrators are allowed for use during the examination.

Candidates will not be permitted to bring any reference material to their testing session. Severe penalties are imposed on candidates who cheat or attempt to cheat on FINRA-administered examinations.

HOW THE EXAMINATION IS SCORED

The passing score for the examination is the minimum number of test questions that a candidate has to answer correctly in order to pass the examination. FINRA staff, in consultation with the Committee, using a standard setting procedure, establishes the passing score for the examination. The passing score is an absolute standard and it is independent of the performance of candidates taking the examination. The passing score is 67%.

CANDIDATES' TEST RESULTS

On the day of the test, candidates will receive a report of their test results both on screen and in paper format at the end of their test session. The score report will indicate pass/fail status and a score profile indicating performance based on each major content area covered on the examination. It is recommended that candidates who fail the examination review the information provided on the score report, as they may want to focus on the areas that they performed poorly on when preparing to retake the examination. For security reasons, the examination and individual test questions are not available for review after taking the examination.

THE SERIES 55 CONTENT OUTLINE

FUNCTION 1 – TRADING

1.1 Making Markets

Knowledge of:

- Prohibited activities
- Display, execution, and trading systems
- Use of pegged orders to maintain two-sided quotes

1.1.1 Market Making Status

Securities Exchange Act of 1934 (SEA) Section 3 — Certain Definitions under the Act

SEA Section 3(a)(38) — Market Maker

SEA Rule 3b-8 — Qualified Block Positioner

NASDAQ Rule 4612 — Registration as a NASDAQ Market Maker

FINRA Rule 6271 and FINRA Rule 6275 — Registration as an ADF Market Maker; ADF - Withdrawal of Quotations

FINRA Rule 6480 and NASDAQ Rule 4613(a)J — Multiple MPIDs for Quoting and Trading in OTC Equity Securities; Multiple MPIDs for Quoting and Trading

FINRA Rule 5250 and NASDAQ Rule 2460 — Payments for Market Making

NASDAQ Rule 4620 — Voluntary Termination of Registration

1.1.2 Market Access

SEA Rule 15c3-5 — Risk Management Controls for Brokers or Dealers with Market Access

1.1.3 Clearly Erroneous Transactions

FINRA and NASDAQ Rule 11890 Series — Clearly Erroneous Transactions

NASDAQ Obvious Error Rule — Options Rules — Chapter V — Section 6

1.1.4 Clearance and Settlement

FINRA Rules 6274/6350A/6350B and NASDAQ Rule 4618 — Clearance and Settlement

SEA Rule 15c6-1 — Settlement Cycle

FINRA/NASDAQ Uniform Practice Codes

Rule 11130 — When, As and If Issued/Distributed Contracts

Rule 11140 — Transactions in Securities “Ex-Dividend,” “Ex-Rights” or “Ex-Warrants”

Rule 11320 — Dates of Delivery

1.1.5 Display, Execution, and Trading systems

NASDAQ Rule 4700 Series — NASDAQ Market Center — Execution Services

Rule 4751 — Definitions

Rule 4752 — Opening Process

Rule 4754 — NASDAQ Closing Cross

Rule 4755 — Order Entry Parameters
Rule 4756 — Entry and Display of Quotes and Orders
Rule 4757 — Book Processing
Rule 4758 — Order Routing
Rule 4760 — Anonymity
FINRA Alternative Display Facility (ADF) Rule 6200 Series
Rule 6210 — General
Rule 6220 — Definitions
Rule 6230 — Use of Alternative Display Facility Data Systems
Rule 6240 — Prohibition from Locking or Crossing Quotations in NMS Stocks
Rule 6250 — Quote and Order Access Requirements
Rule 6260 — Review of Direct or Indirect Access Complaints
Rule 6270 Series — Quoting and Trading in ADF-eligible Securities
Rule 6273 — Normal Business Hours

SEC Regulation ATS

1.1.6 Prohibited Activities:

SEA Section 9 – Prohibition Against Manipulation of Security Prices
SEA Section 15(g) — Policies and Procedures to be Developed by Broker-Dealers to Prevent Misuse of Material, Non-Public Information
SEA Rule 10b-5 — Employment of Manipulative and Deceptive Devices (by Individuals)
SEA Rule 10b5-2 — Duties of Trust or Confidence in Misappropriation Insider Trading Cases

Insider Trading and Securities Fraud Enforcement Act of 1988

FINRA Rule 5230 — Payments Involving Publications that Influence the Market Price of a Security
FINRA Rule 5280 — Trading Ahead of Research Reports
FINRA Rule 5240 and NASDAQ IM-2110-5 — Anti-Intimidation/Coordination

FINRA Rule 5290 and NASDAQ Rule 3380 — Order Entry and Execution Practices
FINRA Rule 5200 and NASDAQ Rule 2120 — Use of Manipulative, Deceptive or Other Fraudulent Devices

1.2 IPOs, Secondary Offerings and Safe Harbors

Knowledge of:

- Permitted and prohibited trading activities related to IPOs and secondary offerings
- Required notifications related to IPOs and secondary offerings
- Trading within safe harbors

FINRA Rule 5131 — New Issue Allocations and Distributions
FINRA Rule 5190(e) — Notice of Penalty Bids and Syndicate Covering Transactions in OTC Equity Securities
FINRA Rule 6130 — Transactions Related to Initial Public Offerings
FINRA Rule 6435 — Withdrawal of Quotations in an OTC Equity Security in Compliance with SEC Regulation M

NASDAQ Rule 4614 — Stabilizing Bids
NASDAQ Rule 4619 — Withdrawal of Quotations and Passive Market Making
NASDAQ Rule 4624 — Penalty Bids and Syndicate Covering Transactions

SEA Section 5 — Transactions on Unregistered Exchanges
SEC Regulation M

Rule 101 — Distribution Participant Restrictions
Rule 103 — Passive Market Making in NASDAQ Stocks
Rule 104 — Stabilizing Transactions
Rule 105 — Short Sales

Securities Act of 1933 (Securities Act) Rule 144 — Persons Deemed Not to be Engaged in a
Distribution and Therefore Not Underwriters
Securities Act Rule 144A — Private Resales of Securities to Institutions
Securities Act Rule 145 — Reclassification of Securities, Mergers, Consolidations and Acquisitions of
Assets
SEA Rule 10b-18 — Purchases of Certain Equity Securities by the Issuer and Others
SEA Rule 10b5-1 — Trading “on the Basis of” Material Non-Public Information in Insider Trading Cases

1.3 Non-Listed and Penny Stocks

Knowledge of:

- Form 211
- Disclosure requirements

SEA Section 3(a)(51) — Definition of Penny Stock
SEA Rule 3a51-1 — Definition of Penny Stock
SEA Rule 15g-1 — Exemptions for Certain Transactions
SEA Rule 15g-3 — Broker or Dealer Disclosure of Quotations and Other Information Relating to
the Penny Stock Market
SEA Rule 15g-4 — Disclosure of Compensation to Brokers or Dealers
SEA Rule 15g-5 — Disclosure of Compensation to Associated Persons in Connection with Penny
Stock Transactions

SEA Rule 15c2-11 — Initiation or Resumption of Quotations Without Specified Information

NASDAQ Rule 3110 — Books and Records — Marking of Customer Order Tickets

FINRA Rule 6400 Series — Quoting and Trading in OTC Equity Securities
Rule 6410 — General
Rule 6420 — Definitions
Rule 6432 — Compliance with the Information Requirements of SEC Rule 15c2-11
Rule 6433 — Minimum Quotation Size Requirements for OTC Equity Securities
Rule 6434 — Minimum Pricing Increment for OTC Equity Securities
Rule 6437 — Prohibition from Locking or Crossing Quotations in OTC Equity Securities
Rule 6438 — Displaying Priced Quotations in Multiple Quoting Mediums

Rule 6460 — Display of Customer Limit Orders

FINRA Rule 6140 — Other Trading Practices

FINRA Rule 6500 Series — OTC Bulletin Board Service

Rule 6510 — Applicability

Rule 6520 — Operation of the Service

Rule 6530 — OTCBB-Eligible Securities

Rule 6540 — Requirements Applicable to Market Makers

1.4 Disseminating Quotes and Trade Advertisements

Knowledge of:

- Quotation and trading halts
- Trade volume advertising
- Publishing indications of interest
- Volatility trading pauses

FINRA Rule 5210 and NASDAQ Rule 3310 — Publication of Transactions and Quotations

FINRA Rule 5220 and NASDAQ Rule 3320 — Offers at Stated Prices

FINRA Rule 6272 (ADF) and NASDAQ Rule 4613 — Character of Quotations

NMS Rule 610 — Access to Quotations

FINRA Rule 6120 — Trading Halts

NASDAQ Rule 4120 — Trading Halts

FINRA Rule 5260 — Prohibition on Transactions, Publication of Quotations, or Publication of Interest
During Trading Halts

FINRA Rule 6121 — Trading Halts Due to Extraordinary Market Volatility

FINRA Rule 6190 — Compliance with Regulation NMS Plan to Address Extraordinary Market Volatility

NASDAQ Rule 4121 — Market Closings

FINRA Rule 6440 — Trading and Quotation Halt in OTC Equity Securities

NASDAQ Rule 4753 — NASDAQ Halt and Imbalance Crosses

FINRA Rules 6277/6360A/6360B and NASDAQ Rule 4621 — Suspension and Termination of
Quotations by FINRA Action

FUNCTION 2 – ORDER HANDLING

2.1 Handling Customer Orders

Knowledge of:

- Obligations to customers regarding orders
- Required disclosures to customers
- Prohibited activities including manipulation, front running, interpositioning
- Permitted and prohibited activities under Regulation NMS

2.1.1 Obligations to Customers Regarding Orders

FINRA Rule 2010 and NASDAQ Rule 2110 — Standards of Commercial Honor and Principles of Trade

FINRA Rule 5310 and NASDAQ Rule 2320 — Best Execution and Interpositioning

FINRA Rule 5350 — Stop Orders

FINRA Rule 6140 — Other Trading Practices

FINRA Rule 5330 — Adjustment of Orders

NASDAQ Rule 4761 — Adjustment of Open Quotes and/or Orders

FINRA Rule 2121 — Fair Prices and Commissions

FINRA Rule 2124 — Net Transactions with Customers

FINRA Rule 2265 and NASDAQ Rule 4631 — Extended Hours Trading Risk Disclosure

NASDAQ Rule 4617 — Normal Business Hours

2.1.2 Prohibited Activities

FINRA Rule 2020 and NASDAQ Rule 2120 — Use of Manipulative, Deceptive or Other Fraudulent Devices

FINRA Rule 5270 and NASDAQ IM-2110-3 — Front Running Policy

FINRA Rule 5320 — Prohibition Against Trading Ahead of Customer Orders

NASDAQ IM-2110-2 — Trading Ahead of Customer Limit Orders (Manning interpretation)

Investment Advisers Act of 1940 Section 206 — Prohibited Transactions by Investment Advisers

2.1.3 Regulation NMS

SEC Regulation NMS — Regulation of the National Market System

Rule 600 — NMS Security Designation and Definitions

Rule 604 — Display of Customer Limit Orders

Rule 611 — Order Protection Rule

Rule 612 — Minimum Price Increments

2.2 Handling and Executing Short Sales

Knowledge of:

- Locates and borrows
- Price test
- Close out requirements
- Order marking

SEC Regulation SHO

Rule 200 — Definition of “Short Sale”

Rule 201— Short Sale Price Test Restriction “Circuit Breaker” / Alternative Uptick

Rule 203 — Borrowing and Delivery Requirements

Rule 204 — Close-Out Requirements

FINRA Rules 6182 and 6624 — Trade Reporting of Short Sales

FUNCTION 3 – RECORD KEEPING AND REGULATORY REPORTING

3.1 Reporting Trades to the Designated Reporting Facility

Knowledge of:

- The distinctions among reporting facilities
- Trade reporting requirements, including modifiers, timing, and trade acceptance

FINRA Rule 6110 — Trading Otherwise than on an Exchange

FINRA Rule 6181 — Timely Transaction Reporting

FINRA Rules 6183 and 6625 — Exemption from Trade Reporting Obligation for Certain Alternative Trading Systems

FINRA Rule 6160 — Multiple MPIDs for Trade Reporting Facility Participants

FINRA Rule 6170 — Primary and Additional MPIDs for Alternative Display Facility Participants

FINRA Rule 6280 and 7100 Series — Transaction Reporting /Alternative Display Facility

Rule 6281 — Reporting Transactions in ADF-Eligible Securities

Rule 6282 — Transactions Reported by Members to the Alternative Display Facility (ADF)

Rule 7110 — Definitions

Rule 7120 — Trade Reporting Participation Requirements

Rule 7130 — Trade Report Input

Rule 7140 — Trade Report Processing

Rule 7150 — Obligation to Honor Trades

Rule 7160 — Audit Trail Requirements

FINRA Rule 6300A/7200A Series and 6300B/7200B Series — FINRA/NASDAQ Trade Reporting Facility and FINRA/NYSE Trade Reporting Facility

Rule 6310A/6300B — General

Rule 6320A/6320B — Definitions

Rule 6380A/6380B — Transaction Reporting

Rule 7210A/7210B — Definitions

Rule 7220A/7220B — Trade Reporting Participation Requirements

Rule 7230A/7230B — Trade Report Input

Rule 7240A/7240B — Trade Report Processing

Rule 7250A/7250B — Obligation to Honor Trades

Rule 7260A/7260B — Audit Trail Requirements

Rule 7270A/7270B — Violation of Reporting Rules

FINRA Rule 6550 — Transaction Reporting (OTCBB)

FINRA Rule 6600 — OTC Reporting Facility

Rule 6610 — General

Rule 6621 — Definitions

Rule 6622 — Transaction Reporting

Rule 6623 — Timely Transaction Reporting

FINRA Rule 7300 — OTC Reporting Facility

Rule 7310 — Definitions

Rule 7320 — Trade Reporting Participation Requirements

Rule 7330 — Trade Report Input

Rule 7340 — Trade Report Processing

Rule 7350 — Obligation to Honor Trades

Rule 7360 — Audit Trail Requirements

Rule 7370 — Violation of Reporting Rules

3.2 Creating, Retaining, and Reporting Required Records of Orders and Transactions

Knowledge of:

- Large Trader ID and related reporting and monitoring requirements
- Order execution/routing information
- OATS reporting obligations, including timing and required fields

SEA Rule 13h-1— Large Trader Reporting

SEA Rule 17a-3 — Records to be Made by Certain Exchange Members, Brokers and Dealers

FINRA Rule 4511 — Books and Records Requirements; General Requirements

FINRA Rule 5340 — Pre-Time Stamping

SEC Regulation NMS

Rule 605 — Disclosure of Order Execution Information

Rule 606 — Disclosure of Order Routing Information

FINRA Rule 7400 Series and NASDAQ Rule 6950 Series — Order Audit Trail System (OATS)

Rule 7410 — Definitions

Rule 7420 — Applicability

Rule 7430 — Synchronization of Member Business Clocks

Rule 7440 — Recording of Order Information

Rule 7450 — Order Data Transmission Requirements

Rule 7460 — Violation of Order Audit Trail System Rules

SAMPLE QUESTIONS

The following sample questions are included to provide an introduction to the basic formats of multiple-choice questions used on the examination. The sample questions do not reflect the difficulty level of actual test questions. Candidates who familiarize themselves with these formats may be able to improve their test-taking skills so that their performance on the examination will better reflect their knowledge of the areas tested.

Closed-Stem: The stem (the part that poses the question) is a complete sentence, and thus concludes with a question mark. The options (answer choices) may be complete or incomplete sentences.

Example: In determining a mark-up, in the absence of other bona fide evidence of the market price of a security, which of the following is the **best** indicator of the prevailing market price?

- (A) The last trade
- (B) The contemporaneous cost*
- (C) The length of time the security has been in inventory
- (D) The price of similar issues

Open-Stem (Sentence Completion): The stem is an incomplete statement, and the options represent conclusions to the sentence.

Example: Round lot trades in NASDAQ securities must be reported:

- (A) within 10 seconds of execution.*
- (B) within 90 seconds of execution.
- (C) within 5 minutes of execution.
- (D) within 20 minutes of execution.

Except or Not: The "except" case is used when the task is to select the response option that is an exception to the principle or rule stated in the stem. If it is clearly more straightforward or less awkward to use "not," rather than "except," this is done. In either case, the stem may be open or closed.

Example: All of the following orders are required to comply with FINRA order protection requirements **except**:

- (A) 100 shares of a NMS stock entered at 12:23 p.m. ET for a retail customer.
- (B) 500 shares of a NASDAQ Capital Market (SmallCap) stock entered at 10:06 a.m. ET for a retail customer.
- (C) 1,000 shares of a NMS stock entered at 12:23 p.m. ET for a retail customer.
- (D) 20,000 shares of an OTCBB stock entered at 6:55 a.m. ET for an institutional customer subject to consent.*

REFERENCES

Listed below are government and SROs' websites that provide information about rules and other information that may be useful in preparing for the examination. In addition to information about rules, the SROs may publish glossaries of terms, explanations of securities products, and compliance procedures. Candidates are encouraged to refer to the SROs' websites for information memos or Regulatory Notices concerning amendments to rules and the announcement of new rules that may be pertinent to the examination. Copies of federal securities laws and SEC rules may be purchased through the network of federal government printing offices. However, some of this information may be available on the SROs' and pertinent federal government's (e.g., the SEC) websites. It is recommended that candidates refer to the content outline as part of their preparation to take the examination. Candidates are responsible for planning their course of study in preparation for the examination. FINRA produces only the content outline and is not involved or endorses any particular course of study.

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Rockville, MD 20850
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Securities and Exchange Commission

Office of Investor Education and Advocacy
1-800-SEC-0330
www.sec.gov

Securities Industry/Regulatory Council

On Continuing Education
www.cecouncil.com