

Table of Contents

CHAPTER	PAGE
I INTRODUCTION TO THE TRAINING CONSULTANTS SERIES 6 TOP-OFF PROGRAM.....	i7
I.1 – ABOUT TRAINING CONSULTANTS	i8
I.2 – EXAM OVERVIEW	i8
I.3 – ARRANGING YOUR EXAM.....	i10
I.4 – TAKING THE EXAM	i12
I.5 – PREPARING FOR YOUR EXAM	i14
I INTRODUCTION TO THE SECURITIES INDUSTRY	i17
I.1 – SECURITIES INDUSTRY OVERVIEW.....	i18
1. EQUITY SECURITIES	1
1.1 – FUNDAMENTALS OF COMMON STOCK	2
1.2 – COMMON STOCK TERMINOLOGY	5
1.3 – EQUITY SECURITY CLASSIFICATIONS	7
1.4 – STOCK SPLITS.....	9
1.5 – EQUITY SECURITY DERIVATIVES.....	12
1.6 – FUNDAMENTALS OF PREFERRED STOCK.....	14
1.7 – DIVIDENDS ON COMMON STOCK AND PREFERRED STOCK	15
1.8 – REAL ESTATE INVESTMENT TRUSTS	19
2. DEBT SECURITIES	21
2.1 – INTRODUCTION TO BONDS.....	22
2.2 – BOND YIELDS	27
2.3 – FUNDAMENTALS OF CORPORATE BONDS.....	28
2.4 – TYPES OF CORPORATE BONDS	30
2.5 – FEATURES OF CORPORATE BONDS	33
2.6 – COLLATERALIZED MORTGAGE OBLIGATIONS AND COLLATERALIZED DEBT OBLIGATION BONDS	35
2.7 – FEDERAL GOVERNMENT DEBT ISSUES.....	38
2.8 – MUNICIPAL BONDS	40
2.9 – OTHER DEBT INSTRUMENTS.....	44
3. EQUITY OPTIONS.....	45
3.1 – INTRODUCTION TO EQUITY OPTIONS	46
3.2 – BASIC OPTIONS.....	47
3.3 – TRADITIONAL LISTED OPTIONS HOME BASE CHART	49
3.4 – HEDGING WITH OPTIONS	51
3.5 – SUMMARY OF OPTION STRATEGIES AND ACTIONS.....	52
3.6 – BASIC OPTION CALCULATIONS AND BREAKEVENS	55
BASIC OPTIONS SUMMARY CHART.....	62
3.7 – THE OCC, OPTION EXCHANGES AND TRADING	63
3.8 – OPTIONS ADMINISTRATION.....	65
3.9 – OPTION INTRINSIC AND TIME VALUES	68
3.10 – LEAPS OPTIONS	70
3.11 – ALTERNATIVE OPTIONS	71
3.12 – OPTION ACCOUNT REGULATIONS.....	72

4. INVESTMENT COMPANIES	75
4.1 – DEFINITION OF AN INVESTMENT COMPANY	76
4.2 – OPEN END VS. CLOSED END INVESTMENT COMPANIES	77
4.3 – TYPES OF FUNDS.....	79
4.3A (TOP-OFF) – ADDITIONAL TYPES OF FUNDS.....	84
TOP-OFF CHART – ETF/ETN COMPARISON.....	91
4.3B (TOP-OFF) – TYPES OF EARNINGS OF INVESTMENT COMPANIES	92
4.4 – MUTUAL FUND CHARACTERISTICS, BREAKPOINTS, AND REDEMPTIONS	94
4.4A (TOP-OFF) – ADDITIONAL FUND CHARACTERISTICS	98
4.5 – REGULATION OF MUTUAL FUND SALES	99
4.5A (TOP-OFF) – ADDITIONAL MUTUAL FUND REGULATIONS	101
4.5B (TOP-OFF) – INVESTMENT MANAGER, UNDERWRITER, CUSTODIAN, AND TRANSFER AGENT	106
4.5C (TOP-OFF) – MUTUAL FUND PRICING	108
5. INVESTMENT BANKING	111
5.1 – INTRODUCTION TO INVESTMENT BANKING	112
5.2 – INVESTMENT BANKING OVERVIEW	114
5.3 – UNDERWRITING PROCEDURES	115
5.4 – FINRA RULE 5130	120
6. FEDERAL REGULATIONS	123
6.1 – SECURITIES ACT OF 1933.....	124
6.2 – THE SECURITIES EXCHANGE ACT OF 1934	125
6.3 – OTHER TYPES OF OFFERINGS	128
6.4 – BASIC KNOWLEDGE OF BOOKS AND RECORDS.....	131
6.5 – CUSTOMER PROTECTION RULES.....	132
6.6 – CUSTOMER IDENTIFICATION PROGRAM.....	133
7. SECURITIES MARKETS	135
7.1 – NATIONAL MARKET SYSTEM CHART.....	136
7.2 – TYPES OF ORDERS – BASICS.....	137
7.3 – SHORT SELLING, ORDER EXECUTION SYSTEMS, AND REPORTING SYSTEMS	139
7.4 – TRADING ON AN EXCHANGE – BASICS	140
7.5 – THE OVER THE COUNTER MARKET – BASICS.....	142
7.6 – SETTLEMENT DATES, DEPOSITORIES AND CLEARING COMPANIES	144
7.6A (TOP-OFF) – GOOD DELIVERY	145
8. CUSTOMER ACCOUNTS	147
8.1 – PROSPECTING FOR NEW CUSTOMERS	148
8.2 – OPENING AND MAINTAINING CUSTOMER ACCOUNTS	149
8.3 – TYPES OF CUSTOMER ACCOUNTS	152
8.4 – HANDLING CUSTOMER ACCOUNTS	159
8.4A (TOP-OFF) – ADDITIONAL CUSTOMER ACCOUNT INFORMATION	160
8.5 – ORDER TICKETS, CONFIRMATIONS, AND ACCOUNT STATEMENTS	163
8.6 – INVESTMENT RISKS	164
8.7 – RISK MITIGATION AND COMPONENTS OF RETURN	166
8.8 – RECOMMENDATIONS TO CUSTOMERS	167
8.9 – MEMBER FIRM OBLIGATIONS RELATED TO SENIORS	171
8.10 – PORTFOLIO AND FUNDAMENTAL ANALYSIS.....	173

9. SELF-REGULATORY ORGANIZATIONS (SROs)	177
9.1 – SECURITIES INDUSTRY REGULATORS	178
9.2 – REGISTRATION REQUIREMENTS OF INDIVIDUALS	179
9.3 – DISCIPLINARY RULES.....	188
9.4 – SUPERVISION UNDER FINRA RULES	192
9.5 – GIFTS AND GRATUITIES.....	195
9.6 – FAIR DEALING WITH CUSTOMERS, BEST EXECUTION, AND CORPORATE ACTION DEADLINES	195
9.7 (TOP-OFF) – NYSE REGULATIONS	199
9.8 (TOP-OFF) – FINRA MARK-UP POLICY.....	199
9.9 (TOP-OFF) – MEMBER FIRM REGULATIONS	200
9.10 (TOP-OFF) – BROKER-DEALERS CONDUCTING BUSINESS IN FINANCIAL INSTITUTIONS & PAYMENTS FOR PUBLICATIONS	203
9.11 (TOP-OFF) – RECRUITMENT PRACTICES	204
9.12 (TOP-OFF) – GENERAL FINRA SUPERVISORY PROCEDURES	206
9.13 (TOP-OFF) – THE CODE OF PROCEDURE	207
9.14 (TOP-OFF) – TAPING RULES	208
9.15 (TOP-OFF) – FINRA CODE OF ARBITRATION.....	209
9.16 (TOP-OFF) – COMMUNICATIONS WITH THE PUBLIC	211
9.17 (TOP-OFF) – SOCIAL MEDIA SITES OF MEMBER FIRMS AND ASSOCIATED PERSONS	217
9.18 (TOP-OFF) – INVESTMENT COMPANY AND VARIABLE PRODUCT FILING AND REVIEW PROCEDURES ...	219
10. BASICS OF LIFE INSURANCE AND VARIABLE ANNUITIES	225
10.1 – LIFE INSURANCE BASICS	226
10.1A (TOP-OFF) – LIFE INSURANCE - ADVANCED	227
10.2 – ANNUITY BASICS	233
10.3 – VARIABLE ANNUITIES – ADVANCED	234
VARIABLE ANNUITY CONTRACT STRUCTURE	242
11. RETIREMENT PLANS AND EDUCATION SAVINGS PLANS	243
11.1 – INDIVIDUAL RETIREMENT ACCOUNTS - ADVANCED	244
RESOURCE – ROLLOVER CHART	251
11.2 – QUALIFIED RETIREMENT PLANS - ADVANCED	252
11.3 – OTHER RETIREMENT PLANS.....	258
11.4 – ROLLOVERS	260
11.5 – EDUCATIONAL ACCOUNTS AND MUNICIPAL FUND SECURITIES - ADVANCED	261
RETIREMENT PLAN SUMMARY CHART	265
R CLOSING RESOURCES	267
DAMAGE CONTROL STEPS.....	268
HOME STRETCH & THE REAL EXAM	270
R ADDITIONAL RESOURCES.....	275
EXERCISE ANSWERS & FILL-INS	276
TOPICS TO WRITE DOWN WHEN STARTING EXAM AT THE TESTING CENTER	289
CRITICAL FACTS	289
INDEX	304

“Your own resolution to success is more important than any other one thing.” ~Abraham Lincoln