

Table of Contents

CHAPTER	PAGE
I INTRODUCTION TO THE TRAINING CONSULTANTS SERIES 7 TOP-OFF PROGRAM.....	i9
I.1 – ABOUT TRAINING CONSULTANTS	i10
I.2 – EXAM OVERVIEW	i10
I.3 – ARRANGING YOUR EXAM.....	i12
I.4 – TAKING THE EXAM	i14
I.5 – PREPARING FOR YOUR EXAM	i16
I INTRODUCTION TO THE SECURITIES INDUSTRY	i19
I.1 – SECURITIES INDUSTRY OVERVIEW.....	i20
1. EQUITY SECURITIES.....	1
1.1 – FUNDAMENTALS OF COMMON STOCK	2
1.2 – COMMON STOCK TERMINOLOGY	5
1.3 – EQUITY SECURITY CLASSIFICATIONS	7
1.3A (TOP-OFF) – COMMON STOCK FORMULAS.....	9
1.4 – STOCK SPLITS.....	10
1.5 – EQUITY SECURITY DERIVATIVES.....	14
1.6 – FUNDAMENTALS OF PREFERRED STOCK.....	16
1.7 – DIVIDENDS ON COMMON STOCK AND PREFERRED STOCK	17
1.8 – REAL ESTATE INVESTMENT TRUSTS	21
2. DEBT SECURITIES	23
2.1 – INTRODUCTION TO BONDS.....	24
2.2 – BOND YIELDS	29
2.2A (TOP-OFF) – CALCULATING ACCRUED INTEREST ON CORPORATE AND MUNICIPAL BONDS	30
2.3 – FUNDAMENTALS OF CORPORATE BONDS.....	32
2.4 – TYPES OF CORPORATE BONDS	33
2.5 – FEATURES OF CORPORATE BONDS	36
2.5A (TOP-OFF) – CALCULATING PARITY ON CONVERTIBLE SECURITIES, FORCED CONVERSIONS, AND BOND REFUNDING.....	38
2.6 – COLLATERALIZED MORTGAGE OBLIGATIONS AND COLLATERALIZED DEBT OBLIGATION BONDS	42
2.7 – OTHER DEBT INSTRUMENTS	45

3. EQUITY OPTIONS	47
3.1 – INTRODUCTION TO EQUITY OPTIONS	48
3.2 – BASIC OPTIONS.....	49
3.3 – TRADITIONAL LISTED OPTIONS HOME BASE CHART.....	51
3.4 – HEDGING WITH OPTIONS	53
3.5 – SUMMARY OF OPTION STRATEGIES AND ACTIONS.....	54
3.6 – BASIC OPTION CALCULATIONS AND BREAKEVENS.....	57
BASIC OPTIONS SUMMARY CHART.....	64
3.7 – THE OCC, OPTION EXCHANGES AND TRADING.....	65
3.8 – OPTIONS ADMINISTRATION.....	67
3.9 – OPTION INTRINSIC AND TIME VALUES	70
3.9A(TOP-OFF) – OPTION SPREADS AND STRADDLES	72
ADVANCED OPTIONS SUMMARY CHART	81
3.10 (TOP-OFF) – TAXATION AND MISCELLANEOUS POINTS ON OPTIONS	82
3.11 (TOP-OFF) – STOCK INDEX OPTIONS	84
3.12 (TOP-OFF) – INTEREST RATE OR YIELD-BASED OPTIONS	87
3.13 (TOP-OFF) – WORLD CURRENCY OPTIONS: US DOLLAR SETTLED FOREIGN CURRENCY OPTIONS.....	88
3.14 – LEAPS OPTIONS	91
3.15 (TOP-OFF) – CUSTOMER ACCOUNT INFORMATION AND DOCUMENTATION.....	92
3.16 (TOP-OFF) – OPTION ACCOUNT REGULATIONS	95
4. INVESTMENT COMPANIES.....	99
4.1 – DEFINITION OF AN INVESTMENT COMPANY	100
4.2 – OPEN END VS. CLOSED END INVESTMENT COMPANIES	101
4.3 – TYPES OF FUNDS.....	103
4.3A (TOP-OFF) – ADDITIONAL TYPES OF FUNDS.....	108
TOP-OFF CHART – ETF/ETN COMPARISON.....	115
4.3B (TOP-OFF) – TYPES OF EARNINGS OF INVESTMENT COMPANIES	116
4.4 – MUTUAL FUND CHARACTERISTICS, BREAKPOINTS, AND REDEMPTIONS	118
4.5 – REGULATION OF MUTUAL FUND SALES	121
4.5A (TOP-OFF) – ADDITIONAL MUTUAL FUND REGULATIONS	123
4.5B (TOP-OFF) – INVESTMENT MANAGER, UNDERWRITER, CUSTODIAN, AND TRANSFER AGENT	128
5. INVESTMENT BANKING	131
5.1 – INTRODUCTION TO INVESTMENT BANKING.....	132
5.2 – INVESTMENT BANKING OVERVIEW.....	134
5.3 – UNDERWRITING PROCEDURES	135
5.4 – FINRA RULE 5130	139
6. FEDERAL REGULATIONS.....	143
6.1 – SECURITIES ACT OF 1933.....	144
6.2 – THE SECURITIES EXCHANGE ACT OF 1934	145
6.3 – OTHER TYPES OF OFFERINGS	148
6.4 – BASIC KNOWLEDGE OF BOOKS AND RECORDS.....	151
6.5 – CUSTOMER PROTECTION RULES.....	152
6.6 – CUSTOMER IDENTIFICATION PROGRAM.....	153
6.7 (TOP-OFF) – REGULATION S	154

7. SECURITIES MARKETS	155
7.1 – OVERVIEW OF SECONDARY MARKET	156
7.2 – TYPES OF ORDERS – BASICS	157
7.2A (TOP-OFF) – ADVANCED TYPES OF ORDERS.....	159
7.2B (TOP-OFF) – EQUITY SECURITIES TRADING.....	162
7.3 – SHORT SELLING, ORDER EXECUTION SYSTEMS, AND REPORTING SYSTEMS	163
7.4 – TRADING ON AN EXCHANGE – BASICS	165
7.4A (TOP-OFF) – ADVANCED TRADING ON AN EXCHANGE.....	166
7.4B (TOP-OFF) – SECURITIES TAPE READING	168
7.5 – THE OVER THE COUNTER MARKET – BASICS.....	169
7.5A (TOP-OFF) – THE 5% MARK-UP POLICY.....	171
7.5B (TOP-OFF) – LEVELS OF OTC TRADING	171
7.5C (TOP-OFF) – OTHER OTC TERMINOLOGY	174
7.6 – SETTLEMENT DATES, DEPOSITORIES AND CLEARING COMPANIES	174
7.6A (TOP-OFF) – ADVANCED SETTLEMENT DATE INFORMATION.....	176
7.6B (TOP-OFF) – GOOD DELIVERY.....	177
8. CUSTOMER ACCOUNTS	179
8.1 – PROSPECTING FOR NEW CUSTOMERS	180
8.2 – OPENING AND MAINTAINING CUSTOMER ACCOUNTS	181
8.3 – TYPES OF CUSTOMER ACCOUNTS	184
8.4 – HANDLING CUSTOMER ACCOUNTS	190
8.4A (TOP-OFF) – ADDITIONAL CUSTOMER ACCOUNT INFORMATION	191
8.5 – ORDER TICKETS, CONFIRMATIONS, AND ACCOUNT STATEMENTS	194
8.6 – INVESTMENT RISKS.....	195
8.7 – RISK MITIGATION AND COMPONENTS OF RETURN	197
8.8 – RECOMMENDATIONS TO CUSTOMERS	198
8.9 – MEMBER FIRM OBLIGATIONS RELATED TO SENIORS	202
9. CASH AND MARGIN ACCOUNT BASICS	205
9.1 – MARGIN ACCOUNT BASICS	206
9.2 – REGULATION T BASICS AND DELIVERY	206
9.3 – FUNDING OF MARGIN CREDIT	208
9.4 – MARGIN ACCOUNT FORMS.....	209
9.5 – REGULATION T INITIAL MARGIN REQUIREMENTS	210
9.6 – BASICS OF A MARGIN ACCOUNT LONG.....	212
9.6A (TOP-OFF) – DETERMINING THE CONDITION OF A LONG MARGIN ACCOUNT.....	213
9.6B (TOP-OFF) – EXCESS EQUITY.....	215
9.6C (TOP-OFF) – RESTRICTED MARGIN ACCOUNT - LONG	217
9.6D (TOP-OFF) – NYSE MINIMUM MAINTENANCE.....	219
9.6E (TOP-OFF) – BASICS OF A MARGIN ACCOUNT - SHORT	220
9.6F (TOP-OFF) – MIXED MARGIN ACCOUNT.....	221
TOP-OFF CHART – MARGIN SUMMARY CHART	222
9.6G (TOP-OFF) – OTHER MARGIN INFORMATION	223

10. SELF-REGULATORY ORGANIZATIONS (SROs)	225
10.1 – SECURITIES INDUSTRY REGULATORS	226
10.2 – REGISTRATION REQUIREMENTS OF INDIVIDUALS	227
10.3 – DISCIPLINARY RULES	235
10.4 – SUPERVISION UNDER FINRA RULES	239
10.5 – GIFTS AND GRATUITIES	241
10.6 – FAIR DEALING WITH CUSTOMERS, BEST EXECUTION, AND CORPORATE ACTION DEADLINES	241
10.7 (TOP-OFF) – NYSE REGULATIONS	245
10.8 (TOP-OFF) – FINRA MARK-UP POLICY	245
10.9 (TOP-OFF) – MEMBER FIRM REGULATIONS	246
10.10 (TOP-OFF) – BROKER-DEALERS CONDUCTING BUSINESS IN FINANCIAL INSTITUTIONS & PAYMENTS FOR PUBLICATIONS	249
10.11 (TOP-OFF) – RECRUITMENT PRACTICES.....	250
10.12 (TOP-OFF) – GENERAL FINRA SUPERVISORY PROCEDURES.....	252
10.13 (TOP-OFF) – THE CODE OF PROCEDURE.....	253
10.14 (TOP-OFF) – TAPING RULES.....	254
10.15 (TOP-OFF) – FINRA CODE OF ARBITRATION	255
10.16 (TOP-OFF) – COMMUNICATIONS WITH THE PUBLIC.....	257
10.17 (TOP-OFF) – SOCIAL MEDIA SITES OF MEMBER FIRMS AND ASSOCIATED PERSONS	263
10.18 (TOP-OFF) – INVESTMENT COMPANY AND VARIABLE PRODUCT FILING AND REVIEW PROCEDURES	265
11. BASICS OF LIFE INSURANCE AND VARIABLE ANNUITIES	271
11.1 – LIFE INSURANCE BASICS	272
11.2 – ANNUITY BASICS	273
11.3 – VARIABLE ANNUITIES – ADVANCED.....	275
VARIABLE ANNUITY CONTRACT STRUCTURE	282
12. RETIREMENT PLANS AND EDUCATION SAVINGS PLANS	283
12.1 – INDIVIDUAL RETIREMENT ACCOUNTS - ADVANCED	284
RESOURCE – ROLLOVER CHART.....	291
12.2 – QUALIFIED RETIREMENT PLANS - ADVANCED	292
12.3 – OTHER RETIREMENT PLANS.....	298
12.4 – ROLLOVERS.....	300
12.5 – EDUCATIONAL ACCOUNTS AND MUNICIPAL FUND SECURITIES - ADVANCED	301
RETIREMENT PLAN SUMMARY CHART	305
13. FEDERAL GOVERNMENT SECURITIES	307
13.1 – GOVERNMENT SECURITIES BASICS	308
13.2 – MARKETABLE FEDERAL GOVERNMENT DEBT ISSUES.....	309
13.3 – FEDERAL AGENCY ISSUES	313
13.4 – OTHER TYPES OF GOVERNMENT SECURITIES	315

14. MUNICIPAL BOND BASICS	317
14.1 – MUNICIPAL BOND BASICS	318
14.2 – GENERAL OBLIGATION BONDS.....	319
14.3 – REVENUE BONDS	322
14.4 – TYPES OF REVENUE BONDS.....	325
14.5 – ZERO COUPON, REFUNDING, OTHER BONDS & NOTES.....	326
14.6 – MUNICIPAL BOND INVESTMENT COMPANIES.....	329
14.7 – LEGAL OPINION.....	329
14.8 – FEATURES OF MUNICIPAL BONDS.....	330
14.9 – PORTFOLIO MANAGEMENT AND MUNICIPAL BOND SELECTION	333
14.10 – MUNICIPAL BOND INSURANCE.....	335
15. MUNICIPAL BOND TAXATION, UNDERWRITING, AND THE SECONDARY MARKET	337
15.1 – TAX TREATMENT OF MUNICIPAL BONDS	338
15.2 – THE MARKET FOR MUNICIPAL BONDS	340
15.3 – THE MUNICIPAL BOND PRIMARY MARKET.....	342
15.4 – MUNICIPAL SECURITIES TERMINOLOGY.....	347
15.5 – THE SECONDARY MARKET FOR MUNICIPAL BONDS.....	348
15.6 – MARKETABILITY AND LIQUIDITY OF MUNICIPAL BONDS.....	350
16. MUNICIPAL BOND RULES AND REGULATIONS	353
16.1 – THE MUNICIPAL SECURITIES RULEMAKING BOARD	354
16.2 – GENERAL MSRB RULES	355
16.3 – MSRB UNIFORM PRACTICE RULES	358
17. TAXES	363
17.1 – TAXATION ON SECURITIES TRANSACTIONS.....	364
17.2 – GENERAL TAX INFORMATION	367
18. DIRECT PARTICIPATION PROGRAMS.....	371
18.1 – INTRODUCTION TO DIRECT PARTICIPATION PROGRAMS	372
18.2 – CHARACTERISTICS OF DPPs	374
18.3 – REAL ESTATE DIRECT PARTICIPATION PROGRAMS	378
18.4 – OIL AND GAS PARTNERSHIPS.....	379
18.5 – EQUIPMENT LEASING PARTNERSHIPS.....	381
18.6 – MISCELLANEOUS DPP INFORMATION	381
19. SECURITIES ANALYSIS	383
19.1 – PORTFOLIO MANAGEMENT	384
19.2 – FUNDAMENTAL AND TECHNICAL ANALYSIS	387
19.3 – THE BALANCE SHEET	390
19.4 – THE INCOME STATEMENT.....	391
19.5 – OTHER FINANCIAL INFORMATION.....	392
19.6 – FINANCIAL RATIOS	393
20. INVESTMENT RECOMMENDATIONS AND STRATEGIES	397
20.1 – INVESTMENT RECOMMENDATIONS	398
20.2 – INVESTMENT SCENARIOS AND CHOICES.....	401
20.3 – FINRA SALES PRACTICE RULES (SUITABILITY).....	403

R	CLOSING RESOURCES	405
	DAMAGE CONTROL STEPS	406
	HOME STRETCH & THE REAL EXAM.....	408
R	ADDITIONAL RESOURCES	413
	EXERCISE ANSWERS & FILL-INS	414
	TOPICS TO WRITE DOWN WHEN STARTING EXAM AT THE TESTING CENTER	445
	CRITICAL FACTS	445
	INDEX	468

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