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Steven M. Rice



Series 7 Exam

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3rd Edition

by Steven M. Rice

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Introduction

So you want to be a stockbroker? The good news is that a career in the securities field can be extremely lucrative and rewarding. The not-so-good news is that anyone who plans to become a stockbroker and sell securities in any of the 50 states must first pass the Series 7 exam, a monster of a test. And to accomplish this, you have to commit time and effort.

I passed the Series 7 exam the first time with a very high score, but it required weeks of study and sacrifice. Those who aren't totally prepared on exam day are in for an unpleasant wake-up call. I always get a few students in every class who've enrolled after they already failed the exam the first (or second) time they took it. Most of them initially expected the same easy ride that they'd experienced in high school or college. Not only were they wrong, but they also had to pay hundreds of dollars to reregister for the exam and wait another 30 days (a mandatory FINRA rule) before they could retake the exam.

Back to the good news again. You're obviously interested in doing well, so you probably won't be one of those people. This book can help you pass the Series 7 and achieve your goal.

About This Book

This book is not a comprehensive content review. That's what textbooks are for. Rather, *Series 7 Exam For Dummies* is designed to be a supplement, a handy guide as you figure out how to think not only like a financial adviser but also like the test designers do (and no, I don't mean to tap into your potential as an evil mastermind).

I cover the topics that always appear on the test, offer formulas, provide definitions, and go over the foundational information you need to know. I also include lots of tips and memory tricks. But the real benefit of this book is finding out how to study and think through problems as well as you possibly can. That's why I help you choose a study program, explain how to handle specific question types, warn you about common mistakes, connect concepts, and show you how to pull questions apart and get to the bottom of what's being asked. You then get to apply this knowledge in a two-part full-length practice test so you get a taste of the Series 7 experience.

This is a reference book, and most sections are self-contained. In other words, you can read a section and understand it without looking over the text that comes before it. When some background information is helpful, I give cross-references to related topics. Therefore, you can pretty much jump in and out whenever you find topics you like (and when you find those you don't). And like all good tour guides, I also point you to some other sites of interest — topics you can explore further on your own.

I use the following conventions throughout the text to make things consistent and easy to understand:

- ✓ When this book was printed, some web addresses may have needed to break across two lines of text. In those instances, you can rest assured that no extra characters (such as hyphens) have been added to indicate the break. Just type in exactly what you see in this book, pretending the break doesn't exist. (If you're reading this book in an electronic format, simply click the links to be whisked to the site in question. Doesn't get much easier than that.)

- ✓ New terms appear in *italics* and are closely followed by easy-to-understand definitions. Italics may also indicate emphasis.
- ✓ Key words in bulleted and numbered lists are **bold** to highlight the most important info.
- ✓ The use of gender-related pronouns alternates throughout the book (no preferential treatment is intended).

I've scattered sample questions throughout this book so you can test your understanding of new info and get a feel for Series 7 questions. And of course, for those sections that don't include questions, remember that the practice tests that come with this book deal with all kinds of subjects.

I also use the language and lingo of FINRA. That means you see official names (like the Federal Reserve Board), nicknames (the Fed), and acronyms galore (like the FRB). That way, during the test, understanding the POPs, YTM's, TEYs, NAVs, EPSs, ADRs, LMVs, DRs, and so on shouldn't be too much of a hassle.

You don't have to read the index straight through or dally over the Library of Congress number and other publisher information, but most of the information here is important — the basic, need-to-know ideas. You can skim through the topics you know well and spend more time on those you don't, but I do suggest looking everything over.

If you're short on time (as you probably are) and aren't ready for a break just yet, you can skip the sidebars, those little shaded boxes that contain interesting but nonessential information.

Foolish Assumptions

While writing this book, I made a few assumptions about you and why you picked up this book. For starters, I assume that you're looking for a no-nonsense study guide to supplement your textbook or prep course — one that provides a ton of example questions and some sample exams. Look no further! Whether you're preparing to take the test for the first time, retaking the test after a less-than-stellar performance, or looking for a refresher before you recertify, this is the book for you!

Icons Used in This Book



To make this book easier to read and use, I include some icons to help you find and fathom key ideas and information.

This icon highlights example Series 7 test questions (which I follow with helpful answer explanations).



This icon is attached to shortcuts and insider advice on studying for and passing the Series 7 exam.



This icon points to information that's especially important to remember in order to do well on the test.



This icon warns you away from actions that can harm your work and drop your score.

Beyond the Book

This book provides great information to help you prepare for the Series 7 Exam, but you can find more resources on Dummies.com:

- ✓ You can download the book's Cheat Sheet at www.dummies.com/cheatsheet/series7. It's a handy resource to keep on your computer, tablet, or smartphone.
- ✓ You can read interesting companion articles that supplement the book's content at www.dummies.com/extras/series7. I even include an extra top-ten list.

This book comes with free online practice. In addition to the two Series 7 exams in this book, you can access a third exam online. You can practice with just a handful of questions, or you can choose to take an entire timed exam. To gain access to the three online exams, just follow these simple steps:

1. Find your PIN access code:

- **Print-book users:** If you purchased a print copy of this book, turn to the inside front cover of the book to find your access code.
- **E-book users:** If you purchased this book as an e-book, you can get your access code by registering your e-book at www.dummies.com/go/getaccess. Go to this website, find your book and click it, and answer the security questions to verify your purchase. You'll receive an email with your access code.

2. Go to Dummies.com and click Activate Now.

3. Find your product (*Series 7 Exam For Dummies*) and then follow the on-screen prompts to activate your PIN.

Now you're ready to go! You can come back to the program as often as you want — simply log on with the username and password you created during your initial login. No need to enter the access code a second time.



For Technical Support, please visit <http://wiley.custhelp.com> or call Wiley at 1-800-762-2974 (U.S.), +1-317-572-3994 (international).

Where to Go from Here

Although you can read this book from start to finish, you can certainly work your way through in more creative ways. Where you start is up to you, though please, please don't start with the tests! Give yourself a good grounding in the content here, and then use the tests to evaluate your understanding and show you where to focus your studies. You can

flip to the topics you think you understand fairly well to boost your confidence or skip directly to whatever's giving you trouble — let the index and the table of contents be your guides. If you have a good understanding of how to take the Series 7 exam, from how it's structured to how to tackle questions, then you can go directly to the chapters in Parts II or III, which address types of securities. If you're feeling shaky on the legal aspects, check out the FINRA rules and regulations in Part IV. Everyone, however, can probably benefit from Part I's test-taking basics and info on study plans. Wherever you go, feel free to take detours to your textbooks, flash cards, FINRA websites, and any other resources for more information. Just remember to come back so you don't miss anything here!

Part I

Getting Started with the Series 7 Exam

getting started
with the

**Series 7
Exam**



Visit www.dummies.com for more great Dummies content online.

In this part . . .

- ✓ Review the computerized exam format.
- ✓ Understand the procedures for registering to take the exam.
- ✓ Discover the topics tested on the Series 7.
- ✓ Select the right study course and materials to prepare yourself for exam day.
- ✓ Organize your study time efficiently and effectively.
- ✓ Find out what to expect on test day.

Chapter 1

So You Want to Sell Securities: Introducing the Series 7 Exam

In This Chapter

- ▶ Introducing the Series 7
 - ▶ Taking a look at companion tests
 - ▶ Getting a sponsor and registering to take the exam
 - ▶ Uncovering topics tested on the Series 7
 - ▶ Mastering the computerized exam format
-

Congratulations on your interest in becoming a stockbroker! But before you can lose yourself in the energy of the office, the eager voices of your clients, and the warm glow of success, you have to face the Series 7. In this chapter, I give you an overview of the Series 7 exam, including its purpose, structure, format, scoring, and some helpful tips to guide you through the registration procedure.

What Is the Series 7 Exam, Anyway?

The Series 7 exam qualifies you to hold the title General Securities Registered Representative (stockbroker), to sell many different types of securities, and to hopefully make stacks of money for your clients (and a bit for yourself). Individuals who earn their license by passing the Series 7 exam are qualified to solicit, purchase, and/or sell securities products, including

- ✓ Corporate stocks and bonds
- ✓ Municipal bonds
- ✓ U.S. government bonds
- ✓ Options
- ✓ Direct participation programs (limited partnerships)
- ✓ Investment-company securities
- ✓ Variable contracts

The exam's purpose is to protect the investing public by ensuring that the registered reps who sell securities have mastered the skills and general knowledge that competent practicing stockbrokers need to have.

The Series 7 itself is a computer-based exam given at Prometric and Pearson VUE (Virtual University Enterprises) test centers throughout the United States. The 250-question exam, administered by the Financial Industry Regulatory Authority (FINRA), is six long, arduous hours in duration. A score of 72 percent or better gets candidates a passing grade and puts big smiles on their faces.

The sections later in this chapter explain the setup of the Series 7 and give a rundown of how to register for the exam. If you have other questions, contact the FINRA Call Center at 301-590-6500 or visit www.finra.org/Industry/Compliance/Registration/QualificationsExams/RegisteredReps/Brochure/P009865.

Profiling the Series 7 Exam-Taker

The Series 7 exam is for people who want to

- ✓ Enter the securities industry
- ✓ Become registered representatives
- ✓ Work for a securities broker-dealer

Although some less-prestigious exams (for example, the Series 6 and 62) can qualify you to sell some securities, most broker-dealers want their rising stars (that's you) to have the Series 7 license. That way, you can work with almost the whole kit and caboodle — corporate stocks and bonds, municipal and U.S. government bonds, options, direct participation programs, investment companies, variable contracts, and so on.

People who have a long and sordid history of embezzlement, forgery, and fraud are generally disqualified and precluded from taking the exam. Candidates must disclose any prior criminal records, and FINRA reviews each application on a case-by-case basis.

One's Not Enough: Tackling the Series 63 or Series 66

You don't have to pass any prerequisite exams before you can take the Series 7; however, you do need to pass the Series 63 or Series 66 to be able to work in the securities industry because these exams and the Series 7 are corequisites in most states. You can take the Series 63 or 66 either before or after you take the Series 7, but most people start studying for the Series 63 or 66 and register to take it right after passing the Series 7.

Note: Even if you live in a state that doesn't require either of these licenses, you still need to obtain one if you want to sell securities to someone who lives in a state that does require it. Just figure that your firm will require you to obtain the 63 or 66 to sell securities — your firm should tell you which one to take. The following sections explain what the two state-licensing exams cover.

Series 63: Uniform Securities Agent State Law Exam

The Series 63 is a 65-question test that the North American Securities Administrator Association (NASAA) developed, and it's designed to qualify candidates as securities

agents. The Series 63 exam covers state securities regulation rules as well as rules prohibiting unethical and dishonest business practices (not that you'd do anything like that). The Series 63 used to be the most common test taken along with the Series 7. Judging by class sizes, however, I would say that around twice as many Series 7 students are now taking the Series 66 as compared to the Series 63.

Series 66: Uniform Combined State Law Exam

The Series 66 is a 100-question NASAA exam that combines the Series 63 and the Series 65 (Uniform Investment Adviser). The Series 66 is designed to qualify candidates as both securities agents and investment adviser representatives (IARs). The Series 65 portion of the Series 66 allows you to collect a fee for just giving investment advice. This license was implemented several years ago, and it'll most likely be required if you work for one of the bigger broker-dealers. More and more firms are requiring the Series 66 because it gives their registered reps an additional service to provide for their clients and an additional way for you (and your firm) to make money.

Securing Sponsorship and Signing Up

All candidates (that's you) must have a sponsoring broker in order to register for the Series 7 exam. After passing the exam, your license will be in your own name; however, you have to be working for a firm in order for your license to be active. Generally, a firm hires you and then acts as your sponsor.

The following sections explain the basic exam requirements and help you navigate your way through the exam registration process.

Filling out an application to enroll

For you to obtain admission to the Series 7, your sponsoring firm has to file an application form (called a *U-4*) and pay the required processing fees with the Central Registration Depository (CRD). The U-4 is an annoying little form with about a gazillion pages that requires you to remember where you were ten years ago. You're also required to submit your fingerprints, and you have to complete this step through an approved facility. Your firm will likely recommend the place they use — often the local police precinct. (Be advised that your sponsoring firm will probably frown upon your fingerprints if they're attached to your mug shot.)

If you want to see a preview of the U-4 registration form that you're responsible for filling out and that your firm has to submit, visit the FINRA website (www.finra.org) and search for U-4.

It's a date! Scheduling your exam

After your firm files the application with the Central Registration Depository and receives your enrollment notification, you can schedule an appointment to take the exam by contacting the Prometric or Pearson VUE Testing Center. Locate the test center nearest you by calling either the Prometric center (800-578-6273) or the Pearson VUE center (866-396-6273)

during business hours. Or you can visit www.pearsonvue.com/finra or www.prometric.com/FINRA/default.htm to schedule online.

Your Series 7 exam enrollment is valid for 120 days — you have to take the exam within this time frame. When scheduling your exam appointment, be ready to provide the exam administrators with

- ✓ Your name and Social Security number
- ✓ The name of your firm
- ✓ A telephone contact to reach you and your employer
- ✓ The name of the securities exam you're registering to take
- ✓ Your desired test date

Getting an appointment usually takes about one to two weeks, depending on the time of year (you may wait longer in the summer than around Christmastime). Prometric and Pearson VUE will confirm your appointment on the phone or via email.



I suggest putting pressure on yourself and scheduling the exam a little sooner than you think you may be ready to take it; you can always move the test date back. You know yourself best, but I think most students study better when they have a target test date.

You have a choice of locations to take the exam. If you're a travelin' man (or woman), you may want to schedule your exam at a location far away (maybe even in a different state) to get the test date that you want.

After you have your test date set, you may find that you're ready sooner or will be ready later than your scheduled appointment. The exam center administrators are usually pretty accommodating about changing appointments and/or locations as long as you call before noon at least two business days before your test date.

You can get an extension from the 120-day enrollment only if you call within ten days of your enrollment expiration and if no earlier test dates are available.

Planning ahead for special accommodations

If you require special accommodations when taking your Series 7 exam, you can't schedule your exam online. You have to contact the FINRA Special Conditions Team at 800-999-6647. Read on for info on what the test administrators can do if you have a disability or if English isn't your first language.

Asking about test center luxuries

Series 7 test centers are required to comply with FINRA site guidelines; however, some of the older centers may not have the amenities that the newer ones do (such as lockers and earplugs). To protect yourself from a whole variety of unpleasant, unexpected site surprises on exam day, the FINRA website (www.finra.org) offers general information, including test center security

guidelines (including candidate ID requirements, personal items allowed, and provided aids), test center rules of conduct, and so on. For more site-specific questions, like whether a cafeteria, vending machines, or lockers are on site, ask the center's administrator when you schedule your test date.



Depending on your testing center, FINRA may have to authorize you to bring medical devices and supplies — such as insulin pumps, eyedrops, and inhalers — into the testing room. If you need authorization, call FINRA Field Support Services (FSS) at 800-999-6647 after scheduling the exam. For a list of personal items that may need approval, visit www.finra.org/Industry/Compliance/Registration/QualificationsExams/TestCentersAppointments/p010830.

Americans with Disabilities Act (ADA) candidates

If you're disabled or learning impaired, FINRA provides testing modifications and aids in compliance with the provisions of the Americans with Disabilities Act (ADA). To qualify for ADA provisions, your disabilities have to permanently limit a major life activity, such as learning, speech, hearing, or vision.

To apply for special accommodations, you need to submit documentation from your physician or licensed healthcare professional to FINRA, along with a letter from your sponsoring firm requesting the special arrangements. Additionally, you have to submit the FINRA Special Accommodations Eligibility Questionnaire and Special Accommodations Verification Request Form for all special arrangement requests (you can find the professional form at <http://www.finra.org/web/groups/industry/@ip/@comp/@regis/documents/industry/p011125.pdf>).

You may request the accommodations you want approved; possible aids include

- ✓ Extra time
- ✓ A written exam (pencil and paper)
- ✓ A reader, writer, or recorder
- ✓ A sign language interpreter
- ✓ A large-print exam booklet
- ✓ Wheelchair-accessible locations

FINRA reserves the right to make all final decisions about accommodations on a case-by-case basis.

English as a second language (ESL) candidates

If English is your second language, you can request additional time to take the exam when you schedule your Series 7 test date. If FINRA approves, you receive an extra 30 minutes to complete each part (one hour total) of the Series 7 exam.

To qualify for this extra time, you have to provide the test center administrator with a letter from your firm, written in English on company letterhead, signed by your supervisor or manager, with your name and Social Security number. The letter should indicate that English is your second language. The supervisor's original signature has to be on the letter; a photocopy without the original signature won't be accepted.

Just in case: Cancelling as an option

If something comes up or if you feel you're just not ready, you can cancel your appointment to take the Series 7 exam without penalty if you do so at least 10 business days before the exam date. If a holiday falls within the cancellation period, you have to cancel an additional business day earlier. For example, if you're scheduled to take the exam on a Wednesday, you

have to cancel on Tuesday two weeks before your exam date. If a holiday falls between those dates, you have to cancel on Monday two weeks before your exam date. For more information, you can visit www.finra.org/Industry/Compliance/Registration/QualificationsExams/RegisteredReps/Qualifications/P120071.



If you cancel after the prescribed deadline, if you don't show up to take the exam, or if you show up too late to take the exam, FINRA will charge your firm a cancellation fee equal to the Series 7 exam fee paid by your firm. Don't try the old "I forgot" excuse, because not only is it ineffective, but I'm somewhat sure that it's illegal in all 50 states, Canada, and the U.S. territories.

Taking a Peek at the Tested Topics

As a practical exam, the Series 7 requires you to master vocabulary, handle customer accounts, understand the rules and regulations that govern the securities industry, and yes, work with some math formulas. For ease of use (and because humans have a limited life span), this book focuses on the most commonly tested topics on the Series 7 exam. Here's an overview of what to expect:

- ✓ The underwriting process (how new securities come to market) (Chapter 5)
- ✓ Common and preferred stock (Chapter 6)
- ✓ Corporate bonds and U.S. government securities (Chapter 7)
- ✓ Securities issued by local governments (municipal bonds) (Chapter 8)
- ✓ Margin accounts (using money borrowed from broker-dealers to purchase securities) (Chapter 9)
- ✓ Investment companies (including mutual and closed-end funds) (Chapter 10)
- ✓ Direct participation programs (limited partnerships) (Chapter 11)
- ✓ Options (Chapter 12)
- ✓ Analyzing the benefits and risks associated with investments; making appropriate recommendations to customers (Chapter 13)
- ✓ Following how new securities are brought to the market and how existing securities are traded in the market (Chapter 14)
- ✓ Risk considerations and income-tax implications that stock market investors face (Chapter 15)
- ✓ Rules and regulations governing the purchase and sale of securities and the registered representative's responsibility for maintaining accurate recordkeeping (Chapter 16)

FINRA has released a listing of the distribution of questions on the Series 7 exam. See Table 1-1 for the number of questions devoted to each activity that a registered rep performs.

Each of these activities falls under multiple areas of study. For example, to correctly answer questions that address the topic of handling customer accounts, you have to know enough about different types of stocks, bonds, and so on to be able to guide your customers, including which investments are more beneficial to retirees and which work better for investors who are just entering the workforce.

Table 1-1 Distribution of Series 7 Exam Questions		
<i>Activity Performed by a Registered Rep</i>	<i>Number of Questions</i>	<i>Percent of Exam</i>
Provides customers with information on investments and makes suitable recommendations	70	28%
Seeks business for the broker-dealer through customers and potential customers	68	27%
Obtains and verifies customers' purchase and sales instructions, enters orders, and follows up	58	23%
Evaluates customers' other security holdings, financial situation and needs, financial status, tax status, and investment objectives	27	11%
Opens accounts, transfers assets, and maintains appropriate account records	27	11%
Total	250	100%

Although Table 1-1 shows the outline of the exam, I (and most other study material providers) break the chapters down by similar content to keep you from having to jump back and forth through your study material.

To view the complete FINRA Series 7 outline, visit www.finra.org/web/groups/industry/@ip/@comp/@regis/documents/industry/pl24292.pdf.

Understanding the Exam Format and Other Exam Details

To make sure you don't walk into the testing center, take one look at the computer screen, go into shock, and start drooling on the keyboard, I use the next few sections to cover some of the testing details for the Series 7 exam.

Reviewing the exam basics

The Series 7 exam is a computerized, closed book (in other words, no book), six-hour exam. The exam consists of 260 multiple-choice questions (although only 250 of them count toward your score — see the next section), and it's divided into two three-hour sessions. You take a mandatory 30–60 minute break between sessions.



You can take bathroom breaks at any time, but the clock continues to tick away, so you may want to reconsider drinking a mega-jumbo iced latte in the morning before you arrive at the exam center.

For information on the types of questions to expect, see Chapter 3. Flip to Chapter 4 for an overview of how your exam day may progress.

Practicing on ten additional trial questions

To ensure that new questions to be introduced in future exams meet acceptable standards prior to inclusion, you answer ten additional, unidentified questions that don't

count toward your score. In other words, you get 260 questions to answer (130 in each half), but only 250 are scored.

Note: If you see a question on the Series 7 that doesn't seem even remotely similar to anything that you've studied (or even heard about), it may very likely be an experimental question.

Mastering the computerized format and features

Although you don't need any previous computer experience to do well on the exam, you don't want your first encounter with a computerized exam to be on the date of the Series 7. Being familiar with the way the questions and answer choices will appear on the screen is essential. Figure 1-1 can help you prepare for exam day.

A friendly exam-center employee will give you an introductory lesson to familiarize you with how to operate the computer before the exam session begins. Although the computer randomly selects the specific questions from each category, the operating system tracks the difficulty of each question and controls the selection criteria to ensure that your exam isn't ridiculously easier or harder than anyone else's.

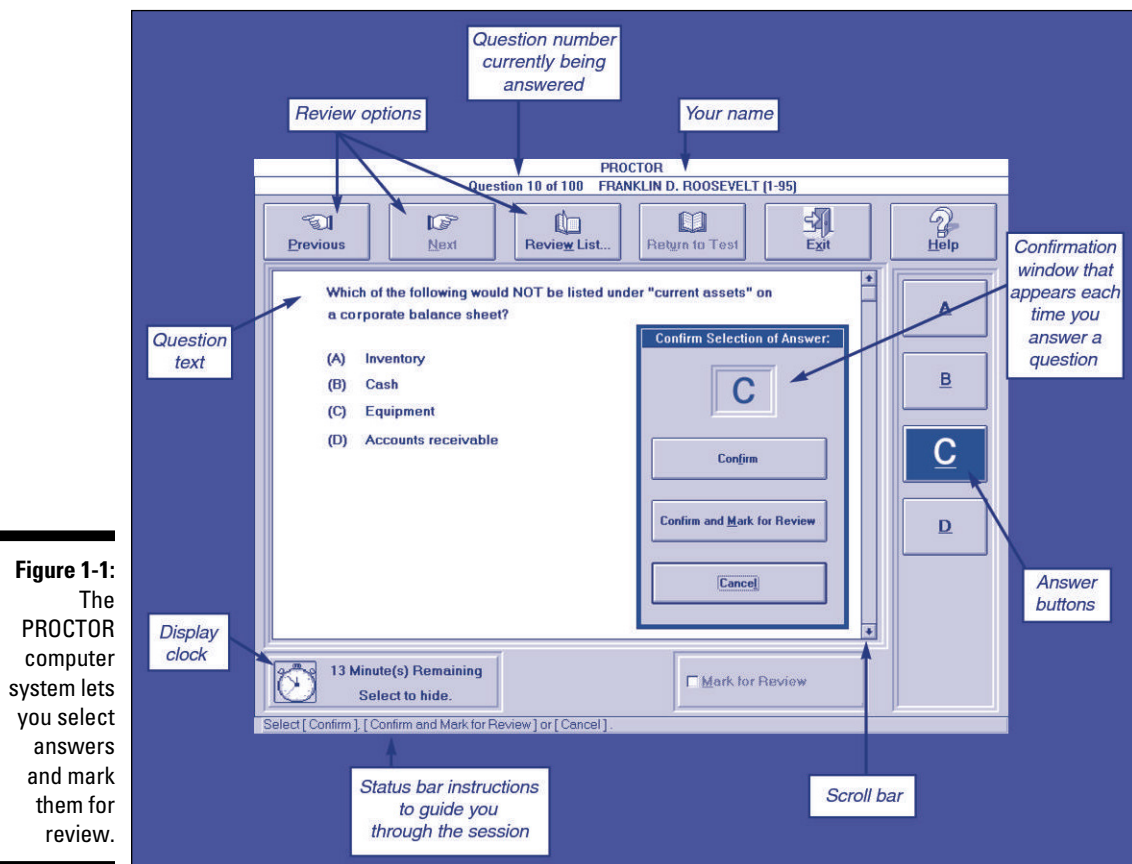


Figure 1-1:

The PROCTOR computer system lets you select answers and mark them for review.

The following list describes some important computer exam features:

- ✓ Scroll bars for moving the questions on the screen
- ✓ A clock to help you track how much time you have left during each part (if the clock is driving you batty, you can hide it with a click of the mouse)
- ✓ A confirmation box that requires you to approve your answer choice before the computer proceeds to the next question
- ✓ An indication of which question you're currently on
- ✓ A choice of answering the questions by
 - Typing in the letter for the correct answer on the keyboard
 - Using the mouse to point and click on the correct answer
 - At some test centers, using a computer with a touch screen that lets you select the answer by pressing lightly against the monitor with your fingertip
- ✓ The capability of changing your answers or marking questions that you're unsure of for later review, which allows you to go back and answer them at any time during that particular part



You can mark answers for review or change responses only for the part of the test you're currently taking. In other words, after you begin the second part, you can't go back and change answers from the first part.



Although you can review and change all your answers at the end of each half, don't. Your brain is going to feel like it went through a blender by the time you get there. Review only your *marked* questions and change the answers only if you're 100 percent sure that you made a mistake. As an instructor, I know that people change a right answer to a wrong one five times more often than they change a wrong one to a right one.

A little testing info from FINRA

The FINRA website (www.finra.org) is certainly worth checking out. It contains all the nitty-gritty details about the Series 7 and related exams. Use this website for the following:

- ✓ **FINRA Current Uniform Registration Forms for Electronic Filing In WEB CRD:** This page includes the U-4 Series 7 registration forms and a link to the Uniform Forms Reference Guide, with contact numbers and other explanatory information for filers.
- ✓ **FINRA Test Center Rules of Conduct:** Just in case you're unable to distinguish the Series 7 test center from that third-period algebra class you had back in high school, FINRA gives you the rules and regulations for taking the Series 7 (do not hide a list of equations under the brim of your baseball cap, do not roam the halls during your restroom break, and do not pass notes, no matter how bored you are).
- ✓ **FINRA Registration and Exam Requirements:** This section gives a comprehensive list of the categories of securities representatives and the exam requirements.
- ✓ **FINRA Appointments and Enrollment:** Here you find FINRA tips for scheduling appointments to take the Series 7 exam, info about obtaining extensions, and the exam cancellation policy.
- ✓ **FINRA Registration Exam Fee Schedule:** Check out this page to see the fees for registering for the Series 7 Exam.

Instant gratification: Receiving and evaluating your score

Remember having to wait weeks for a standardized test score, hovering somewhere between eagerness and dread? Those days are gone. At the end of the Series 7, the system calculates your score and displays a grade result on the computer screen. Although the wait for your grade to pop up may feel like an eternity, it really takes only 30–45 seconds to see your grade. When you sign out, the test center administrator will tackle you (well, approach you) and give you a printed exam report with your grade and the diagnostic score results with your performance in the specific topics tested on your exam.

Each question on the Series 7 exam is worth 0.4 point, and candidates need a score of 72 or better to achieve a passing grade. This percentage translates to 180 questions out of 250 that you have to answer correctly. The scores are rounded down, so a grade of 71.6 is scored as 71 on the Series 7. When I took the exam, back when the passing grade was 70, one of the other students from my class got a 69.6 (which was rounded down to a 69), and he had the NASD (now called FINRA) review his exam to try and get him the extra point. Needless to say, they ruled against him and he had to take the exam again.

You passed! Now what?

After you pass the Series 7, Series 63, and/or Series 66 exam, FINRA will send your firm confirmation that you passed. At that point, you can buy and sell securities for your customers in accordance with your firm's customary procedures.

To continue working as a registered rep, you'll need to fulfill FINRA's continuing education requirements. Within 120 days after your second anniversary as a registered rep, and every three years thereafter, you have to take a computer-based exam covering regulatory elements such as compliance, regulatory, ethical and sales practice standards at either the Pearson VUE or Prometric exam center. In addition, there is a requirement (called a brokerage firm element) which requires broker dealers to keep their registered representatives updated on job and product-related topics.

So you need a do-over: Retaking the exam

Sorry to end this chapter on a negative note, but the Series 7 is a difficult exam, and certainly a lot of people need a do-over.

If you fail the Series 7, your firm has to request a new test date and pay for you to retake the test. Your sponsors can send in one page of the U-4 requesting a new exam, or they can apply online through the Central Registration Depository (CRD) system. You should reapply immediately, though you have to schedule the new test date for at least 30 days after the day you failed (that's 30 days of prime studying time!). If you fail the exam three times, you're required to wait six months before you can retake the exam.

Use the time between exams to understand what went wrong and fix it. Here are some of the reasons people fail the Series 7 exam and some of the steps you can take to be successful:

✓ **Lack of preparation:** You have to follow, and stick to, a well-constructed plan of study. You have your diagnostic printout after you take the exam, and you can use that to focus on the areas of study where you fell short.

Prep courses can help you identify and focus on the most commonly tested topics and provide valuable tips for mastering difficult math problems. Also consider tutoring sessions tailored to accommodate your busy schedule and pinpoint the areas of study where you need the most help.