



UNIFORM SECURITIES AGENT STATE LAW EXAMINATION (SERIES 63) OVERVIEW

September 1, 2023

Table of Contents

1	BACKGROUND INFORMATION	3
1.1	Series 63 Examination Structure and Procedures	4
1.2	About NASAA and NASAA Model Acts, Model Rules and Statements of Policy	5
2	SERIES 63 TEST SPECIFICATIONS	6
2.1	Regulation of Broker-Dealers	7
2.2	Regulation of Broker-Dealer Agents.....	7
2.3	Ethical Practices and Obligations.....	7
2.4	Communication with Customers and Prospects.....	8
2.5	Regulations of Securities and Issuers.....	8
2.6	Regulations of Investment Advisers	8
2.7	Regulations of Investment Adviser Representatives.....	9
2.8	Remedies and Administrative Provisions	9
3	CONSOLIDATED LIST OF TESTABLE SUBJECTS.....	9

1 BACKGROUND INFORMATION

The Uniform Securities Agent State Law Examination, commonly called the “Series 63” examination, has been developed by the North American Securities Administrators Association, Inc. (“NASAA”) and NASAA’s member organizations in cooperation with securities industry professionals to set standards of professional competency for broker-dealer agents under state laws. Passage of the Series 63 examination is normally a prerequisite for licensure to conduct business as a broker-dealer agent in a state.

The Series 63 examination evaluates an applicant’s knowledge of certain securities law principles under federal and state law. These principles have been identified by subject matter experts as appropriate metrics for successful professional service as a broker-dealer agent. Broadly speaking, the questions in the Series 63 examination draw from the following sources:

Federal Law¹

- Securities Act of 1933 (“SA”)
- Securities Exchange Act of 1934 (“SEA”)
- Investment Advisers Act of 1940 (“IAA”)
- Securities and Exchange Commission (“SEC”) rules and regulations
- Financial Industry Regulatory Authority (“FINRA”) rules

State Law²

- Uniform Securities Act of 1956, as amended by NASAA (“USA”)³
- NASAA Model Rules, Statements of Policy and Model Acts

Applicants for the Series 63 examination are not expected to know the entirety of information contained within these various sources. Rather, the Series 63 examination evaluates a test taker’s knowledge of eight general subject matters relevant to the work of broker-dealer agents. The test specifications for the Series 63 examination – *i.e.*, the eight subject matters tested in the examination and the respective weighting of each subject matter – are contained in Part II below. Part II also identifies specific federal and state securities laws and rules that are

¹ All federal law materials testable in the Series 63 examination are publicly available through various governmental and non-governmental websites.

² All state law materials testable in the Series 63 examination are publicly available on NASAA’s website.

³ A copy of this model act is available on NASAA’s website at: <https://www.nasaa.org/wp-content/uploads/2021/10/1956-Uniform-Securities-Act-with-NASAA-Updates-and-Commentary.pdf>. The Uniform Securities Act of 1956 was developed by the Uniform Law Commission. Since its original publication, NASAA has added its own amendments and commentary to the 1956 Act. This version of the act – with NASAA’s amendments and commentary – is the version eligible for testing in the Series 65 examination. (The Uniform Law Commission subsequently developed a second model state securities statute, the Uniform Securities Act of 2002. However, the Series 63 examination does not test this version.)

eligible for testing in each subject. Finally, these testable laws and rules are consolidated into a single list in Part III.

1.1 Series 63 Examination Structure and Procedures

The Series 63 examination consists of 65 multiple-choice questions. Of these questions, 60 will count towards an applicant's final score while the remaining five are included for pre-testing purposes (to validate and weight the questions for future scoring in NASAA examinations). Applicants will not know which of the 65 questions in each examination will be scored and which questions are included for pre-testing. Applicants are allowed 75 minutes to complete the examination.

The Series 63 examination is a criterion based minimum competency examination, meaning NASAA, through one of its committees and with assistance of independent subject matter experts, is responsible for drafting and approving test questions and weighting the composite examination. To pass the examination, a candidate must correctly answer at least 43 of the 60 scored questions.

Series 63 examinations are assembled individually by a test development algorithm from a pool of eligible questions. Two individuals taking the Series 63 examination at the same time therefore will have different sets of test questions. The test development algorithm uses difficulty parameters and content parameters associated with the test questions to create each Series 63 examination. The use of these parameters ensures that all Series 63 examinations will be consistent with one another from a content and difficulty perspective, notwithstanding that the specific questions will vary.

All examination questions are copyright material of NASAA. NASAA expressly prohibits the unauthorized use of the examination and examination questions. **Accordingly, no one may use, copy, reproduce or republish an examination or any examination question without prior written consent from NASAA. NASAA reserves the right to take appropriate action against any person who compromises or attempts to compromise the examination, either in whole or in part, including referring such persons to state securities regulators and law enforcement officials.**

The Series 63 examination is conducted as a closed book test. Although not necessary, scratch paper may be used by a candidate and will be provided by a testing proctor upon request. (Scratch paper must be returned to the proctor after the test.) After completing the examination, applicants will be notified whether they pass or fail the examination. Furthermore, any applicant who fails the examination will be informed of their scores within each of the sections of the examination (discussed below). No applicant will be told their score on specific questions, nor will the text of any questions be disclosed.

Series 63 examinations are administered to test takers by FINRA. To schedule a candidate for the examination, a broker-dealer should file an electronic Form U4 through the WebCRD system (though an individual not employed by or associated with a FINRA member firm can schedule their own examination by visiting [FINRA's Test Enrollment Services System](#)). Please visit FINRA's "Enroll for an Exam"⁴ webpage to learn more about registering to take the examination. Once a candidate is registered, FINRA will open a 120-day testing window within which the candidate must schedule and take their examination.

If an individual takes the Series 63 examination and does not pass, the following waiting periods shall apply before the individual can retest:

- (1) a minimum of 30 days after failing the first examination before the second taking of the examination can be scheduled;
- (2) a minimum of 30 days after failing the examination for the second time before the third taking of the examination can be scheduled; and
- (3) a minimum of 180 days after failing the examination for a third time before the fourth taking of the examination (and each subsequent taking) can be scheduled.

Although successful completion of the examination may satisfy a portion of the requirements for registration as a broker-dealer agent in a particular state, **passing the Series 63 examination does not in and of itself confer the right to transact securities business in any state**. Test takers should refer to the specific licensing and registration requirements of each state in which they seek to conduct business before endeavoring to do so to ensure they do not engage in unlawful unregistered broker-dealer or investment adviser activity.

1.2 About NASAA and NASAA Model Acts, Model Rules and Statements of Policy

The Series 63 examination was developed by and through NASAA, and all examination content is NASAA's copyrighted property. NASAA is a non-profit association of state, provincial and territorial securities regulators in the United States, Canada and Mexico. NASAA's U.S. members consist of the securities regulators in all fifty states, the District of Columbia, Guam, Puerto Rico and the U.S. Virgin Islands. NASAA's members have worked to protect investors and regulate state securities markets for over 100 years.

One of NASAA's missions is to develop model regulatory policies for potential adoption by NASAA members or state legislatures. These documents, which NASAA terms model acts,

⁴ Publicly available at <https://www.finra.org/registration-exams-ce/qualification-exams/enroll>.

model rules or statements of policy,⁵ are intended for use by states to regulate particular issues of state securities law. NASAA has a process by which it develops and adopts models and statements (including providing opportunities for public comment). After NASAA adopts a model act, model rule or statement of policy, each jurisdiction will decide for itself whether (and how) to adopt the regulatory policy as its own.

NASAA’s model acts, model rules and statements of policy thus do not have legal force or effect standing on their own. They are given legal force or effect through their adoption by particular jurisdictions. All of NASAA’s model acts, model rules and statements of policy are publicly available on NASAA’s website, www.nasaa.org, though not all of them are testable in the Series 63 examination. The subject matters tested in the Series 63 examination (along with the weighting of each subject matter) are outlined immediately below. Finally, Part III concludes with a comprehensive list of all topics that are testable in the Series 63 examination.

2 SERIES 63 TEST SPECIFICATIONS

The Series 63 examination tests eight general subject matters related to the professional responsibilities of broker-dealer agents. These subject matters are listed in the following table, along with their respective weightings within the examination.⁶

SUBJECT MATTER	WEIGHTING	NUMBER OF QUESTIONS
Regulation of Broker-Dealers	12%	7
Regulation of Broker-Dealer Agents	13%	8
Ethical Practices and Obligations	25%	15
Communication with Customers and Prospects	20%	12
Regulation of Securities and Issuers	9%	5
Regulation of Investment Advisers	5%	3
Regulation of Investment Adviser Representatives	5%	3
Remedies and Administrative Provisions	11%	7
TOTALS	100%	60*

⁵ There is no material distinction for non-NASAA members between a NASAA *model act*, a NASAA *model rule* and a NASAA *statement of policy*.

⁶ Questions regarding the regulation of investment advisers and investment adviser representatives are included within the scope of the Series 63 examination because of the close intersections between securities brokerage and advisory services and the necessity for broker-dealer agents to understand the limits of permissible broker-dealer agent activities.

* As discussed previously, each Series 63 examination includes 65 questions of which 60 questions are scored. The five unscored questions can come from any one or more of the above subject matters.

The sections below outline the purposes and scope of questions tested within these eight subject matters, including examples of some of the statutes or rules eligible for testing. Candidates are responsible for their own course of study to prepare for the examination. NASAA does not approve, endorse or recommend any third-party examination preparation services. Third-party examination preparation services have no access to examination content.

Finally, candidates should note that examination questions may or may not reference the specific concept or legal rule being tested. For example, a question intended to test a candidate's knowledge of the NASAA *Statement of Policy on Dishonest or Unethical Business Practices of Broker-Dealers and Agents* may or may not actually name this statement of policy as part of the question. In addition, questions may refer generally to an area of law. A question that begins, "Under the Uniform Securities Act . . .", therefore might be testing the literal text of the Uniform Securities Act of 1956 (as amended by NASAA) or it might be testing a NASAA model rule promulgated thereunder. Similarly, a question that says "pursuant to the Securities Exchange Act of 1934" could be testing the text of the statute or an SEC rule promulgated thereunder. Candidates are expected to know the concepts and legal principles enumerated below without necessarily being prompted as to which concept or principle is being tested.

2.1 Regulation of Broker-Dealers

Seven questions in every Series 63 examination (12%) will cover general regulatory requirements affecting broker-dealers. These questions may test federal or state broker-dealer registration requirements (*e.g.*, SEA § 15; USA §§ 201 – 204, 401) and Form BD filing requirements. Broker-dealer supervision standards also may be tested (*e.g.*, FINRA Rule 3110).

2.2 Regulation of Broker-Dealer Agents

Eight questions in every Series 63 examination (13%) will cover general regulatory requirements for broker-dealer agents. Test questions may include registration requirements for broker-dealer agents (*e.g.*, USA §§ 201 – 204, 401) and Form U4 filing requirements. In addition, questions may test FINRA rules on agent accounts at other brokerage firms (*e.g.*, FINRA Rule 3210) and payments to unregistered persons (*e.g.*, FINRA Rule 2040).

2.3 Ethical Practices and Obligations

Fifteen questions in every Series 63 examination (25%) will cover broker-dealer business conduct standards under federal and state law. Questions may address various types of fraudulent broker-dealer conduct, such as churning, front-running, unauthorized trading, misrepresentations, market manipulation, insider trading, and spoofing or layering. Federal conduct standards that may be tested include SEC Regulation Best Interest, soft dollar standards (*e.g.*, SEA § 28(e)) and FINRA conduct rules (*e.g.*, FINRA Rules 2111, 2121).

State conduct standards that may be tested include NASAA's *Statement of Policy on Dishonest or Unethical Business Practices of Broker-Dealers and Agents*, *Statement of Policy on Dishonest or Unethical Business Practices of Broker-Dealers and Agents In Connection with Investment Company Shares*, and *Model Act to Protect Vulnerable Adults from Financial Exploitation*. In addition, the *Uniform Prudent Investor Act* prepared by the Uniform Law Commission may be tested.

2.4 Communication with Customers and Prospects

Twelve questions in every Series 63 examination (20%) will cover regulatory requirements for broker-dealer operations, records and communications with customers. NASAA has not issued a model rule related to broker-dealer books and records (and federal law limits state regulatory authority on this issue). However, questions in the Series 63 examination may test SEC and FINRA rules related to broker-dealer books and records and communications with customers (e.g., SEC Rules 17a-3, 17a-4; FINRA Rules 2210, 4512). In addition, questions about options, including option valuation, and broker-dealer handling of margin accounts are eligible for testing (e.g., Regulation T; FINRA Rules 2360, 4210). SEC Regulation S-P and state law (e.g., USA § 403) also may be tested.

2.5 Regulations of Securities and Issuers

Five questions in every Series 63 examination (9%) will cover subjects related to issuers and securities offerings. These questions may test general principles of securities registration and exemptions, the securities offering process, and standards for securities underwriters. Specific questions on securities registration and notice filing under state law may be asked (e.g., USA §§ 301 – 307, 402). Questions also may test legal standards for whether a financial instrument is a security under the well-known *Howey* test.

2.6 Regulations of Investment Advisers

Three questions in every Series 63 examination (5%) will cover general issues of investment adviser regulation. Questions may include state law investment adviser registration requirements (e.g., USA §§ 201 – 204), federal registration requirements (e.g., IAA § 203), and the dividing line between state and federal regulation of investment advisers (e.g., IAA § 203A). In addition, the following NASAA model rules may be tested: *NASAA Unethical Business Practices of Investment Advisers*, *Investment Adviser Representatives*, and *Federal Covered Advisers Model Rule (102(a)(4)-1)*, *NASAA Recordkeeping Requirements for Investment Advisers Model Rule (203(a)-2)*, *NASAA Contents of Investment Advisory Contract Model Rule (502(c))*, *NASAA Custody Requirements for Investment Advisers Model Rule (102(e)(1)-1)*, and the *NASAA Investment Adviser Information and Security Privacy Rule*.

2.7 Regulations of Investment Adviser Representatives

Three questions in every Series 63 examination (5%) will cover general issues regarding the regulation of investment adviser representatives. Questions may cover the definition of an investment adviser representative (USA § 401), investment adviser representative registration standards (e.g., USA §§ 201 – 204; SEC Rule 203A-1) and the *NASAA Registration Requirements for Investment Adviser Representatives Model Rule (202(a)-2)*.

2.8 Remedies and Administrative Provisions

Seven questions in every Series 63 examination (11%) will cover public and private remedies available to redress violations of federal or state securities laws, the scope of insurance coverage provided by the Securities Investor Protection Corporation (“SIPC”), and the administrative powers of state securities administrators. In particular, questions of state law may cover the scope of antifraud provisions (USA § 101), remedies available to state securities administrators to regulate securities professionals (USA § 204) and securities offerings (USA §§ 306, 307), the authority of state securities administrators to conduct investigations (USA § 407) and issue orders (USA § 408), and potential civil (USA § 410) and criminal (USA § 409) liability for securities violations.

3 CONSOLIDATED LIST OF TESTABLE SUBJECTS

Uniform Securities Act of 1956, as amended by NASAA⁷

- The entire text of this model act, including NASAA’s updates and commentary thereon, is eligible for testing.

NASAA Model Rules, Statements of Policy and Model Acts

- Statement of Policy on Dishonest or Unethical Business Practices of Broker-Dealers and Agents (1983)
- Statement of Policy on Dishonest or Unethical Business Practices of Broker-Dealers and Agents in Connection with Investment Company Shares (1997)
- NASAA Model Act to Protect Vulnerable Adults from Financial Exploitation (2016)
- Rules for Sales of Securities at Financial Institutions (1998)
- Unethical Business Practices of Investment Advisers, Investment Adviser Representatives, and Federal Covered Advisers, Model Rule 102(a)(4)-1 (2019)

⁷ A copy of this model act is available on NASAA’s website at: <https://www.nasaa.org/wp-content/uploads/2021/10/1956-Uniform-Securities-Act-with-NASAA-Updates-and-Commentary.pdf>.

- Registration Requirements for Investment Adviser Representatives, Model Rule 202(a)-2 (2000)
- Recordkeeping Requirements for Investment Advisers, Model Rule 203(a)-2 (2011)
- Contents of Investment Advisory Contract, Model Rule 502(c) (2013)
- Custody Requirements for Investment Advisers, Model Rule 102(e)(1)-1 (2013)
- Investment Adviser Information and Security Privacy Rule (2019)

Securities Exchange Act of 1934 & SEC Rules Thereunder

- Section 15 – *Registration and Regulation of Brokers and Dealers*
- Section 28 – *Effect on Existing Law*
- SEC Rule 17a-3 – *Records to be Made by Certain Exchange Members, Brokers and Dealers*
- SEC Rule 17a-4 – *Records to be Preserved by Certain Exchange Members, Brokers and Dealers*
- SEC Rule 15l-1 – *Regulation Best Interest*
- SEC Regulation S-P
- Form BD and Form BD Instructions
- Form U-4 and Form U-4 Instructions

Securities Act of 1933 & SEC Rules Thereunder

- Section 5 – *Prohibitions Relating to Interstate Commerce and the Mails*

Investment Advisers Act of 1940 & SEC Rules Thereunder

- Section 203 – *Registration of Investment Advisers*
- Section 203A – *State and Federal Responsibilities*
- SEC Rule 203A-1 – *Eligibility for SEC Registration; Switching to or From SEC Registration*

FINRA Rules and Regulatory Notices

- FINRA Rule 2040 – *Payments to Unregistered Persons*
- FINRA Rule 2111 – *Suitability*
- FINRA Rule 2121 – *Fair Prices and Commissions*
- FINRA Rule 2210 – *Communications with the Public*
- FINRA Rule 2360 – *Options*
- FINRA Rule 3110 – *Supervision*
- FINRA Rule 3210 – *Accounts At Other Broker-Dealers and Financial Institutions*

- FINRA Rule 4210 – *Margin Requirements*
- FINRA Rule 4512 – *Customer Account Information*
- FINRA Regulatory Notice 10-22 – *Regulation D Offerings*

Other Subjects

- Legal Standards for What Qualifies as a Security under the *Howey* Test (*SEC v. W.J. Howey*, 328 U.S. 293 (1946))
- Regulation T and Margin Trading
- Uniform Prudent Investor Act
- Use of Tombstone Ads in Securities Offerings
- Options Valuation
- Elements of Insider Trading
- Scope of SIPC Insurance Coverage of Customer Accounts
- Regulation of Wrap Fee Programs

Disclaimer: This document is intended to be an overview of the Uniform Securities Agent State Law Examination, which will contain specific and challenging questions in these subjects. Accordingly, this guide should not be considered a substitute for thorough study and preparation.