

Products

- ✓ **Rights:** short-term (**60 days max**); exercise price **below** market
- ✓ **Warrants:** long-term (**3—5 years or perpetual**); exercise price **above** market; sweeteners on bonds and preferred stock
- ✓ **Options:** paid in full; listed over **9 months: 75%**
- ✓ **DPPs:** pass through gains and losses (limited partnerships)
 - Underwriting compensation capped at **10%** of the gross offering
 - **Rollup** solicitation compensation capped at **2%**
 - **MLPs:** publicly traded; **90%+** of income from qualifying sources
- ✓ **Variable annuities:** tax-deferred
 - **10% penalty** if withdrawn before **59½**
 - **1035 exchange** = tax-free transfer
 - Anything taxable is taxed as ordinary income

Margin accounts

- ✓ Documents
 - **Credit agreement** (required)
 - **Hypothecation** (required)
 - **Loan consent** (optional)
 - Margin disclosure
- | | Long | Short |
|--|----------|----------|
| Reg T initial (Federal Reserve) | 50% | 50% |
| Maintenance | 25% | 30% |
| Equity | LMV – DR | CR – SMV |
- ✓ Reg T due **S+2 (T+3)**; unpaid → liquidate; min equity **\$2,000**
 - ✓ Cash: sold before paid, then not paid in time → **90-day freeze**
 - ✓ House requirements may be **higher, never lower**; failure → firm liquidates without consent or consultation
 - ✓ **Non-marginable:** penny stocks, OTC stocks, IPOs (first 30 days), mutual funds (until held 30 days)
 - ✓ **SMA** is built from excess equity; **buying power** = $2 \times \text{SMA}$

Settlement & delivery

- ✓ **Regular way** = **T+1** (equities, munis, governments, options — since May 2024)
- ✓ **Cash** = **same day**; mutual funds price at the next NAV, settle T+1
- ✓ **Dividend dates**
 - **Declaration:** the board declares the dividend
 - **Ex-date:** first day a buyer does **not** get the dividend; same day as the record date
 - **Record:** must be a shareholder of record to get the dividend
 - **Payment:** the dividend is paid
- ✓ **Good delivery:** stocks in 100-share lots; bonds in **\$1,000** denominations (max \$100,000 per certificate)
- ✓ Physical transfer needs a **Medallion Signature Guarantee**
- ✓ **DVP/RVP:** up to **35 days**; firm keeps agent and client information on file

Investment companies (Act of 1940)

Type	Features
Open-end (mutual fund)	Redeemable; common stock only
Closed-end	Fixed shares; exchange-traded
UIT	Fixed, unmanaged; no board
FACC	Face-amount certificate company

- ✓ Redemptions paid within **7 days**; **naming rule:** **80%+** of assets match the name
- ✓ **12b-1 fee:** max **1.00%** (0.75% distribution + 0.25% service); board must be a **majority** uninterested

Share class	Sales charge
A	Front-end load; breakpoints apply
B	Back-end (CDSC); converts to A
C	Level load; highest annual fees (short-term)
No-load	Max 0.25%

- ✓ **Breakpoints:** same fund family only
 - **LOI:** backdate up to **3 months**; valid **13 months**; new money only
 - **ROA:** breakpoints reached through account growth
 - Max sales charge **8.5%** with breakpoints and ROA; **8%** without ROA

Markets, orders & confirmations

- ✓ **NASDAQ tiers:** Global Select (highest), Global Market, Capital Market (entry level)
- ✓ **NASDAQ levels**
 - **Level 1:** the inside quote
 - **Level 2:** all market-maker quotes
 - **Level 3:** Level 2, and market makers enter and modify quotes
- ✓ **OTC tiers:** OTCQX, OTCQB, OTCID, Pink Limited
- ✓ Trades reported within **10 seconds**
- ✓ **5% policy:** a FINRA *guideline*, not a rule, for markups and commissions on secondary-market trades
- ✓ **Order types**
 - **Day**
 - **Market:** top priority, FIFO
 - **Limit:** at the price or better
 - **IOC:** partial fill OK
 - **FOK:** all, immediately
 - **GTC:** firm sets the limit
 - **Stop:** → market when triggered
 - **Stop-limit**
 - **AON:** no partial fills
- ✓ **Confirmations:** required; can't be refused
 - Retail bond trades with same-day offsetting trades: markup in \$ and % (FINRA, MSRB)
 - MSRB info on request: **5 business days** (trade under 30 days old), **15** (older)