

Regulatory Notice

23-05

Qualifications Exams

FINRA Revises the Research Analyst (Series 86/87) Exam Program

Effective Date: May 15, 2023

Summary

FINRA periodically reviews the content of qualification exams to ensure each exam remains current and appropriately tailored to the qualifications and subject matter being tested. Based on this review process, FINRA has revised the Research Analyst (Series 86/87) exam program to incorporate the functions and associated tasks a Research Analyst currently performs; reflect the laws, rules, and regulations most relevant to these functions and associated tasks; reduce the number of scored multiple-choice questions on the Series 86 exam; and update the content outline to reflect these revisions.¹

These changes are reflected in the Series 86/87 exam content outline on FINRA's website and will appear in Series 86/87 exams administered on or after May 15, 2023.

Questions concerning this *Notice* should be directed to:

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Background & Discussion

Section 15A(g)(3) of the Securities Exchange Act of 1934 (SEA) authorizes FINRA to prescribe standards of training, experience, and competence for persons associated with FINRA-regulated firms. Accordingly, FINRA has developed exams that are designed to establish that persons associated with FINRA-regulated firms have attained specified levels of competence and knowledge, consistent with applicable registration requirements under FINRA rules.

March 27, 2023

Notice Type

- ▶ Guidance

Suggested Routing

- ▶ Compliance
- ▶ Legal
- ▶ Operations
- ▶ Registration
- ▶ Training

Key Topics

- ▶ Qualifications Exams
- ▶ Research Analysts
- ▶ Series 86/87

Referenced Rules & Notices

- ▶ FINRA Rule 1220(b)(6)
- ▶ FINRA Rule 2220
- ▶ FINRA Rule 5280
- ▶ FINRA Rule 9600 Series
- ▶ SEA Section 15A(g)(3)

FINRA Rule 1220(b)(6) (Research Analyst) requires an associated person whose primary job function is to provide investment research and who is primarily responsible for the preparation of the substance of an equity research report, or whose name appears on an equity research report, to be registered and qualified as a Research Analyst. An associated person registering as a Research Analyst after October 1, 2018, must, prior to or concurrent with such registration, pass the general knowledge co-requisite Securities Industry Essentials (SIE) exam and the Series 86/87 exam, or obtain a waiver. An associated person may obtain a waiver from the analytical portion (Series 86 exam) upon written request (pursuant to the FINRA Rule 9600 Series) and verification that the applicant has passed:

- (i) Levels I and II of the CFA Examination; or
- (ii) if the applicant functions as a research analyst who prepares only technical research reports as defined in paragraph (b)(6) of Rule 1220, Levels I and II of the Chartered Market Technician (CMT) Examination; and
- (iii) has either functioned as a research analyst continuously since having passed the Level II CFA or CMT Examination or applied for registration as a Research Analyst within two years of having passed the Level II CFA or CMT Examination.

In consultation with a committee of industry representatives, FINRA recently reviewed the Series 86/87 exam program. As a result of this review, FINRA filed with the U.S. Securities and Exchange Commission for immediate effectiveness a proposal to revise the Series 86/87 exam program to incorporate the functions and associated tasks a Research Analyst currently performs, and to reflect the laws, rules, and regulations most relevant to these functions and associated tasks. The revisions also reduce the number of scored multiple-choice questions on the Series 86 exam. FINRA has updated the Series 86/87 content outline to reflect these revisions.

Revisions

The revised Series 86/87 exam is divided into two parts that include the five major job functions a Research Analyst performs. FINRA conducted a job analysis study of Research Analysts, which included a survey, to develop each function and associated tasks and update the required knowledge set forth in the revised content outline. These functions and associated tasks reflect the day-to-day activities of a Research Analyst. The five major job functions on the revised Series 86/87 exam are:

Part 1 (Series 86):

Function 1: Information and Data Collection;
Function 2: Data Verification and Analysis; and
Function 3: Valuation and Forecasting.

Part 2 (Series 87):**Function 4:** Preparation of Research Reports; and**Function 5:** Dissemination and Marketing of Information Activities.

FINRA also reduced the number of scored questions on the Series 86 exam from 100 multiple-choice questions to 85 multiple-choice questions; the number of scored questions on the Series 87 exam remains the same.² In reviewing the results of the survey and the changes to the tasks and knowledge required to function as a Research Analyst, FINRA determined an 85-question Series 86 exam can sufficiently sample the requisite knowledge domain.³ Further, FINRA adjusted the number of questions assigned to each major job function on the Series 86/87 exam to ensure the overall exam better reflects the key tasks a Research Analyst performs. The number of questions assigned to each function on the Series 86/87 exam are:

Part 1 (Series 86):**Function 1:** 18 questions;**Function 2:** 28 questions; and**Function 3:** 39 questions.**Part 2 (Series 87):****Function 4:** 36 questions; and**Function 5:** 14 questions.

Finally, the content outline lists the laws, rules, and regulations a candidate is expected to know to perform each function and associated tasks. FINRA updated the Series 86/87 content outline to reflect the laws, rules, and regulations most relevant to the functions and associated tasks of a Research Analyst by including FINRA Rule 5280 (Trading Ahead of Research Reports) and removing FINRA Rule 2220 (Options Communications).

Candidates will continue to have four hours and 30 minutes to complete the Series 86 exam, and one hour and 45 minutes to complete the Series 87 exam.

Availability of Content Outline

The revised Series 86/87 exam content outline is available on FINRA's [website](#).

Endnotes

1. See Securities Exchange Act Release No. 97104 (March 10, 2023), 88 FR 16289 (March 16, 2023) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2023-004).
2. Consistent with FINRA's practice of including "pretest" questions on certain qualification exams, which is designed to ensure that new exam questions meet acceptable testing standards prior to use for scoring purposes, the exam includes 15 additional, unidentified pretest questions (10 on the Series 86 exam and 5 on the Series 87 exam) that do not contribute towards the candidate's score. Therefore, the exam consists of 150 questions, 135 of which are scored. The 15 pretest questions are randomly distributed throughout the exam.
3. FINRA looked at the impact of shorter test forms on key psychometric properties of the test, including *decision agreement* (the probability that the 85-item version of the test and the 100-item version yield the same pass-fail result for a given examinee). The results showed that the move to 85-item test forms will have minimal impact on the effectiveness of the Series 86 exam in assessing the level of proficiency required of an entry-level Research Analyst. Therefore, the 85-question Series 86 exam can reliably assess the level of proficiency required of an entry-level Research Analyst.