SECURITIES TRAINING CORPORATION
Series 63
Crunch Time Facts

The Crunch Time Facts are a collection of statements we believe are valuable as you engage in the final preparation to sit for your examination. These facts are not designed to raise questions, but instead to be part of your final review used with any notes created during your studies.

Chapter	Facts
1	Universal life is not defined as a security.
○	When a term life policy is extended beyond the term period, the premium will increase.
○	Fixed annuities are not subject to the USA since they are not securities.
○	An agent of an issuer is exempt from registration if selling exempt securities or involved in an exempt transaction.
○	NASAA members include all states, District of Columbia (D.C), U.S. territories, Canada, and Mexico.
○	The definition of a state includes the 50 states, D.C., U.S. territories, but DOES NOT include the British V.I., Mexico, or any province of Canada.
○	Viatical investments are securities.
○	A certificate of interest in a mining lease is a security.
○	Federal covered securities are exempt from state registration.
○	Futures and commodities are not defined as securities. An option on them would be.
○	An individual who represents the issuer of exempt securities is not subject to registration as an agent.
○	An individual who represents the issuer in an exempt transaction is not subject to registration as an agent.
○	Lawyers, accountants, teachers, and engineers are excluded from the definition of an investment adviser.
○	An unpaid intern at a B/D who is involved in sales or solicitations is considered an agent and must register.
○	A solicitor for an IA may be required to register with the Administrator.
○	An endowment policy is not a security.
○	Notice filing is required for issuers of investment company shares and private placements under Rule 506 of Reg. D.
○	Limited registration is granted to Canadian B/D's and their agents. Not Mexican B/D's or agents.
○	The Administrator is permitted to issue a cease and desist order, but not an injunction.
○	The definition of a person does not include minors.
2	State Administrators in one state are permitted to share information with other state administrators. .
○	An offer or sale includes rights offerings and exercising an option.
○	The Administrator may not deny registration for a misdemeanor DUI.
○	Registration can be denied if convicted of a securities violation in a foreign country within the past 5 years.
○	A gift of assessable stock is considered both an offer and sale.
○	The Administrator may issue subpoenas both inside and outside the state.
○	Registrations may be cancelled by the Administrator without a hearing if the registrant is deceased, missing, mentally incompetent, or out of business.
3	Rebates received by an IA from an agent must be disclosed on the IA's ADV.

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- State registered advisers do not file documents with the SEC.
- Form U-4 is used by agents and IAR's to register.
- Form U-5 is used to report termination of employment filed by the B/D.
- Form U-6 is filed with regulators to report civil, criminal or regulatory actions.
- Foreclosures are not reported on the U-4, however tax liens are.
- Order tickets do not require pre-approval, but must be reviewed by a supervisor at the end of the day.
- Items older than 10 years need not be disclosed on the U-4.
- IA's who manage more than $110 million in assets are federal covered advisers and must register with the SEC.
- IA's who manage less than $100 million in assets must register with the state.
- IA's who manage between $100 million and $110 million may register with the state or the SEC.
- If a B/D has an office in a state, it must register in that state.
- B/D records are kept for 3 years.
- IA records are kept for 5 years.
- If an agent's employment is terminated, the agent, the old B/D and any new B/D must notify the Administrator.
- IA's register using Form ADV.
- IA's are not required to give a brochure to clients that are registered investment companies.
- The anti-fraud rules would not apply to fixed annuities since they are not defined as a security.
- In lieu of a surety bond, the Administrator may accept cash or securities.
- A consent to service of process is only filed once.
- An adviser's net worth would not include home furnishings or automobiles.
- Account numbers, terms of the order, execution price, time that the order was received, and the person who accepted the order are all required on an order ticket.
- Principal approval is NOT required when a trade is executed.
- Form ADV-E is filed by the auditor of an IA who has custody of client funds or securities.
- Lack of experience may not be the sole grounds for denial of a registration.
- Registration of an agent is effective on the 30th day from filing.
- Withdrawals from registration are effective 30 days after filing.
- Agents may split commissions with other agents of the same B/D if the agents and B/D are registered in the same state.
- A Transfer on Death(TOD) account designation is used to avoid probate, not estate taxes.
- An IA has custody if securities received inadvertently are not returned within 3 business days.
- IA clients must receive a brochure at least 48 hours before signing a contract, or at the time of signing if it can be cancelled without a penalty within 5 days.
- An Investment Adviser Representative must register in any state in which they have a place of business.
- When registering securities, disclose the amount to be offered in the state, not the total amount being offered.
- Advisers to investment companies must register with the SEC regardless of the amount of assets under management.

4 Under Reg. D, accredited investors include individuals with net worth over $1 million, or $200,000 of annual income ($300,000 with spouse).

- According to the USA, private placements are exempt from registration in a state, if offered to no more than 10 non-institutional investors within a 12 month period.

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- When created, an order ticket does not disclose the capacity the B/D acted in or the execution price.
- A bond rating is not included on a confirmation.
- Registration by Filing is not used for an IPO, and is not used by all states.
- Registration by Coordination is used for inter-state offerings.
- Registration by Qualification is used for intra-state offerings and requires the most documentation.
- A bond rating is not included on a confirmation
- If registration is denied, revoked or suspended, registrants may request a hearing to be held within 15 days.
- Securities issued by an insurance company are exempt, not variable annuities.
- Church bonds are exempt from registration.
- The sale of exempt securities in a state does not exempt an agent from registration.
- Selling units in a Canadian limited partnership is not an exempt transaction.
- Secondary market transactions are exempt transactions.
- A correcting amendment is filed with the Administrator if information in a registration statement becomes inaccurate.
- Under Rule 147, securities sold only in one state are exempt from federal registration.
- Securities issued by a Canadian municipality are exempt from registration , not those issued by a Canadian corp.
- Transactions between a B/D and issuer are exempt.
- A non-issuer transaction in a security listed on the Toronto Stock Exchange is exempt.
- Transactions between an underwriter and issuer are exempt transactions.
- Do not confuse Notice Filing with registration by filing.

5 IA's may have discretion with a client's verbal approval for 10 days, after which it must be in writing.

- A B/D may commingle customer cash, not securities.
- An agent cannot liquidate a client's position based solely on a research report recommendation to sell.
- Agents cannot underline or summarize a prospectus.
- A summary prospectus may be used when selling mutual funds.
- Written complaints must be responded to, but it is not a requirement to notify the administrator.
- For securities sold in a bank environment, disclose they are not FDIC insured, not guaranteed by the bank and are subject to loss of value.
- Front running is entering a trade based on advance knowledge of a large order prior to the order being reported, and insider trading is trading in advance of material non-public information about an issuer of securities.
- IA's may not disclose client information without written consent.
- IA's may charge a performance fee to qualified clients. (those with at least $1 million under management or net worth of more than $2 million)
- Possessing material non-public information (inside information) is not a violation, only if it is acted on.
- Agents may not solicit orders for unregistered, non-exempt securities. However, they may accept unsolicited orders.
- A sign of churning is frequency of trades.
- Trading ahead of a research report is prohibited.

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- Civil suits succeed the life of the plaintiff or defendant .
- The Administrator may not levy fines, change the law or issue an injunction. However the administrator may change rules and interpret the law.
- IA's are required to keep a copy of all advertising sent to 2 or more persons.
- Agents may call a prospective client only between 8 am and 9 pm, local time of the party called.
- A B/D may use testimonials , an IA may not.
- A no load mutual fund may have a 12b-1 fee that does not exceed .25%.
- A Not Held order does not require written authorization.
- Any purchaser of an IPO within the first 25 days of the effective date which will be listed on the NYSE or Nasdaq must receive a prospectus. For non-listed securities the requirement is 90 days from the effective date for an IPO and 40 days from the effective date for a non-IPO.
- An agent is selling away when executing transactions that are not recorded on the books of the B/D.
- Names placed on the Do Not Call List are maintained indefinitely.
- IA contracts may not contain an exculpatory clause.
- Soft dollars can only be used to acquire services that benefit clients.
- Soft dollar arrangements must be disclosed in the IA's ADV.
- When executing an agency cross transaction , one side of the trade must be unsolicited.
- A cease and desist order may be appealed to a state court within 60 days.
- The statute of limitations for civil liabilities is 2 years from discovery of a violation , or 3 years from the violation, whichever is first.
- The statute of limitations for criminal violations is 5 years.
- Maximum criminal penalties are a $5,000 fine and/or 3 years in prison.
- The Administrator may not impose civil or criminal penalties.
- An agent instructing a client to open an account in the state in which her parents reside (and the B/D is registered), instead of where she resides (where the B/D is not registered), is prohibited.
- For a 529 plan, equities are suitable is the child will not be attending college for a number of years. When the child is a year away from attending college, short term bonds would be suitable.
- A variable annuity is NOT suitable if the client wants liquidity.
- The maximum civil penalty for insider trading is three times the profit made or the loss avoided.