

## FREE SERIES 24 KEY FACTS

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- A "Syndicate Penalty Bid Clause" causes a syndicate member to lose their concession if they ask the underwriter to buy back too many shares at the stabilizing bid.
- A purchaser of a new issue must receive the final prospectus at or prior to the confirmation of the sale (confirmations must go out the next business day after trade).
- The SEC may issue a "Stop Order" suspending effectiveness of a registration.
- An "Offering Circular" is used with a private placement or a Regulation A (short-form) offering. It is very similar to a prospectus.
- A secondary distribution (registered secondary) is when control persons (insiders) resell their stock with a prospectus after registering it with the SEC. The prospectus need only be given out for 40 days, instead of 90 days.
- Unless a bona fide market maker in the stock, broker/dealers must act as agents only in a 144 transaction on behalf of a customer, which must always be unsolicited transactions.
- Once a restricted (unregistered) security has been held for 3 years fully paid, it may be resold without restriction (Rule 144 no longer applies).
- Generally, the SEC will not permit a prospectus to be used more than 9 months without updating.
- Rule 427 states that if a prospectus is used more than 9 months after the effective date of the registration statement, any information previously required to be contained in the prospectus must be updated such as the current available certified financial statement. In no instances may a prospectus be used that is more than 16 months old.
- If a new issue is already listed on an exchange or on NASDAQ, the prospectus need only be delivered for 25 days after the effective date.
- The NASDAQ uses 4-letters for stock symbols, whereas the NYSE uses 3 letters (with slight exception – Ford is F and AT&T is T).
- Broker/dealers must send semi-annual balance sheets (audited for the year and unaudited for the half year) to customers. (Income statements need not be sent).
- An issuer must file an 8K report with the SEC within 15 days if they have changes in control persons or directors; if there is a major acquisition or disposition of assets; if they file for bankruptcy or change auditors or fiscal year.
- Persons who acquire a 5% or more ownership in equity shares of a company must make a 13D filing with the SEC within 10 days of the acquisition.

- The Corporate Financing Rule determines the "fairness" of underwriting compensation.
- Under the Corporate Financing Rule the managing underwriter must file information as it relates to compensation within the Committee on Corporate Financing no later than 1 business day after the registration statement is filed with the SEC.
- The Committee on Corporate Financing does not require disclosures to be filed for: secondary offerings, debt issues rated BBB or higher with at least 7 years to maturity, securities issued under rule 415, securities that may be purchased in a standby underwriting, and financing backed instrument rated BBB or higher.
- Issues exempt from filing under the Corporate Financing Rule include: private placements under Regulation D, US Government securities and municipals, open end shares, UITs, variable annuities, tender offers, and competitively bid utility issues.
- FINRA does not allow discounts to be given to non-members in connection with an underwriting, so all sales to non-FINRA members must be at the POP.
- Maximum underwriting compensation of Direct Participation Programs (DPPs) is 10% of the POP.
- FINRA's Gift Rule is \$100 per person per year. This maximum applies when the sponsor or underwriter is paying incentives to R/Rs in connection with a new issue.
- NASD (now FINRA) Rule 2790 states that a member firm engaged in an underwriting of a new issue may not sell shares to a registered or non-registered employee under any circumstances.
- A registered representative may state that shares of a mutual fund have been registered with the SEC.
- When FINRA suspends or expels a person, all members of FINRA are notified as well as the news media (censure).
- Suspended members must be treated as members of the general public and are not allowed to be treated as an associated member during the suspension period.
- A suspended firm may not be paid for transactions effected during suspension.
- The prospectus delivery requirement for an IPO or add-on of exchange listed security is 25 days (shortest).
- For additional issue offerings (add-on) that are not listed or quoted on NASDAQ, the prospectus delivery requirement is 40 days.
- The prospectus delivery requirement for an IPO of a non-listed issue is 90 days (longest).
- Members of the immediate family of registered reps and persons dependent upon registered reps for support are prohibited from buying new issues.