

# Test Alert!

## to Accompany the 2nd Edition LEM

3/14/07

series **26**

The information included in this release, in addition to your other Kaplan Financial materials, is designed to assist you in preparing for concepts that your exam may include. We urge you to read it carefully and take time to review the sample questions and rationale.

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As always, we strive to provide you with the most current test preparation information. If you have any questions about this or any other Kaplan Financial study material, please call AnswerPhone at 1-800-621-9621, ext. 3598 between the hours of 8 AM and 6 PM CT, Monday through Friday.

**KAPLAN** FINANCIAL

## Series 26 *TestAlert!* to Accompany the 2nd Edition LEM

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The information found in this *TestAlert!* is written to update your 2nd Edition Kaplan Financial Series 26 License Exam Manual to match the 3rd Edition when published. This *TestAlert!* provides you with a Quick Quiz, which will help ensure that you understand and retain the material covered in this *TestAlert!*

1. **FDIC coverage of retirement accounts** The FDIC has increased its coverage of retirement accounts held in banks from \$100,000 to \$250,000.
2. **Negative response letters** If a broker/dealer firm is taking an action that affects many of its customers at once, and it would constitute a business hardship to deal with each customer individually, it is permissible for the firm to announce the action through a negative response letter. An example of such an action might be the transfer of customers to another firm, if the firm in question is having financial difficulties. If the customer is in agreement with the action, he simply need not reply to the letter. Should the customer object to the action, however, the letter must be timed so that the customer has sufficient opportunity to state his objection, and it must include enough information to permit the customer to do so.
3. **National Do-Not-Call list** Under telephone consumer protection, copies of the national Do-Not-Call list that are being used to screen cold-calling lists may not be more than 31 days old at the time of use.
4. **Principal pre-use approval for certain correspondence** Correspondence is normally not subject to approval before use by a principal. However, any correspondence sent to 25 or more existing retail customers within any 30-calendar-day period must now be approved before use by a principal, if the correspondence makes any financial or investment recommendation or otherwise promotes a product or service of the member.

### Quick Quiz

1. For business reasons, a broker/dealer firm must arrange the transfer of its customer accounts to another broker/dealer. The firm will send negative response letters out to each customer, explaining the transfers, and then point out that the customer need not take any action if he is in agreement with the transfer. Which of the following requirements must the firm meet?
  - I. There must be enough time for customers to object to the action.
  - II. The letters must point out that the transfers are mandatory for each account.
  - III. There must be a mechanism by which the customer can object to the transfer.
  - IV. The letters must be sent out at least 2 weeks before the transfer.
  - A. I and II
  - B. I and III
  - C. II and IV
  - D. III and IV

2. Your firm is making cold calls to potential customers and is using the national Do-Not-Call list to screen its list of telephone numbers. The copy of the list your firm uses must be no more than how old?
  - A. 10 days
  - B. 30 days
  - C. 31 days
  - D. 60 days
  
3. A registered representative has prepared a letter recommending a new mutual fund. He intends to send it out to 28 selected customers whose interests include funds of this type. What regulatory requirements must he meet before he can send this letter out?
  - A. The letter must be reviewed and approved before use by a registered principal.
  - B. The letter must be reviewed after it is sent out, but in a timely fashion, by a principal.
  - C. Since the letter recommends a specific mutual fund, it must be submitted to NASD within 10 days of first use.
  - D. No specific action need be taken, since it is a routine communication to the representative's customers.

## Answers to Quick Quizzes

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1. **B** Negative response letters must be timed so as to allow a customer to object to the proposed action and must indicate some procedure by which he can lodge his objection.
2. **C** The copy of the national Do-Not-Call list that is used to screen a cold-call list may not be more than 31 days old.
3. **A** Correspondence is normally reviewed in a timely fashion by a principal after being sent out. However, if it is sent out to 25 or more existing customers in a 30-day period and makes financial or investment recommendations, it must be preapproved by a principal.

To submit comments or suggestions, please send an email to [errata@kaplan.com](mailto:errata@kaplan.com).

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