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Informational Notice

**Category**  
Professional  
Qualification

**Affected Rules**  
[Rule G-3](#)

## MSRB Proposes a Municipal Advisor Principal Qualification Examination

### Overview

The Municipal Securities Rulemaking Board (MSRB) is publishing this notice to announce its plan to establish professional qualification requirements for municipal advisor principals. With the Municipal Advisor Representative Qualification Examination (“Series 50 examination”) in place since September 2016 as the baseline representative-level qualification examination, the MSRB has been engaged in an ongoing effort to develop a principal-level qualification examination.

The MSRB has filed a proposed rule change with the Securities and Exchange Commission to amend MSRB Rule G-3, on professional qualification requirements, to require municipal advisor principals – those who engage in the management, direction or supervision of the municipal advisory activities of the municipal advisor and its associated persons – to pass the new Municipal Advisor Principal Qualification Examination (“Series 54 examination”) to become appropriately qualified as a municipal advisor principal.<sup>1</sup> The proposed amendments also specify that for the first 120 calendar days after being designated as a municipal advisor principal by a municipal advisor firm, a municipal advisor representative may act in the capacity of a municipal advisor principal prior to being qualified with the Series 54 examination.<sup>2</sup> Furthermore, under the proposed amendments, municipal advisor principals who cease to be associated with a municipal advisor for two or more years at any time after having qualified as a municipal advisor principal would need to requalify by examination (*i.e.* passing both the Series 50 examination and the Series 54 examination) unless a waiver is granted.

The MSRB anticipates piloting the Series 54 examination from February 2019 through June 2019. Prior to launching a pilot version of the Series 54 examination, a content outline for the examination will be filed with the

<sup>1</sup> See [File No. SR-MSRB-2018-07](#).

<sup>2</sup> This proposed amendment is applicable after the one-year grace period has expired with respect to individuals who, thereafter, are then designated to act in a municipal advisor principal capacity.



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SEC that describes: the topics on the examination; the percentage of the examination devoted to each topic area; and the number of questions that will appear on the examination. In addition, consistent with the implementation process that the MSRB used for the Series 50 examination, once the permanent version of the Series 54 examination becomes available, individuals acting in the capacity of a municipal advisor principal will have one year to become appropriately qualified as a municipal advisor principal.

Questions about this notice may be directed to Bri Joiner, Manager, Professional Qualifications, at 202-838-1500.

## Background

Section 15B(b)(2)(A) of the Securities Exchange Act of 1934 authorizes the MSRB to prescribe standards of training, experience, competence and such other qualifications the MSRB finds necessary or appropriate in the public interest or for the protection of investors, and municipal entities and obligated persons.<sup>3</sup> The adoption of professional qualification standards for municipal advisor principals is an important step in the MSRB's ongoing efforts to carry out its mandate under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act").<sup>4</sup> Rule G-3 ensures that associated persons of a municipal advisor attain and maintain a specified level of competence pertinent to their function. If the SEC approves the proposed rule change, the MSRB will announce the effective date of the proposed rule change in an MSRB Notice. The effective date will be no later than 30 days following publication of the MSRB Notice announcing SEC approval.

## Summary of the Amendments

Proposed amendments to adopt Rule G-3(e)(ii)(A) require those who meet the definition of a municipal advisor principal, as defined under Rule G-3(e)(i),<sup>5</sup> to pass both the Series 50 examination and Series 54 examination prior to becoming appropriately qualified as a municipal advisor principal. The establishment of qualification requirements for municipal advisor

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<sup>3</sup> 15 U.S.C. 78o-4(b)(2)(A).

<sup>4</sup> See 15 U.S.C. 78o-4(b)(2)(L)(ii) and (iii) as amended by the Dodd-Frank Act. Pub. Law No. 111-203, 124 Stat. 1376.

<sup>5</sup> Under Rule G-3(e)(i) a "municipal advisor principal" is defined as "a natural person associated with a municipal advisor who is qualified as a municipal advisor representative and is directly engaged in the management, direction or supervision of the municipal advisory activities of the municipal advisor and its associated persons."

principals would assist in ensuring that such persons have a specified level of competency that the MSRB finds is necessary in the public interest and for the protection of investors, municipal entities and obligated persons.

Additionally, proposed Rule G-3(e)(ii)(B) requires any person qualified as a municipal advisor principal who ceases to be associated with a municipal advisor for two or more years at any time after having qualified as a municipal advisor principal to requalify by examination by passing both the Series 50 examination and the Series 54 examination prior to becoming qualified as a municipal advisor principal unless a waiver is granted pursuant to Rule G-3(h)(ii), on waiver of qualification requirements.<sup>6</sup> Accordingly, the MSRB is proposing to amend Rule G-3(h)(ii) and Supplementary Material .02 to provide that the MSRB will consider waiving the qualification requirement of municipal advisor principals in extraordinary cases where the applicant was previously qualified as a municipal advisor principal by passing both the Series 50 examination and Series 54 examination, and the person's qualification lapsed. Also, proposed Rule G-3(e)(ii)(C) allows a municipal advisor representative to function in the capacity of a municipal advisor principal without having passed the Series 54 examination so long as the examination is taken and passed within 120 calendar days after such person's designation as a municipal advisor principal.

The MSRB is also proposing a technical amendment to Rule G-3(e)(i), on definitions, to clarify that qualification as a municipal advisor representative is a prerequisite to obtaining qualification as a municipal advisor principal.

## **Development of the Municipal Advisor Principal Qualification Examination**

The MSRB believes that professional qualification examinations, such as the Series 50 examination and the Series 54 examination, are established means for determining the competency of persons in a particular functional role. The development of the Series 54 examination, in consultation with the MSRB's Professional Qualification Advisory Committee, ensures that a person seeking to qualify as a municipal advisor principal satisfies the required level of competency and knowledge by measuring a candidate's ability to apply MSRB rules and federal statutory provisions to the municipal advisory activities of the municipal advisor.

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<sup>6</sup> The Board will review waiver requests on their individual merits, taking into consideration relevant facts presented by an applicant.

The MSRB anticipates conducting a pilot for the Series 54 examination and the results of the pilot examination will be used to establish the passing score for the permanent Series 54 examination. After the pilot period, the MSRB will announce the date the permanent Series 54 examination will become available. Once the Series 54 examination becomes permanently available, a person who engages in the management, direction or supervision of the municipal advisory activities of the municipal advisor and its associated persons will have one year to become appropriately qualified as a municipal advisor principal. During this one-year grace period, persons acting in the capacity of a municipal advisor principal, so long as such person is qualified with the Series 50 examination, would be permitted to continue to engage in municipal advisor principal activity. The one-year grace period is designed to provide sufficient time for municipal advisor principals to prepare for and pass the Series 54 examination without considerable disruption to the business of the municipal advisor.

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## Text of Proposed Amendments\*

### Rule G-3. Professional Qualification Requirements

No broker, dealer, municipal securities dealer, municipal advisor or person who is a municipal securities representative, municipal securities sales limited representative, limited representative - investment company and variable contracts products, municipal securities principal, municipal fund securities limited principal, municipal securities sales principal, municipal advisor representative or municipal advisor principal (as hereafter defined) shall be qualified for purposes of Rule G-2 unless such broker, dealer, municipal securities dealer, municipal advisor or person meets the requirements of this rule.

*(a) – (d) No changes.*

*(e) Municipal Advisor Principal*

(i) Definition. The term "municipal advisor principal" means a natural person associated with a municipal advisor who ~~is qualified as a municipal advisor representative and~~ is directly engaged in the management, direction or supervision of the municipal advisory activities of the municipal advisor and its associated persons.

(ii) Qualification Requirements.

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\* Underlining indicates new language, strikethrough denotes deletions.

(A) To become qualified as a municipal advisor principal a person must:

- (1) As a pre-requisite take and pass the Municipal Advisor Representative Qualification Examination; and
- (2) Take and pass the Municipal Advisor Principal Qualification Examination.

The passing score shall be determined by the Board.

- (B) Any person qualified as a municipal advisor principal who ceases to be associated with a municipal advisor for two or more years at any time after having qualified as a municipal advisor principal in accordance with subparagraph (e)(ii)(A) shall take and pass the Municipal Advisor Representative Qualification Examination and the Municipal Advisor Principal Qualification Examination prior to being qualified as a municipal advisor principal, unless a waiver is granted pursuant to subparagraph (h)(ii) of this rule.
- (C) For the first 120 calendar days after becoming a municipal advisor principal, the requirements of subparagraph (e)(ii)(A)(2) shall not apply to any person who is qualified as a municipal advisor representative, *provided, however*, that such person shall take and pass the Municipal Advisor Principal Qualification Examination within that period.

~~(ii)~~ (iii) Numerical Requirements. Every municipal advisor shall have at least one municipal advisor principal.

*(f) – (g) No changes.*

*(h) Waiver of Qualification Requirements.*

(i) No change.

(ii) The requirements of paragraph (d)(ii)(A) and (e)(ii)(A) may be waived by the Board in extraordinary cases for a municipal advisor representative or municipal advisor principal.

*(i) No changes.*

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## Supplementary Material

**.01** No changes.

**.02** Waivers. The Board will consider waiving the requirement ~~to become qualified as a~~ ~~that a~~ municipal advisor representative or municipal advisor principal ~~pass the Municipal Advisor Representative Qualification Examination~~ in extraordinary cases where: (1) ~~where~~ the applicant participated in the

development of the Municipal Advisor Representative Qualification Examination or the Municipal Advisor Principal Qualification Examination, as applicable, as a member of the Board's Professional Qualifications Advisory Committee; or (2) ~~where~~ the applicant was previously qualified as a municipal advisor representative by passing the Municipal Advisor Representative Qualification Examination and/or was previously qualified as a municipal advisor principal by passing the Municipal Advisor Representative Qualification Examination and the Municipal Advisor Principal Qualification Examination and such qualifications lapsed pursuant to subparagraphs (d)(ii)(B) or (e)(ii)(B) of this rule.