

Understanding the Municipal Advisor Principal Qualification Examination (Series 54)

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Municipal Securities Rulemaking Board

This guide, published by the Municipal Securities Rulemaking Board (MSRB), is intended to assist individuals preparing to take the Municipal Advisor Principal Qualification Examination (Series 54). The guide supplements information provided in the [Series 54 content outline](#), which sets forth key concepts and rules to be tested on the examination and the percentage of the examination devoted to each topic area.¹

¹ On December 20, 2018, the MSRB filed the Series 54 content outline with the U.S. Securities and Exchange Commission (SEC) for immediate effectiveness. See File No. SR-MSRB-2018-10.

Examination Principles

The MSRB is charged with setting professional qualification standards for municipal advisors, including prescribing standards of training and competence necessary for the protection of investors and municipal entities or obligated persons. Every municipal advisor firm and its associated persons must meet the standards of professional qualification in order to engage in municipal advisory activities.² Municipal advisor representatives—those who engage in municipal advisory activities—must pass the Municipal Advisor Representative Qualification Examination (Series 50) to become appropriately qualified as a municipal advisor representative. 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—must pass the Series 50 and the Series 54 prior to becoming appropriately qualified as a municipal advisor principal.

The Series 54 is designed to establish that municipal advisor principals have a specified-level of competence. Given the role of a municipal advisor principal, such individuals must not only possess a broad knowledge of the activities engaged in by the municipal advisor firm, but also a sound understanding of the regulatory requirements governing the firm and the municipal advisory activities in which the firm engages. More specifically, the Series 54 will measure an individual's ability to apply the applicable regulatory requirements to the municipal advisor's activities.

While some topics covered in the Series 50 are also covered in the Series 54, questions on the Series 54 are designed to test an individual's understanding of the supervisory application of rules and regulations rather than a baseline knowledge of the regulatory requirement. For example, the Series 50 may test an individual's knowledge with respect to political contributions under [MSRB Rule G-37](#), on political contributions and prohibitions on municipal securities business and municipal advisory business, whereas the Series 54 would test an individual's knowledge with respect to political contributions and the requisite quarterly filings and disclosures that must be made to the MSRB regarding political contributions.

² [MSRB Rule G-2](#). As defined in [MSRB Rule D-13](#), except as otherwise specifically provided by rule of the Board, *municipal advisory activities* mean those activities described in Section 15B(e)(4)(A)(i) and (ii) of the Securities Exchange Act of 1934 (the "Exchange Act") and rules and regulations promulgated thereunder. Exchange Act Rule 15Ba1-1(e) defines the term *municipal advisory activities* to mean [p]roviding advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities, including advice with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues; or (2) [s]olicitation of a municipal entity or obligated person. The term *solicitation of a municipal entity or obligated person* means a direct or indirect communication with a municipal entity or obligated person made by a person, for direct or indirect compensation, on behalf of a broker, dealer, municipal securities dealer, municipal advisor, or investment adviser (as defined in Section 202 of the Investment Advisers Act of 1940) that does not control, is not controlled by, or is not under common control with the person undertaking such solicitation for the purpose of obtaining or retaining an engagement by a municipal entity or obligated person of a broker, dealer, municipal securities dealer, or municipal advisor for or in connection with municipal financial products, the issuance of municipal securities, or of an investment adviser to provide investment advisory services to or on behalf of a municipal entity. See 15 U.S.C. 78o-4(e)(9).

Examination Structure

The Series 54 consists of 100 multiple-choice questions, drawn from a larger collection, or bank, of available questions.³ The questions are intended to measure the degree to which candidates have demonstrated the knowledge and skills necessary to perform the responsibilities of a municipal advisor principal consistent with the requirements under the rules and the tasks covered in the content outline. The Series 54 questions are categorized into the following three topic areas.

Topic	Number of Questions
Understanding the Municipal Advisor Regulatory Framework	25
Supervising Municipal Advisory Activities	35
Supervising Municipal Advisor Firm Operations	40

Question Structure

Each test question is structured with a stem—the part of the question that sets forth the premise, including facts and details around which the question is based—and four answer choices. Four types of questions are used on the Series 54: open-stem, closed-stem, except (or not) and Roman numeral.

An **open-stem question** is a question with an incomplete statement that, with the correct answer choice, makes a complete and correct statement. Sample No. 1 is an example of an open-stem question.

SAMPLE NO. 1

Under MSRB rules, a municipal advisor principal reviewing written conflicts of interest disclosures must assess whether the:

- A. municipal advisor has provided the municipal entity a copy of its MSRB Form A-12.
- B. written disclosures were made prior to or upon engaging in municipal advisory activities.**
- C. municipal advisor has provided the municipal entity an inventoried list of the requisite knowledge and experience to fulfill the duty of care.
- D. written disclosures were acknowledged in writing by the municipal entity.

³ The 100 questions are randomized from a bank of Series 54 questions, with each examination having the same content and the same overall difficulty. The Series 54 will also contain an additional 10 unscored pretest questions.

A **closed-stem question** is a complete sentence ending in a question mark. The question must be answered by choosing the correct answer from among the four options provided. Sample No. 2 is an example of a closed-stem question.⁴

SAMPLE NO. 2

A municipal advisor representative plans on distributing a letter to 50 existing clients promoting the services of the municipal advisor firm and the representative asks the municipal advisor principal if the letter requires approval prior to distribution. What should the municipal advisor principal tell the representative regarding the letter?

- A. If the letter is to be sent to only existing clients, no approval is necessary
 - B. Approval is required prior to sending because the letter is promotional in nature and being broadly distributed**
 - C. If there is no call to action in the letter, no approval is necessary
 - D. Approval is required, but only after the letter is sent to clients
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An **except (or not) question** is a question that requires an answer that is incorrect or is an exception to the rule discussed in the question stem. The answer choices will contain three statements that are accurate and one statement that is not accurate. The correct answer choice in an except (or not) question is the statement that is not accurate. Sample No. 3 is an example of an except (or not) question.

SAMPLE NO. 3

A municipal advisor principal reviewing the firm's registration information on MSRB Form A-12 must consider all of the following **except**:⁵

- A. Whether the firm has advised both municipal entities and obligated persons in the last year.**
 - B. Whether there has been a change in the firm's designated contacts.
 - C. Whether the firm also engages in underwriting activities.
 - D. Whether the firm engages in solicitation on behalf of a non-affiliated municipal advisor.
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⁴ An examination will not contain questions that test new rules or amendments until after the effective date of the new rule or amendment.

⁵ The term 'except' or 'not' will be bolded in the examination to clearly highlight that the question is an except (or not) question.

A **Roman numeral question** is a question with two correct answers. The answer choices contain two statements that are accurate and two statements that are not accurate. The correct answer choice is the one that includes both correct statements. Sample Nos. 4 and 5 are examples of Roman numeral questions.

SAMPLE NO. 4

A municipal advisor principal is advising a municipal advisor representative on the requirements relating to gifts and gratuities, non-cash compensation and expenses of issuance. Under MSRB rules, which of the following statements would be accurate?

- I. Entertainment expenses can be included as reimbursable expenses from the bond proceeds
 - II. Reasonable and customary bereavement gifts are excluded from calculations when determining the aggregate amount of gifts given to a particular client
 - III. When determining the value of a gift, the tax and delivery charges must be included
 - IV. For the purpose of determining the value of an event ticket, the higher of the face value or purchase price should be used
- A. I and III
 - B. I and IV
 - C. II and III
 - D. II and IV**

SAMPLE NO. 5

Under MSRB rules on supervision of municipal advisory activities, which two of the following actions is a municipal advisor firm required to take?

- I. Designate a chief compliance officer
 - II. Provide a quarterly disclosure with respect to any inadvertent advice
 - III. Adopt a written code of ethics
 - IV. Review the firm's supervisory policies annually
- A. I and III
 - B. I and IV**
 - C. II and III
 - D. II and IV

These sample questions are only intended to assist in understanding the various types of multiple-choice questions that may appear on the Series 54. The sample questions are similar in format to those on the Series 54, but may not represent either the level of difficulty or content covered on the examination. The questions on the Series 54 are designed to test an understanding of the requirements under the rules and principles covered on the content outline and not designed to test the best practices that could be implemented, but which are not specifically required.

Understanding the Content Outline: A Roadmap to the Series 54 Content

The following table includes the principal tasks and relevant knowledge required as noted in the [Series 54 content outline](#), plus a directory with links to knowledge resources for individuals preparing to take the Series 54. In addition to information from the MSRB’s website, the table includes information from the websites of Cornell Law School Legal Information Institute, the U.S. Securities and Exchange Commission (SEC) and the Office of the Legislative Counsel of the U.S. House of Representatives.⁶

Principal Tasks Related to Understanding the Municipal Advisor Regulatory Framework	Relevant Knowledge Required	Knowledge Directory
<p>Assess application of SEC and MSRB rules to firm activities</p> <p>Monitor for specified prohibitions related to principal transactions and affiliate transactions</p> <p>Assess activities to determine the distinction between municipal advisory activities and non-municipal advisory activities</p> <p>Assess rules that apply to municipal advisors in dealing with and interacting with dealers, counterparties and other market participants</p> <p>Monitor for changes to the applicable regulatory framework</p>	A. Rules and Regulations	
	1. Dodd-Frank Wall Street Reform and Consumer Protection Act (Section 975 of Title IX)	Section 975 of Title IX
	2. SEC Municipal Advisor Registration Rule (Section 15B of the Exchange Act) ⁷	Section 15B of the Exchange Act
	a. Municipal advice standard resulting in a municipal advisor recommendation (SEC Rule 15Ba1-1(d)(1)(ii) and MSRB Rule G-42(d))	SEC Rule 15Ba1-1(d)(1)(ii) MSRB Rule G-42(d)
	<p>b. Municipal advisor registration statutory exclusions:</p> <p>(1) Underwriter engagement exclusion (Section 15Ba1-1(d)(2)(i))</p> <p>(2) Responses to requests for proposals or qualifications (RFP or RFQ) (Section 15Ba1-1(d)(3)(iv))</p> <p>(3) Independent registered municipal advisor (IRMA) exemption (Section 15Ba1-1(d)(3)(vi))</p> <p>(a) Establishing a valid IRMA exemption</p> <p>(b) Potential conflicts as it relates to the firm and individual</p>	Section 15Ba1-1(d)(2)(i) Section 15Ba1-1(d)(3)(iv) Section 15Ba1-1(d)(3)(vi)

⁶ The content on these linked websites, except for the MSRB’s own website, is not provided by the MSRB, and the MSRB has no responsibility for, no control over and does not review or otherwise confirm the accuracy or completeness of content on or available through any third-party website. The MSRB does not make any guarantees, representations or warranties as to any content on, or any other aspects of, any third-party website. A link to a third-party website does not imply sponsorship, approval, affiliation or endorsement by the MSRB of that third-party website or its content (nor, conversely, does it imply any endorsement by the third-party of the MSRB or this MSRB-provided resource). Your use of links to any third-party website is at your own risk, and the MSRB shall not be responsible or liable, directly or indirectly, to you or any other person or entity for any damage or loss which is (or is allegedly) caused by, arising out of or relating to use of or reliance on any third-party website and/or its content. A third-party website has its own terms of use, privacy policy, security and other policies, agreements or the like relating to access to and use of that website, and you will be subject to those if you go on that website.

⁷ As used herein, references to “Section 15B” refers to Section 15B of the Securities Exchange Act of 1934 (the “Exchange Act”) and references to “SEC Rule” refers to Exchange Act rules.

Principal Tasks Related to Understanding the Municipal Advisor Regulatory Framework	Relevant Knowledge Required	Knowledge Directory
	c. Activities within the scope and outside the scope of serving as an underwriter (SEC Rule 15Ba1-1(d)(2))	SEC Rule 15Ba1-1(d)(2)
	d. Understanding the difference between municipal entity and obligated person clients and applicable regulatory standards (Section 15B(e)(8); Section 15B(e)(10))	Section 15B(e)(8) Section 15B(e)(10)
	e. Understand the definition of solicitation and relationship between third-party solicitors and non-solicitors (Section 15B(e)(4)(A); Section 15B(e)(9))	Section 15B(e)(4)(A) Section 15B(e)(9)
	3. Anti-Fraud Rule (Section 15B(c)(1))	Section 15B(c)(1)
	4. Fair Dealing Rule (MSRB Rule G-17)	MSRB Rule G-17
	B. Regulators Jurisdiction and Scope of Authority (SEC, MSRB, FINRA, CFTC and bank regulators)	
	1. Understanding the responsibilities of the regulatory agencies that oversee municipal advisory business (e.g., rulemaking, examination and enforcement)	Examination Information for Entities Subject to Examination or Inspection by the Commission Registration of Municipal Advisors FAQs Being a Regulated Municipal Advisor The Role and Jurisdiction of the MSRB Participating in the Rulemaking Process
	2. Role of the Qualified Independent Representative (QIR) (Section 4s(h) of the Commodity Exchange Act (CEA))	Section 4s(h) of the Commodity Exchange Act (CEA) p. 104
<p>Establishing written supervisory procedures (WSPs) for municipal advisory activities</p> <p>Monitoring business activities to establish compliance with written supervisory policies and procedures</p> <p>Monitoring for specified prohibitions related to municipal advisory activities (e.g., political contributions, principal transactions and use of bond proceeds)</p> <p>Determination and disclosure of potential conflicts of interest (e.g., prior dealer affiliation, current affiliation with issuers, other roles with or services for clients, ownership of issuer securities and relationships with other entities in similar industries)</p>	A. Activity Related to Associated Persons Engaged in Municipal Advisory Activities	
	1. Duty owed (i.e., standards of conduct) for the relationship with municipal entities and obligated person clients (Section 15B(c)(1); MSRB Rule G-42(a)(i)-(ii); Supp. Material .01 and .02)	Section 15B(c)(1) MSRB Rule G-42(a)(i)-(ii) MSRB Rule G-42 Supp. Material .01 MSRB Rule G-42 Supp. Material .02
	2. Scope of municipal advisory relationship and limitations on the scope of the engagement (MSRB Rule G-42(c); Supp. Material .04 and .06)	MSRB Rule G-42(c) MSRB Rule G-42 Supp. Material .04 MSRB Rule G-42 Supp. Material .06

Principal Tasks Related to Understanding the Municipal Advisor Regulatory Framework	Relevant Knowledge Required	Knowledge Directory
<p>Supervising the client engagement process (e.g., proper documentation and disclosure of conflicts of interest and legal and disciplinary events, compensation arrangements, scope of service and know your client)</p> <p>Mitigating the providing of inadvertent advice</p> <p>Review and documentation of a recommendation given by a municipal advisor for suitability and compliance with all applicable rules</p> <p>Fulfilling fiduciary duty obligations when reviewing recommendations to municipal entity clients and execution of transactions</p> <p>Supervising firm’s due diligence process for issuer primary offering documents and continuing disclosures</p> <p>Assess and determine the appropriate knowledge and expertise required of municipal advisors (i.e., duty of care to municipal entity and obligated person clients)</p> <p>Maintain policies and procedures to support firm and regulatory requirements for products recommended and services provided (i.e., securities, non-securities, private placements and bank loans)</p>	<p>3. Suitability and “know your client” requirements in managing municipal advisory activities (MSRB Rule G-42(d); Supp. Material .09 and .10; MSRB Rule G-8(h)(iv) and MSRB Rule G-17)</p> <p>4. Recommendations and Review of Recommendations of Other Parties (MSRB Rule G-42(d) and Supp. Material .01, .09 and .10)</p> <p>5. Issuer disclosures: initial offering, and continuing disclosures and available exemptions (SEC Rule 15c2-12 and G-42 Supp. Material .01)</p> <p>6. Prohibition on engaging in underwriting activities (MSRB Rule G-23(d))</p> <p>7. Prohibitions on principal transactions and exceptions thereto (MSRB Rule G-42(e)(ii); Supp. Material .13 and .14)</p> <p>8. Other duties of municipal advisors (MSRB Rule G-42 and MSRB Rule G-44)</p> <p>9. Provision on inadvertent advice (MSRB Rule G-42 Supp. Material .07)</p>	<p>MSRB Rule G-42(d) MSRB Rule G-42 Supp. Material .09 MSRB Rule G-42 Supp. Material .10 MSRB Rule G-8(h)(iv) MSRB Rule G-17</p> <p>MSRB Rule G-42(d) MSRB Rule G-42 Supp. Material .01 MSRB Rule G-42 Supp. Material .09 MSRB Rule G-42 Supp. Material .10</p> <p>SEC Rule 15c2-12 MSRB Rule G-42 Supp. Material .01</p> <p>MSRB Rule G-23(d)-8</p> <p>MSRB Rule G-42(e)(ii) MSRB Rule G-42 Supp. Material .13 MSRB Rule G-42 Supp. Material .14</p> <p>MSRB Rule G-42 MSRB Rule G-44</p> <p>MSRB Rule G-42 MSRB Rule G-42 Supp. Material .07</p>
<p>Fulfilling requirements to register the municipal advisor with the SEC, MSRB and states</p> <p>Education of associated persons and other employees on the application of rules to municipal advisory business (e.g., annual compliance training)</p> <p>Submit updates to registration information and annual affirmation to regulatory authorities</p> <p>Ensure municipal advisor professionals are properly qualified to engage in municipal advisory services, including proper registrations and licenses</p>	<p>A. Firm Activity</p> <p>1. Books and records to be made and maintained (SEC Rule 15Ba1-8; MSRB Rule G-8(h) and MSRB Rule G-9(h)-(k))</p> <p>2. Annual updates, withdrawals and registration fee (MSRB Rule A-12(a)-(d) and (j)-(l))</p> <p>3. Firm filings and updating of designated contacts for the firm (MSRB Rule A-12)</p> <p>4. Initial filing and amendments to Form MA (SEC Rule 15Ba1-2 and SEC Rule 15Ba1-5)</p> <p>5. Fair dealing requirement (MSRB Rule G-17)</p> <p>6. Municipal advisory client brochure (MSRB Rule G-10)</p>	<p>SEC Rule 15Ba1-8 MSRB Rule G-8(h) MSRB Rule G-9(h)-(k)</p> <p>MSRB Rule A-12(a)-(d) MSRB A-12 (j)-(l)</p> <p>MSRB Rule A-12</p> <p>SEC Rule 15Ba1-2 SEC Rule 15Ba1-5</p> <p>MSRB Rule G-17</p> <p>MSRB Rule G-10</p>

Principal Tasks Related to Understanding the Municipal Advisor Regulatory Framework	Relevant Knowledge Required	Knowledge Directory
<p>Maintain general business records and other records in compliance with SEC and MSRB rules</p> <p>Implement policies to document client complaints</p> <p>Oversee quarterly submission of political contributions and other information</p> <p>Monitor for adherence with MSRB rule on gifts, gratuities and entertainment</p> <p>Review municipal advisor advertisements for compliance with applicable rules</p> <p>Ensure firm activities comply with fair dealing obligations</p>	7. Monitoring gifts, gratuities and normal business dealings (MSRB Rule G-20)	MSRB Rule G-20
	8. Surveillance of political contribution and required filings (MSRB Rule G-37(b)-(f))	MSRB Rule G-37(b)-(f)
	9. Supervisory and compliance obligations of municipal advisors (MSRB Rule G-44)	MSRB Rule G-44
	10. Advertising and content standards (MSRB Rule G-40)	MSRB Rule G-40
	B. Registration and Professional Qualification Standards	
	1. Amendments to Form MA-I (SEC Rule 15Ba1-5)	SEC Rule 15Ba1-5
	2. Professional fee (MSRB Rule A-11)	MSRB Rule A-11
	3. Qualification examination fees (MSRB Rule A-16)	MSRB Rule A-16
	4. Defined terms: associated persons, municipal advisory activities and appropriate regulatory agency (MSRB Rules D-11, D-13 and D-14)	MSRB Rule D-11 MSRB Rule D-13 MSRB Rule D-14
	5. Standards of Professional Qualifications (MSRB Rule G-2)	MSRB Rule G-2
	6. Qualification requirements and continuing education requirements (MSRB Rule G-3(d)-(e) and (i)(ii))	MSRB Rule G-3(d)-(e) and (i)(ii)



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