

Supervisory Responsibilities of Qualified Principals

The Municipal Securities Rulemaking Board is issuing this this compliance resource for brokers, dealers and municipal securities dealers (collectively, “dealers”) to assist dealers in understanding the scope of municipal securities activities that designated principals are permitted to supervise, pursuant to MSRB Rule G-27, on supervision, consistent with MSRB Rule G-3, on professional qualification requirements.¹

Rule G-27 requires, among other things, that each dealer establish and maintain a supervisory system, including written supervisory procedures, to supervise the municipal securities activities of each registered representative, registered principal and associated person that is reasonably designed to achieve compliance with applicable MSRB rules, as well as other securities laws and regulations applicable to the dealer’s municipal securities activities. Dealers must designate, pursuant to Rule G-27(b)(ii), one or more associated persons qualified as a municipal securities principal,² municipal securities sales principal³ and municipal fund securities limited principal⁴ in accordance with Board rules, or as a general securities principal⁵ to be responsible for the supervision of the municipal securities activities of the dealer and its associated persons. As Rule G-27 provides, a dealer’s supervisory framework also requires the monitoring for compliance with all applicable rules, internal inspections involving the periodic review of each office engaging in municipal securities activities and the testing and verification of the dealer’s supervisory procedures by a municipal securities principal or municipal fund securities limited principal, as appropriate.

This compliance resource does not create new legal or regulatory requirements and presents existing requirements in a format designed to be useful to facilitate compliance with professional qualification requirements. This resource should be read in conjunction with the relevant rules and related guidance.

¹ The attached chart of supervisory responsibilities supersedes the chart issued in conjunction with MSRB Notice 2011-62 (November 7, 2011).

² Pursuant to Rule G-3, qualified with the Municipal Securities Principal Qualification Examination (Series 53).

³ Pursuant to Rule G-3, qualified with the General Securities Sales Supervisor Examination (Series 9/10).

⁴ Pursuant to Rule G-3, qualified with the Municipal Fund Securities Limited Principal Qualification Examination (Series 51).

⁵ Qualified with the General Securities Principal Examination (Series 24).



Municipal Securities Rulemaking Board

Municipal Securities Principals' Supervisory Responsibilities¹

Supervisory Responsibility of Appropriately Designated Principals	Rule Reference	Municipal Securities Principal (Series 53) ²	Municipal Fund Securities Limited Principal (Series 51)	Municipal Securities Sales Principal (Series 9/10)	General Securities Principal (Series 24)
		May supervise all activities that pertain to effecting transactions in municipal securities	May supervise activities that pertain solely to transactions in municipal fund securities	May supervise activities that pertain to the sales to and purchases from a customer of municipal securities	May supervise limited activities that pertain to effecting transactions in municipal securities
SUPERVISION OF NON-SALES ACTIVITIES					
Overseeing underwriting and trading	Rule G-3(b)(i)(A) Rule G-3(b)(iv)(A)	✓	✓	✗	✗
Overseeing research or investment advice	Rule G-3(b)(i)(D) Rule G-3(b)(iv)(A)	✓	✓	✗	✗
Overseeing financial advisory or consultant services for issuers	Rule G-3(b)(i)(B) Rule G-3(b)(iv)(A)	✓	✓	✗	✗
SUPERVISION OF FINANCIAL AND OPERATIONAL ACTIVITIES					
Supervising the processing, clearance and, in the case of a non-bank dealer, safekeeping of municipal securities	Rule G-3(b)(i)(C) Rule G-3(b)(iv)(A) Rule G-27(c)(i)(F)	✓	✓	✗	✗
Maintenance and preservation of books and records	Rule G-3(b)(i)(F) Rule G-3(b)(iv)(A) Rule G-27(c)(i)(E)	✓	✓	✗	✓

¹ This chart of supervisory responsibilities supersedes the chart issued in conjunction with MSRB Notice 2011-62 (November 7, 2011).

² Municipal securities principals are responsible for a dealer's overall supervisory system, written supervisory procedures, internal inspections, correspondence review and supervisory controls.

Supervisory Responsibility of Appropriately Designated Principals	Rule Reference	Municipal Securities Principal (Series 53) ²	Municipal Fund Securities Limited Principal (Series 51)	Municipal Securities Sales Principal (Series 9/10)	General Securities Principal (Series 24)
		May supervise all activities that pertain to effecting transactions in municipal securities	May supervise activities that pertain solely to transactions in municipal fund securities	May supervise activities that pertain to the sales to and purchases from a customer of municipal securities	May supervise limited activities that pertain to effecting transactions in municipal securities
SUPERVISION OF SALES-RELATED ACTIVITIES					
Supervision of sales	Rule G-3(b)(i)(A) Rule G-3(b)(iv)(A) Rule G-3(c)(i)	✓	✓	✓	✗
Reviewing promptly and approving, in writing, the opening of customer accounts	Rule G-27(c)(i)(G)(1) Rule G-27(b)(ii)(C)(1) Rule G-27(b)(ii)(C)(2) Rule G-27(b)(ii)(C)(3) Rule G-27(b)(ii)(C)(4)	✓	✓	✓	✓
Reviewing and approving on a regular and frequent basis customer accounts introduced or carried by the dealer	Rule G-27(c)(i)(C) Rule G-27(b)(ii)(C)(1) Rule G-27(b)(ii)(C)(2) Rule G-27(b)(ii)(C)(4)	✓	✓	✓	✗
Reviewing promptly and approving, in writing, transactions in municipal securities, including transactions in discretionary accounts	Rule G-27(c)(i)(G)(2) Rule G-27(b)(ii)(C)(1) Rule G-27(b)(ii)(C)(2) Rule G-27(b)(ii)(C)(4)	✓	✓	✓	✗
Handling customer complaints	Rule G-27(c)(i)(B) Rule G-27(b)(ii)(C)(1) Rule G-27(b)(ii)(C)(2) Rule G-27(b)(ii)(C)(4)	✓	✓	✓	✗
Approval of advertising in writing prior to first use	Rule G-21(f) Rule G-3(b)(iv)(C) Rule G-27(b)(ii)(C)(3)	✓	✓	✗	✓
Overseeing the gathering of information on associated persons (i.e., Form U-4 or Form MSD-4)	Rule G-7(b) Rule G-3(b)(iv)(C)	✓	✓	✗	✓
Reviewing written and electronic correspondence regarding the dealer's municipal securities activities	Rule G-27(e)(i)-(ii) Rule G-27(b)(ii)(C)(1) Rule G-27(b)(ii)(C)(2) Rule G-27(b)(ii)(C)(4)	✓	✓	✓	✗
Supervision of training of registered persons as defined under Rule G-27(g)(iv)	Rule G-3(b)(i)(G) Rule G-3(b)(iv)(C)	✓	✓	✗	✗