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FINANCIAL ADVISORS

## VIA ELECTRONIC MAIL

February 9, 2018

Mr. Ronald W. Smith  
Corporate Secretary  
The Municipal Securities Rulemaking Board  
1300 I Street NW  
Washington, DC 20005

Re: Regulatory Notice 2017-22 | MSRB Seeks Input on Compliance Support (Notice)

Dear Mr. Smith:

On November 16, 2017, the Municipal Securities Rulemaking Board (MSRB or the Board) published its request for public comment on its approach to compliance support.<sup>1</sup> In particular, the MSRB is seeking feedback in hopes of improving its compliance assistance for municipal market participants.

The Financial Services Institute<sup>2</sup> (FSI) appreciates the opportunity to comment on this important Notice. Overall, FSI members have positive feedback regarding the MSRB's compliance support. In fact, FSI members reported that the MSRB's interpretative materials are clear, easily accessible and well-organized on the Board's website. They have also commented that the frequency of the Board's communications is "just right." FSI members, however, suggest more MSRB representation at compliance events held by the Financial Industry Regulatory Authority, Inc. (FINRA) or the US Securities and Exchange Commission (SEC), longer comment periods for Regulatory Notices, and other compliance support initiatives that are detailed below for the Board's consideration.

### **Background on FSI Members**

The independent financial services community has been an important and active part of the lives of American investors for more than 40 years. In the US, there are more than 160,000 independent financial advisors, which account for approximately 52.7 percent of all producing registered representatives.<sup>3</sup> These financial advisors are self-employed independent contractors, rather than employees of the Independent Broker-Dealers (IBD).<sup>4</sup>

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<sup>1</sup>See MSRB Regulatory Notice 2017-22 (November 16, 2017).

<sup>2</sup> The Financial Services Institute (FSI) is an advocacy association comprised of members from the independent financial services industry, and is the only organization advocating solely on behalf of independent financial advisors and independent financial services firms. Since 2004, through advocacy, education and public awareness, FSI has been working to create a healthier regulatory environment for these members so they can provide affordable, objective financial advice to hard-working Main Street Americans.

<sup>3</sup> Cerulli Associates, Advisor Headcount 2016, on file with author.

<sup>4</sup> The use of the term "financial advisor" or "advisor" in this letter is a reference to an individual who is a registered representative of a broker-dealer, an investment adviser representative of a registered investment adviser firm, or a

FSI's IBD member firms provide business support to independent financial advisors in addition to supervising their business practices and arranging for the execution and clearing of customer transactions. Independent financial advisors are small-business owners and job creators with strong ties to their communities. These financial advisors provide comprehensive and affordable financial services that help millions of individuals, families, small businesses, associations, organizations, and retirement plans. Their services include financial education, planning, implementation, and investment monitoring. Due to their unique business model, FSI member firms and their affiliated financial advisors are especially well positioned to provide Main Street Americans with the affordable financial advice, products, and services necessary to achieve their investment goals.

FSI members make substantial contributions to our nation's economy. According to Oxford Economics, FSI members nationwide generate \$48.3 billion of economic activity. This activity, in turn, supports 482,100 jobs including direct employees, those employed in the FSI supply chain, and those supported in the broader economy. In addition, FSI members contribute nearly \$6.8 billion annually to federal, state, and local government taxes. FSI members account for approximately 8.4% of the total financial services industry contribution to U.S. economic activity.<sup>5</sup>

## **Discussion**

### **I. FSI Comments**

#### **A. Introduction**

As discussed above, FSI members commend the MSRB on the availability of research and on the increase in cross collaboration between the MSRB and other regulators on fixed income products. FSI encourages this continued collaboration, wherever possible and appropriate. FSI members, however, request certain changes and additions to the Board's current compliance support programs. These are discussed more fully below.

#### **B. Interpretive Guidance, Advisories, Compliance Resources and Regulatory Reminders**

FSI's members have found that resources, such as compliance resources and interpretive guidance, are easily accessible on the MSRB's website and are clear, user-friendly, and intuitively organized. The MSRB's organization of these online resources makes it easier for FSI members to quickly find interpretive guidance and to research issues that may arise, from time to time, in their businesses. In fact, FSI members have found that the MSRB's website is one of the easier regulatory websites to navigate.

While FSI's members have touted the accessibility of research resources on the Board's website, they have also noted that much of the MSRB's rulemaking and interpretive guidance appears to be promulgated with municipal advisors and large investment banks in mind. However, certain firms, for example a retail firm that does some municipal pool business, do not appear to have been considered in much of the Board's rulemaking efforts. Thus, FSI suggests that the Board implement compliance support tools such as checklists, FAQ and other tools, that

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dual registrant. The use of the term "investment adviser" or "adviser" in this letter is a reference to a firm or individual registered with the SEC or state securities division as an investment adviser.

<sup>5</sup> Oxford Economics for the Financial Services Institute, The Economic Impact of FSI's Members (2016).

are more representative of the business operations of the MSRB's overall membership. Additionally, the MSRB should consider devoting a portion of its website content to these firms and housing these compliance tools in that area.

### C. Stakeholder Engagement

#### i. Longer Comment Periods

The Board should provide a longer comment period for regulatory notices, particularly more substantive notices. This would provide FSI's members with the appropriate time to offer thoughtful, detailed and solution oriented advice regarding published regulatory notices. Further, often, members need to consult various internal stakeholders to assess the impact of proposed rulemaking. Thus, FSI suggests at a minimum a sixty (60) day comment period for all substantive regulatory notices.

#### ii. Advisory Groups

FSI suggests more information with respect to MSRB's advisory groups and that the MSRB consider creating additional advisory groups. More specifically, the MSRB may want to consider adding a link to its homepage detailing the existing advisory groups, the members, members' background and the selection process for inclusion into the group. The Board may also wish to consider establishing an advisory group for members with limited municipal activities. Unlike municipal advisors and large investment banks, these firms have a unique perspective and compliance needs. Thus, the compliance support may vary from that required by other municipal market participants. As such, to ensure these firms are represented, the MSRB should have an advisory group to participate early on in the MSRB's rulemaking efforts and to help develop compliance tools after rulemaking.

#### iii. Town Halls

On December 7, 2017, the MSRB announced, for the first time, a series of "town hall" meetings, scheduled to take place this year.<sup>6</sup> The purpose of the meetings is to provide a forum for municipal market members to discuss regulatory concerns and to provide ideas on future MSRB activities.<sup>7</sup> The initial meetings, which must be attended in-person, are in Arizona, California, and Chicago.<sup>8</sup> This is an important forum for MSRB members to interface with the Board and to provide insight to the MSRB on their compliance support needs and ideas for future regulatory efforts. However, the requirement of in-person attendance may be an obstacle for firms that are not located in the regions where the town hall meetings are held. Thus, FSI suggests permitting attendance by videoconference or webinar.

FSI members also request, where appropriate, having a MSRB "kiosk" at FINRA and MSRB regulatory events. This would enhance cross collaboration between regulators, create more engagement opportunities for municipal market participants, and allow firms to interface with regulators on all their fixed income products at the same time. This also gives the MSRB the opportunity to weigh in on issues that other regulators may examine for or enforce, increasing the opportunity for consistent advice.

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<sup>6</sup> See Press Release, MSRB Announces New Town Hall Series Coming in 2018, (December 7, 2017), available at <http://www.msrb.org/News-and-Events/Press-Releases/2017/MSRB-Announces-New-Town-Hall-Series-Coming-in-2018.aspx>.

<sup>7</sup> *Id.*

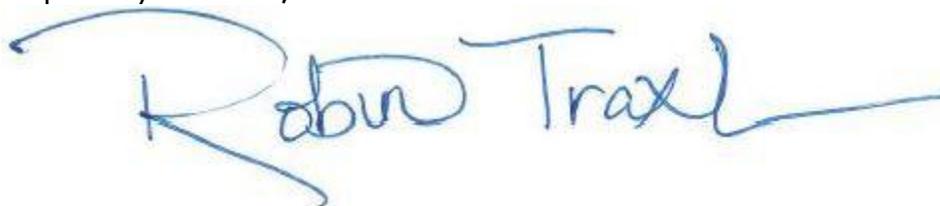
<sup>8</sup> *Id.*

**Conclusion**

We are committed to constructive engagement in the regulatory process and welcome the opportunity to work with MSRB on this and other important regulatory efforts.

Thank you for considering FSI's comments. Should you have any questions, please contact me at (202) 393-0022.

Respectfully submitted,

A handwritten signature in blue ink that reads "Robin Traxler". The signature is written in a cursive style with a large, sweeping initial "R" and a long horizontal line extending from the end of the name.

Vice President, Regulatory Affairs & Associate General Counsel