

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-87423; File No. SR-MSRB-2019-12)

October 30, 2019

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing and Immediate Effectiveness of Revisions to the Content Outline for the Municipal Advisor Principal Qualification Examination and Its Associated Selection Specifications for the Examination

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on October 18, 2019 the Municipal Securities Rulemaking Board (“MSRB”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the MSRB. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The MSRB filed with the Commission revisions to the content outline for the Municipal Advisor Principal Qualification Examination (“Series 54 examination”) and its associated selection specifications for the examination (“selection specifications”) (collectively, the “proposed rule change”). The proposed revisions to the content outline include incorporating MSRB Rule G-40, on advertising by municipal advisors, and a description of the functions and knowledge required to perform the supervisory tasks related to Rule G-40; specifying that the passing score for the examination is 70%; updating the sample questions; and making other

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

technical changes to clarify topic descriptions. The MSRB is not proposing in this filing any textual changes to its rules.

The proposed rule change has been filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act³ and Rule 19b-4(f)(1) thereunder.⁴ The MSRB proposes to make available the permanent Series 54 examination beginning November 12, 2019.

The text of the proposed rule change is available on the MSRB's website at www.msrb.org/Rules-and-Interpretations/SEC-Filings/2019-Filings.aspx, at the MSRB's principal office, and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the MSRB included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The MSRB has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Section 15B(b)(2)(A) of the Act authorizes the MSRB to prescribe "standards of training, experience, competence, and such other qualifications as the Board finds necessary or appropriate in the public interest or for the protection of investors and municipal entities or

³ 15 U.S.C. 78s(b)(3)(A).

⁴ 17 CFR 240.19b-4(f)(1). See also letter to Diane G. Klinke, General Counsel, MSRB, from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000, attached [sic] as Exhibit 3b.

obligated persons”⁵ and requires persons in any such class to pass tests prescribed by the Board.⁶ Section 15B(b)(2)(L)(iii) of the Act further requires the MSRB to establish professional standards for municipal advisors.⁷ A professional qualification examination is intended to determine whether an individual meets the MSRB’s required qualification standards. The MSRB believes that professional qualification examinations, such as the Municipal Advisor Representative Qualification Examination (“Series 50 examination”) and the Series 54 examination are means for determining the competency of individuals in particular qualification classifications. More specifically, the Series 54 examination is designed to measure a candidate’s knowledge of the application of federal securities laws, including MSRB rules to the municipal advisory activities of a municipal advisor and that of its associated persons.

On September 19, 2018, the MSRB filed with the SEC amendments to Rule G-3, on professional qualification requirements, for immediate effectiveness, to require municipal advisor principals to become appropriately qualified by passing the Series 54 examination.⁸ Thereafter, on December 20, 2018, the MSRB filed the Series 54 examination content outline with the SEC for immediate effectiveness.⁹ The Series 54 examination content outline was developed to serve as a guide to the subject matter tested on the Series 54 examination and prescribes the specified knowledge required in each functional area that is specific to the role and

⁵ 15 U.S.C. 78o-4(b)(2)(A).

⁶ 15 U.S.C. 78o-4(b)(2)(A)(iii).

⁷ 15 U.S.C. 78o-4(b)(2)(L)(iii).

⁸ See Exchange Act Release No. 84630 (November 20, 2018), 83 FR 60927 (November 27, 2018) (File No. SR-MSRB-2018-07).

⁹ See Exchange Act Release No. 84926 (December 21, 2018), 83 FR 67772 (December 31, 2018) (File No. SR-MSRB-2018-10).

responsibilities of a municipal advisor principal (“principal-level activity”).¹⁰ The MSRB has noted that the establishment of qualification requirements for municipal advisor principals and the subject matter covered on the examination to be tested on would assist in ensuring that municipal advisor principals have a baseline knowledge of the municipal market, municipal advisory activities, as well as the regulatory requirements.

Current Content Outline

The Series 54 examination content outline describes the knowledge and tasks required in carrying out principal-level activity related to the three topical sections comprising the examination:

- (1) Understanding the Municipal Advisor Regulatory Framework (25 questions);
- (2) Supervising Municipal Advisory Activities (35 questions); and
- (3) Supervising Municipal Advisor Firm Operations (40 questions).

As the MSRB has previously noted, while the subject matters represented on the Series 54 examination content outline may have redundancies with subject matters appearing on the Series 50 examination content outline, the Series 54 examination is designed to test the specific application of MSRB rules and other federal securities laws to the municipal advisory activities of the municipal advisor, whereas the Series 50 examination is meant to test the baseline competency of individuals engaged in municipal advisory activities and is not designed to specifically or extensively test the application of those laws.¹¹ Additionally, to familiarize

¹⁰ Under Rule G-3(e) a “municipal advisor principal” is defined as “a natural person associated with a municipal advisor who is directly engaged in the management, direction or supervision of the municipal advisory activities of the municipal advisor and its associated persons.”

¹¹ See supra note 9.

candidates with the format of the Series 54 examination, the content outline includes sample questions that are similar to the type of questions that may be found on the Series 54 examination.

The Series 54 examination will consist of 100 multiple-choice questions drawn from a collection of test questions available for the Series 54 examination with each multiple-choice question being worth one point. Individuals will receive an additional 10 questions that are randomly distributed throughout the Series 54 examination and do not count for scoring purposes; these questions serve to pretest questions to be used in future administration of the Series 54 examination. Individuals will be allowed 180 minutes to complete the Series 54 examination.¹²

Proposed Revisions

As a result of the recent implementation of Rule G-40, on advertising by municipal advisors, which became effective on August 23, 2019, the proposed rule change adds a description of the functions and knowledge required to perform the supervisory tasks related to Rule G-40. Additionally, the proposed rule change includes information about the passing score, updates the sample questions and makes other technical changes to the content outline to clarify topic descriptions. A summary of the proposed rule change, detailed by major topic headings, is provided below:

Administration of the Exam

¹² Prior to beginning the examination, individuals will be provided with a brief tutorial on the administration of the computerized exam. Candidates will be given 30 minutes to complete the tutorial in addition to the 180 minutes allowed to complete the Series 54 examination.

- On pg. 3: The passing score of 70% is added to the “Administration of the Examination” section of the outline

Part 1: Understanding the Municipal Advisor Regulatory Framework

- For Subtopic A., under the “Knowledge Required” section, the description is being revised to read “Regulation of Municipal Securities;”
- For Subtopic A.2.d., under the “Knowledge Required” section, the description is being revised to remove the word “understanding;”
- For Subtopic A.2.e., under the “Knowledge Required” section, the description is being revised to remove the word “understand;”
- For Subtopic A.3., under the “Knowledge Required” section, the description is being revised to add the phrase “SEC Statutory Fiduciary Duty Standard” and the word “and;”
- For Subtopic B., under the “Knowledge Required” section, the description is being revised to change “Regulators” to “Regulatory;”
- For Subtopic B.1., under the “Knowledge Required” section, the description is being revised to remove the phrase “understanding the;”

Part 2: Supervising Municipal Advisory Activities

- Under the “Tasks” section, for words not taking the gerund form of a verb, revising as such:
 - Changing “Determination” to “Determining;” “Review” to “Reviewing;”
“Documentation of” to “Documenting;” “Assess” to “Assessing;”
“Determination” to “Determining;” and “Maintain” to “Maintaining;”
- For Subtopic A.8., under the “Knowledge Required” section, the description is being revised to read “Disclosure of Conflicts of Interest and Other Information;” the rule

reference MSRB Rule G-42(b) is being added; the rule reference MSRB Rule G-44 is being deleted; and the description “Other duties of municipal advisors” is renumbered as A.10;

- For Subtopic A.9., under the “Knowledge Required” section, the description is being revised to “Provision on the process to cure inadvertent advice;”

Part 3: Supervising Municipal Advisor Firm Operations

- Under the “Tasks” section, for words not taking the gerund form of a verb, revising as such:
 - Changing “Education” to “Educating;” “Submit” to “Submitting;” “Ensure” to “Ensuring;” “Maintain” to “Maintaining;” Implement” to “Implementing;” “Oversee” to “Overseeing;” “Monitor” to “Monitoring;” “Review” to “Reviewing;” and “Ensure” to “Ensuring;”
- Under the “Tasks” section, for bullet 2 change the e.g. to “continuing education;”
- Under the “Tasks” section, for bullet 4 add the word “Fulfilling;”
- Under the “Tasks” section, adding the description “Surveilling for political contributions that may trigger a ban on municipal advisory business and required filings” to the list of tasks;
- For Subtopic A.4., under the “Knowledge Required” section, the description is being revised to add the word “SEC” before “Form MA;”
- For Subtopic A.6., under the “Knowledge Required” section, the description is being revised to “Notification regarding the municipal advisory client brochure;”
- For Subtopic A.7., under the “Knowledge Required” section, the description is being revised to “Gifts, gratuities and normal business dealings compliance obligations;”

- For Subtopic A.8., under the “Knowledge Required” section, the description is being revised to “Activities triggering a ban on municipal advisory business, exemptions and required filings; the rule reference is being updated to MSRB Rule G-37(b)(i)(A)-(D) and (e);
- Under the “Knowledge Required” section, adding as subtopic A.10., the description “Advertising and content standards; and the rule reference MSRB Rule G-40;
- For Subtopic B.1., under the “Knowledge Required” section, the description is being revised to add the word “SEC” before “Form MA-I;”

Sample Questions

Sample questions 1-5 are being replaced and updated with the sample questions initially published in the [Understanding the Municipal Advisor Principal Qualification Examination](#) compliance resource.

As noted above, the MSRB has designated the proposed rule change for immediate effectiveness. The selection specifications for the Series 54 examination, which the MSRB has submitted under separate cover with a request for confidential treatment to the Commission, pursuant to Rule 24b-2 under the Act,¹³ describe additional confidential information regarding the Series 54 examination.

2. Statutory Basis

The MSRB believes that the proposed rule change is consistent with Section 15B(b)(2)(A) of the Act,¹⁴ which authorizes the MSRB to prescribe “standards of training, experience, competence, and such other qualifications as the Board finds necessary or

¹³ 17 CFR 240.24b-2.

¹⁴ 15 U.S.C. 78o-4(b)(2)(A).

appropriate in the public interest or for the protection of investors and municipal entities or obligated persons” and Sections 15B(b)(2)(A)(i)¹⁵ and 15B(b)(2)(A)(iii)¹⁶ of the Act, which provides that the Board may appropriately classify associated persons of municipal advisors and require such persons in any such class to pass tests prescribed by the Board. The MSRB also believes that the proposed rule change is in furtherance of Section 15B(b)(2)(L)(iii) of the Act, which requires the MSRB to establish professional standards for municipal advisors.¹⁷

The MSRB believes that the proposed rule change is consistent with the provisions of Section 15B(b)(2)(A) of the Act in that the revisions will ensure that certain key concepts and rules are tested on the Series 54 examination in furtherance of the MSRB’s mandate that individuals’ demonstrate the specified level of competence that would be appropriate and in the furtherance of the public interest. Also, consistent with the purpose of Sections 15B(b)(2)(A) and 15B(b)(2)(L)(iii) of the Act, updating topic descriptions to ensure individuals have an enhanced understanding of the subject matters covered on the examination will aid individuals in their preparation for the examination and facilitates standards of competence being attained to carry out a municipal advisor principal’s role of supervision of the municipal advisory activities and operational functions of the municipal advisor and that of its associated persons, which is in furtherance of the public interest. More generally, the MSRB’s professional qualification examinations are designed to measure knowledge of the business activities and regulatory requirements under federal securities laws, including MSRB rules, applicable to a particular qualification classification, which is also in furtherance of the Act.

¹⁵ 15 U.S.C. 78o-4(b)(2)(A)(i).

¹⁶ 15 U.S.C. 78o-4(b)(2)(A)(iii).

¹⁷ 15 U.S.C. 78o-4(b)(2)(L)(iii).

The MSRB also believes the proposed rule change is in accordance with Section 15B(b)(2)(C) of the Act,¹⁸ which requires, among other things, that MSRB rules “be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, ... and, in general, to protect investors, municipal entities, obligated persons, and the public interest...” The MSRB notes the proposed rule change is consistent with this provision of the Act, to foster the prevention of fraudulent practices, because by ensuring individuals have a guide to the subject matters covered in the requisite professional examinations and demonstrating competence in the application of federal securities laws and MSRB rules to a firm’s municipal advisory activities, such individuals are likely better equipped to exercise proper supervisory control over the activities of municipal advisor representatives.

B. Self-Regulatory Organization’s Statement on Burden on Competition

Section 15B(b)(2)(C) of the Act¹⁹ requires that MSRB rules not be designed to impose any burden on competition not necessary or appropriate in furtherance of the purpose of the Act. In addition, Section 15B(b)(2)(L)(iv) of the Act²⁰ provides that MSRB rules may “not impose a regulatory burden on small municipal advisors that is not necessary or appropriate in the public interest and for the protection of investors, municipal entities, and obligated persons, provided that there is robust protection of investors against fraud.” The MSRB does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of these provisions and their purposes under the Act, relative to the economic baseline, which includes the requirement that municipal advisor professionals

¹⁸ 15 U.S.C. 78o-4(b)(2)(C).

¹⁹ 15 U.S.C. 78o-4(b)(2)(C).

²⁰ 15 U.S.C. 78o-4(b)(2)(L)(iv).

demonstrate, by passing an examination, that they meet professional standards deemed necessary or appropriate in the public interest or for the protection of investors, municipal entities and obligated persons.

Moreover, the MSRB has no reason to believe that revisions to the Series 54 examination content outline will pose any greater burden on individuals associated with smaller municipal advisors than those associated with larger municipal advisors or that the burden could be materially reduced while still achieving the purposes of the Act of protection of investors against fraud. Lastly, the proposed rule change is more explanatory in nature to ensure individuals have an enhanced understanding of the functions and associated tasks covered on the Series 54 examination.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act²¹ and paragraph (f) of Rule 19b-4 thereunder.²² At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning

²¹ 15 U.S.C. 78s(b)(3)(A).

²² 17 CFR 240.19b-4(f).

the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-MSRB-2019-12 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-MSRB-2019-12. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 am and 3:00 pm. Copies of the filing also will be available for inspection and copying at the principal office of the MSRB. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All

submissions should refer to File Number SR-MSRB-2019-12 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, pursuant to delegated authority.²³

Jill M. Peterson
Assistant Secretary

²³ 17 CFR 200.30-3(a)(12).