

Proposed Rule Change by Municipal Securities Rulemaking Board
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial <input checked="" type="checkbox"/>	Amendment <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) <input type="checkbox"/>	Section 19(b)(3)(A) <input checked="" type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action <input type="checkbox"/>			<input checked="" type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
Date Expires <input type="text"/>			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

Description
Provide a brief description of the proposed rule change (limit 250 characters).

Contact Information
Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name Last Name
Title
E-mail
Telephone Fax

Signature
Pursuant to the requirements of the Securities Exchange Act of 1934,
Municipal Securities Rulemaking Board
has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date
By Corporate Secretary
(Name)

(Title)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information

[Add](#) [Remove](#) [View](#)

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change

[Add](#) [Remove](#) [View](#)

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

[Add](#) [Remove](#) [View](#)

Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

[Add](#) [Remove](#) [View](#)

Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

[Add](#) [Remove](#) [View](#)

The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

[Add](#) [Remove](#) [View](#)

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

[Add](#) [Remove](#) [View](#)

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ the Municipal Securities Rulemaking Board (“Board” or “MSRB”) is filing with the Securities and Exchange Commission (“Commission” or “SEC”) revisions to the study outline and selection specifications for the Municipal Fund Securities Limited Principal Qualification Examination (Series 51) program.² The proposed revisions consolidate certain job responsibilities (such as the recordkeeping functions) and regroup others in order to allow more detailed testing of particular rule requirements. The MSRB is not proposing any textual changes to its rules. The revised study outline is attached. The Series 51 selection specifications have been submitted to the Commission under separate cover with a request for confidential treatment pursuant to Rule 24b-2 under the Act.³

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

At its meeting on July 17, 2008, the Board authorized modifications to the Series 51 examination program, including the study outline, question bank and selection specifications. As further discussed below, the MSRB is filing the proposed rule change for immediate effectiveness. The MSRB proposes to implement the revised Series 51 examination program on November 1, 2008. Questions concerning this filing may be directed to Ronald W. Smith, Senior Legal Associate, at (703) 797-6600.

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

(a) Purpose

¹ 15 U.S.C. 78s(b)(1).

² The MSRB is also proposing corresponding revisions to the Series 51 question bank, but based upon instructions from the Commission staff, the MSRB is submitting SR-MSRB-2008-06 for immediate effectiveness pursuant to Section 19(b)(3)(A)(i) of the Act and Rule 19b-4(f)(1) thereunder, and is not filing the question bank for Commission review. *See* Letter to Diane G. Klinke, General Counsel, MSRB, from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000. The question bank is available for Commission review.

³ 17 CFR 240.24b-2.

Section 15B(b)(2)(A) of the Act⁴ 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. The MSRB has developed examinations that are designed to establish that persons associated with brokers, dealers and municipal securities dealers that effect transactions in municipal securities have attained specified levels of competence and knowledge. The MSRB periodically reviews the content of the examinations to determine whether revisions are necessary or appropriate in view of changes pertaining to the subject matter covered by the examinations.

MSRB Rule G-3(b)(iv) states that the municipal fund securities limited principal has responsibility to oversee the municipal securities activities of a securities firm or bank dealer solely as such activities relate to transactions in municipal fund securities. In this capacity, the municipal fund securities limited principal manages, directs or supervises one or more of the following activities relating to municipal fund securities: underwriting, trading or selling municipal fund securities; rendering financial advisory or consultant services to issuers of municipal fund securities; research or investment advice, or communications with customers, about any of the activities named heretofore; maintaining records on activities in municipal fund securities; processing, clearing, and (in the case of securities firms) safekeeping of municipal fund securities; and training of principals and representatives.⁵ The only examination that qualifies a municipal fund securities limited principal is the Municipal Fund Securities Limited Principal Qualification Examination.

A committee of industry members and MSRB staff (the Series 51 Committee) recently undertook a review of the Series 51 examination program. As a result of this review, the MSRB is proposing to make revisions to the study outline to consolidate certain job responsibilities (such as the recordkeeping functions) and regroup others in order to allow more detailed testing of particular rule requirements. In addition, the detail on some existing topics is being expanded to include specific cites to rules that had been amended since the last update of the outline. The revised examination continues to cover areas of knowledge required for effective supervision of municipal fund securities activities. A summary of the changes to the content outline for the Series 51 Examination, detailed by major topic heading, is provided below.

Part Three—General Supervision

- The topic “Restrictions on apprentices” was moved to this major heading from the major heading Sales Supervision (Part Five) to be grouped with the qualification requirements for apprentices.
- A reference to “Supervisory Controls” under Rule G-27 was added.
- Technical changes to rule citations were made to reflect amendments to

⁴ 15 U.S.C. 78o-4(b)(2)(A).

⁵ A municipal securities principal (Series 53) is also qualified to supervise these responsibilities.

Rule G-27.

Part Five—Sales Supervision

- Reference to “Restrictions on apprentices” was moved to Part Three to be grouped with the qualification requirements for apprentices.
- Technical changes to rule citations were made to reflect amendments to Rule G-27.
- “Records of agency transactions” was moved to Part Seven to be grouped with similar requirements for the maintenance of books and records.
- The topic “Books and records maintained by transfer agents” was moved to Part Seven to be grouped with similar requirements for the maintenance of books and records.

Part Six—Underwriting and Disclosure Obligations

- The sub-heading “Obligations of Municipal Underwriters under SEC Rules” was changed to “Obligations of Municipal Underwriters” in order to include relevant MSRB rules under the sub-heading.

Part Seven—Operations

- The topic “Records of agency transactions” was moved under this major heading from Part Five to be grouped with similar requirements for the maintenance of books and records.
- The topic “Books and records maintained by transfer agents” was moved under this major heading from Part Five to be grouped with similar topics on the maintenance of books and records.

The MSRB is proposing similar changes to the Series 51 selection specifications and question bank. The examination will continue to consist of 60 multiple choice-questions assigned to the seven areas of the examination as shown below. The percentages given for each section are rounded to an even number.

Regulatory Structure	5%
Product Knowledge	27%
General Supervision	17%
Fair Practice and Conflicts of Interest	17%
Sales Supervision	18%
Underwriting and Disclosure Obligations	6%
Operations	10%

Candidates will continue to be allowed one and one-half hours for each testing session. Each question will continue to count one point, and each candidate must correctly answer 70 percent of the questions in order to receive a passing grade.

A candidate for the Series 51 must also pass the General Securities Principal Examination (Series 24) or the Investment Company Products/Variable Contracts Limited Principal Examination (Series 26). The Series 51 Committee considered subject matter that would be covered in either of these examinations when developing the specifications for the Series 51 Examination.

(b) Statutory Basis

The MSRB believes that the proposed revisions to the Series 51 examination program are consistent with the provisions of Section 15B(b)(2)(A) of the Act, which 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. Section 15B(b)(2)(A) of the Act also provides that the Board may appropriately classify municipal securities brokers and municipal securities dealers and their associated personnel and require persons in any such class to pass tests prescribed by the Board.

4. Self-Regulatory Organization's Statement on Burden on Competition

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 the purposes of the Act, as amended.

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

Written comments were neither solicited nor received on the proposed rule change.

6. Extension of Time Period for SEC Action

The MSRB declines to consent to an extension of the time period specified in Section 19(b)(2) of the Act.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The proposed rule change is effective upon filing pursuant to Section 19(b)(3)(A)(i) of the Act⁶ and Rule 19b-4(f)(1) thereunder,⁷ in that the proposed rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the MSRB. The MSRB proposes to implement the revised Series 51 examination program on November 1, 2008.

⁶ 15 U.S.C. 78s(b)(3)(A)(i).

⁷ 17 CFR 240.19b-4(f)(1).

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the SEC

Not applicable.

9. Exhibits

Exhibit 1. Federal Register Notice

Exhibit 3a. Revised Study Outline for the Series 51 Examination

Exhibit 3b. Revised Selection Specifications for the Series 51 Examination. The MSRB has requested confidential treatment for the Series 51 revised selection specifications, and thus the specifications are omitted from this filing. The Series 51 revised selection specifications have been filed separately with the Commission pursuant to Rule 24b-2 under the Act.⁸

Exhibit 3c. Letter to Diane G. Klinke, General Counsel, MSRB, from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000

⁸ 17 CFR 240.24b-2.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34- ; File No. SR-MSRB-2008-06)

SELF-REGULATORY ORGANIZATIONS

Proposed Rule Change by the Municipal Securities Rulemaking Board
Relating to Revisions to the Series 51 Examination Program

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”) ¹ and Rule 19b-4 thereunder, ² notice is hereby given that on August 18, 2008, the Municipal Securities Rulemaking Board (“MSRB” or “Board”) filed with the Securities and Exchange Commission (“Commission” or “SEC”) a proposed rule change (File No. SR-MSRB-2008-06) (“the proposed rule change”) as described in Items I, II, and III below, which Items have been prepared by the MSRB. The MSRB has designated the proposed rule change as constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the self-regulatory organization pursuant to Section 19(b)(3)(A)(i) ³ of the Act and Rule 19b-4(f)(1) thereunder, ⁴ which renders the proposal effective upon receipt of this filing by the Commission. The MSRB proposes to implement the revised Series 51 examination program on November 1, 2008. 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(i).

⁴ 17 CFR 240.19b-4(f)(1).

The MSRB is filing with the Commission revisions to the study outline and selection specifications for the Municipal Fund Securities Limited Principal Qualification Examination (Series 51) program.⁵ The proposed revisions consolidate certain job responsibilities (such as the recordkeeping functions) and regroup others in order to allow more detailed testing of particular rule requirements. The MSRB is not proposing any textual changes to its rules.

The revised study outline is available on the MSRB's Web site (<http://www.msrb.org>), 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

⁵ The MSRB is also proposing corresponding revisions to the Series 51 question bank, but based upon instructions from the Commission staff, the MSRB is submitting SR-MSRB-2008-06 for immediate effectiveness pursuant to Section 19(b)(3)(A)(i) of the Act and Rule 19b-4(f)(1) thereunder, and is not filing the question bank for Commission review. See letter to Diane G. Klinke, General Counsel, MSRB, from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000. The question bank is available for Commission review.

Section 15B(b)(2)(A) of the Act⁶ 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. The MSRB has developed examinations that are designed to establish that persons associated with brokers, dealers and municipal securities dealers that effect transactions in municipal securities have attained specified levels of competence and knowledge. The MSRB periodically reviews the content of the examinations to determine whether revisions are necessary or appropriate in view of changes pertaining to the subject matter covered by the examinations.

MSRB Rule G-3(b)(iv) states that the municipal fund securities limited principal has responsibility to oversee the municipal securities activities of a securities firm or bank dealer solely as such activities relate to transactions in municipal fund securities. In this capacity, the municipal fund securities limited principal manages, directs or supervises one or more of the following activities relating to municipal fund securities: underwriting, trading or selling municipal fund securities; rendering financial advisory or consultant services to issuers of municipal fund securities; research or investment advice, or communications with customers, about any of the activities named heretofore; maintaining records on activities in municipal fund securities; processing, clearing, and (in the case of securities firms) safekeeping of municipal fund securities; and training of principals and representatives.⁷ The only examination that qualifies a municipal fund

⁶ 15 U.S.C. 78o-4(b)(2)(A).

⁷ A municipal securities principal (Series 53) is also qualified to supervise these responsibilities.

securities limited principal is the Municipal Fund Securities Limited Principal Qualification Examination.

A committee of industry members and MSRB staff (the Series 51 Committee) recently undertook a review of the Series 51 examination program. As a result of this review, the MSRB is proposing to make revisions to the study outline to consolidate certain job responsibilities (such as the recordkeeping functions) and regroup others in order to allow more detailed testing of particular rule requirements. In addition, the detail on some existing topics is being expanded to include specific cites to rules that had been amended since the last update of the outline. The revised examination continues to cover areas of knowledge required for effective supervision of municipal fund securities activities. A summary of the changes to the content outline for the Series 51 Examination, detailed by major topic heading, is provided below.

Part Three—General Supervision

- The topic “Restrictions on apprentices” was moved to this major heading from the major heading Sales Supervision (Part Five) to be grouped with the qualification requirements for apprentices.
- A reference to “Supervisory Controls” under Rule G-27 was added.
- Technical changes to rule citations were made to reflect amendments to Rule G-27.

Part Five—Sales Supervision

- Reference to “Restrictions on apprentices” was moved to Part Three to be grouped with the qualification requirements for apprentices.
- Technical changes to rule citations were made to reflect amendments to

Rule G-27.

- “Records of agency transactions” was moved to Part Seven to be grouped with similar requirements for the maintenance of books and records.
- The topic “Books and records maintained by transfer agents” was moved to Part Seven to be grouped with similar requirements for the maintenance of books and records.

Part Six—Underwriting and Disclosure Obligations

- The sub-heading “Obligations of Municipal Underwriters under SEC Rules” was changed to “Obligations of Municipal Underwriters” in order to include relevant MSRB rules under the sub-heading.

Part Seven—Operations

- The topic “Records of agency transactions” was moved under this major heading from Part Five to be grouped with similar requirements for the maintenance of books and records.
- The topic “Books and records maintained by transfer agents” was moved under this major heading from Part Five to be grouped with similar topics on the maintenance of books and records.

The MSRB is proposing similar changes to the Series 51 selection specifications and question bank. The examination will continue to consist of 60 multiple choice-questions assigned to the seven areas of the examination as shown below. The percentages given for each section are rounded to an even number.

Regulatory Structure	5%
Product Knowledge	27%

General Supervision	17%
Fair Practice and Conflicts of Interest	17%
Sales Supervision	18%
Underwriting and Disclosure Obligations	6%
Operations	10%

Candidates will continue to be allowed one and one-half hours for each testing session. Each question will continue to count one point, and each candidate must correctly answer 70 percent of the questions in order to receive a passing grade.

A candidate for the Series 51 must also pass the General Securities Principal Examination (Series 24) or the Investment Company Products/Variable Contracts Limited Principal Examination (Series 26). The Series 51 Committee considered subject matter that would be covered in either of these examinations when developing the specifications for the Series 51 Examination.

2. Statutory Basis

The MSRB believes that the proposed revisions to the Series 51 examination program are consistent with the provisions of Section 15B(b)(2)(A) of the Act, which 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. Section 15B(b)(2)(A) of the Act also provides that the Board may appropriately classify municipal securities brokers and municipal securities dealers and their associated personnel and require persons in any such class to pass tests prescribed by the Board.

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

The MSRB does not believe the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

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 rule change has become effective pursuant to Section 19(b)(3)(A)(i) of the Act⁸ and Rule 19b-4(f)(1) thereunder,⁹ in that the proposed rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the self-regulatory organization. The MSRB proposes to implement the revised Series 51 examination program on November 1, 2008. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate 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 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:

⁸ 15 U.S.C. 78s(b)(3)(A)(i).

⁹ 17 CFR 240.19b-4(f)(1).

- 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-2008-06 on the subject line.

Paper comments:

- Send paper comments in triplicate to Florence E. Harmon, Acting Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-MSRB-2008-06. 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 Web site (<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 inspection and copying in the Commission's Public Reference Room. Copies of such filing also will be available for inspection and copying at the principal office of the MSRB. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-MSRB-2008-06 and should be submitted on or before [insert date 21

days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁰

Florence E. Harmon
Acting Secretary

¹⁰ 17 CFR 200.30-3(a)(12).



STUDY OUTLINE

MUNICIPAL FUND SECURITIES LIMITED PRINCIPAL QUALIFICATION EXAMINATION NOVEMBER 2008 SERIES 51

Municipal Securities Rulemaking Board
1900 Duke Street
Suite 600
Alexandria, Virginia 22314-2746
(703) 797-6600

Table of Contents

	Page
Introduction	ii
Regulatory Structure	1
Product Knowledge.....	3
General Supervision.....	5
Fair Practice and Conflicts of Interest	8
Sales Supervision.....	10
Underwriting and Disclosure Obligations	12
Operations	13
Sample Questions.....	15

Introduction

THE STUDY OUTLINE

This study outline serves as a guide to the subject matter tested by the Municipal Fund Securities Limited Principal Qualification Examination (Test Series 51). It lists the topics covered by the examination and provides sample questions similar to the type used in the examination.

The arrangement of the subject matter in the study outline reflects the various aspects of the activities that a broker, dealer or municipal securities dealer may engage in with respect to municipal fund securities¹ and the tasks that a municipal fund securities limited principal would be expected to supervise. Reference is made to the appropriate MSRB rule or federal laws or regulations that govern each task. Not only are questions in the examination based on these federal regulations and MSRB rules, but are also based on the published interpretations of MSRB rules.

THE MUNICIPAL FUND SECURITIES LIMITED PRINCIPAL

The municipal fund securities limited principal has primary responsibility for overseeing the municipal fund securities activities of a broker, dealer or municipal securities dealer.² In this capacity, a municipal fund securities limited principal MANAGES, DIRECTS or SUPERVISES one or more of the following activities:

- underwriting of municipal fund securities;
- trading of municipal fund securities;
- selling municipal fund securities to customers;
- rendering of financial advisory or consultant services to issuers of municipal fund securities;

¹ Rule D-12 defines a municipal fund security as a municipal security issued by an issuer that, but for the application of Section 2(b) of the Investment Company Act of 1940, would constitute an investment company within the meaning of Section 3 of the Investment Company Act.

² The municipal securities principal (Series 53) is also qualified to supervise these responsibilities.

- communications with customers about any of the above activities;
- maintaining records on the above activities;
- processing, clearing, and (in the case of securities firms) safekeeping of municipal fund securities; and
- training of principals or representatives.

THE EXAMINATION

The Municipal Fund Securities Limited Principal Qualification Examination is designed to determine whether an individual meets the MSRB's qualification standards for municipal fund securities limited principals. To do this, the examination measures a candidate's knowledge of MSRB rules, rule interpretations and federal statutory provisions applicable to the activities listed above. It also measures the candidate's ability to apply these rules and interpretations to given fact situations in the context of municipal fund securities activities. In addition to passing this examination, a candidate must also have previously or concurrently qualified as a general securities principal or investment company/variable contracts limited principal.

The examination consists of 60 multiple-choice questions assigned to the seven areas of the examination as follows:

Regulatory Structure	5%
Product Knowledge	27%
General Supervision	17%
Fair Practice and Conflicts of Interest	17%
Sales Supervision	18%
Underwriting and Disclosure Obligations	6%
Operations	10%

These questions are further distributed among the various subtopics in a manner that reflects the distribution of subject matter in the study outline. Each question is worth one point, and the passing grade is 70%. Candidates are allowed one and one-half hours to complete the examination. During the administration of the examination, candidates are not allowed to use reference materials.

The questions used in the examination are reviewed and updated on a regular basis. Questions which test a new rule or a new rule amendment will be included in the examination

after the effective date of the rule or rule change. Existing questions on rules or portions of rules which have been amended or deleted will be removed from the examination prior to the effective date of the amendment.

CONFIDENTIALITY

In order to ensure that its examinations constitute valid tests of the qualifications of persons who take them, the MSRB has instituted various procedures, in the question-writing as well as the administration phases, which are designed to preserve the confidentiality of the examinations. On several occasions, the MSRB has found it necessary to take legal action, alleging copyright violations, against securities training schools which had used in their training material questions and answers that appeared to have been taken from questions contained in MSRB qualification examinations. In addition, candidates are advised that the practice of “debriefing” persons who have taken a qualification examination may not only give rise to an infringement of the MSRB’s copyright but would be a violation of MSRB rules for the candidate.²

² Rule G-3(e) on “Confidentiality of Qualification Examinations” states that:

No associated person of a broker, dealer, or municipal securities dealer shall:

- (i) in the course of taking a qualification examination required by this rule receive or give assistance of any nature;
- (ii) disclose to any person questions, or answers to any questions, on any qualification examination required by this rule;
- (iii) engage in any activity inconsistent with the confidential nature of any qualification examination required by this rule, or with its purpose as a test of the qualification of persons taking such examinations; or
- (iv) knowingly sign a false certification concerning any such qualification examination.

Part One

Regulatory Structure (5%)

- *Ensure conduct of an ethical municipal securities business.*
- *Understand applicability of antifraud provisions mandated under the '34 Act.*
- *Understand provisions for enforcement of MSRB rules.*
- *Understand prohibitions against employment of manipulative and deceptive devices.*
- *Understand provisions of regulations established to ensure investor protection.*

I. Jurisdiction

- | | | |
|----|--|-----------------------------|
| A. | “Exempted securities” | '33 Act
Sect. 3(a)(2) |
| B. | “Municipal security” | '34 Act
Sect. 3(a)(29) |
| C. | Exemption from Investment Company Act
of 1940 | '40 Act (ICA)
Sect. 2(b) |

II. MSRB Rulemaking

'34 Act
Sect. 15B(b)

III. Enforcement of MSRB Rules

- | | | |
|----|-------------------------|--|
| A. | Enforcement agencies | '34 Act
Sect. 15B(c)(5);
Sect. 15A(b)(2);
Sect. 3(a)(34)(A) |
| B. | Compliance Examinations | '34 Act
Sect. 15B(c)(7)(A) |

IV. Securities Investor Protection Corporation (SIPC)

SIPA¹ Sect. 5;
Sect. 9

¹ Securities Investor Protection Act of 1970—See www.sipc.org for more information.

**Part One-IV:
Regulatory Structure; Securities Investor Protection Corporation (SIPC)**

- A. Purpose of SIPC
 - B. Coverage limitations
- V. Antifraud
- A. Antifraud provisions applicable to all persons, including municipal issuers, brokers, dealers and municipal securities dealers '34 Act
Sect. 10(b);
Sect. 15(c)
 - B. Antifraud provisions applicable to brokers, dealers and municipal securities dealers G-17
 - C. Fraud and misrepresentations by brokers, dealers and municipal securities dealers '34 Act;
SEC Rule 15c1-2

Part Two

Product Knowledge (27%)

- *Understand key industry terms.*
- *Demonstrate product knowledge of municipal fund securities.*
- *Understand the differences between municipal fund securities and registered securities.*
- *Understand the differences between municipal fund securities and the underlying investments and the risks associated with both.*
- *Demonstrate knowledge and appropriate uses of alternative higher education savings products.*

I. Municipal fund securities D-12

II. New Products Governed by MSRB Rules

III. Product Knowledge

A. Local Government Investment Pools (LGIP)

1. Differences in state law
2. Authorization to invest
3. Formation of pool
4. Investment policy of investor
5. Structure of pool
6. Direction of fund purchases and redemptions on behalf of investors
7. Potential tax consequences for investment of bond proceeds
8. Authorized participants
9. Generally no guarantees by state/county
10. Distribution methods

B. 529 College Savings Plans

1. Federal tax law issues
 - a. Established and maintained by a state
 - b. Contribution limits—excess contributions
 - c. Limits on investment direction
 - d. Prohibition on using as security for a loan

Part Two-III-B:

Product Knowledge; 529 College Savings Plans (cont'd)

- e. Rollovers
 - f. Contributions only in cash
 - g. Estate and gift tax issues
 - h. Federal tax-deferred growth
 - i. Federal tax-free withdrawals for qualified higher education expenses
 - j. Taxes and penalties on withdrawals for non-qualified uses
 - k. Requirements for beneficiary changes
 - l. Account ownership issues
2. State tax issues
- a. Possible deductibility of contributions and recapture on withdrawal or rollover
 - b. Possible tax-free withdrawals
3. Other state law issues
- a. Generally not guaranteed by state
 - b. Differences in state law (fee structure—resident vs. non-resident; matching contributions)
4. Issuance and market structure
- a. State as issuer
 - b. Primary distributor
 - c. Selling dealer
 - d. Method of purchase (direct vs. broker sold)
 - e. Transfer agent
5. Education savings alternatives (*e.g.*, Coverdell)
- a. Education Savings Account (CESA), UGMA/UTMA, 529 pre-paid tuition plans, savings bonds, etc.

Part Three

General Supervision (17%)

- *Understand qualification and registration requirements for firms and associated persons conducting a municipal fund securities business.*
- *Understand requirements to implement, monitor and maintain appropriate systems to ensure compliance with MSRB rules.*
- *Understand responsibilities for supervising the sale of municipal fund securities.*

I. Definitional Rules

- | | | |
|----|-------------------------------|--|
| A. | “Municipal securities dealer” | ’34 Act
Sect. 3(a)(30);
Sect. 15B(a) |
| B. | “Bank dealer” | D-8 |
| C. | “Customer” | SEC Rule 15c1-1;
D-9; G-8(e) |

II. Availability of MSRB rules

G-29

III. Qualification and Registration

- | | | |
|----|--|---------------|
| A. | Broker/dealer | |
| | 1. Registration with the MSRB and
payment of initial fee and annual fee | A-12;
A-14 |
| | 2. Notification to the MSRB of change
in status | A-15 |
| | 3. Requirement to submit e-mail contact
to MSRB | G-40 |

**Part Three-III-A:
General Supervision; Qualification and Registration (cont'd)**

4. Separately identifiable department or division of a bank (definition of municipal securities dealer activities)	G-1
5. Requirements to have a minimum number of principals	G-3(b)(iii); G-3(b)(iv)(D); G-3(d)(iii)
B. Associated persons	
1. Definitions and qualification requirements:	
a. municipal securities representative	G-3(a)(i) and (ii)
b. municipal securities principals	G-3(b)(i) and (ii)
c. municipal fund securities limited principals	G-3(b)(iv)(A)-(C)
d. municipal securities sales principals	G-3(c)
e. financial and operations principals	G-3(d)(i) and (ii)
2. Apprenticeship requirement	G-3(a)(iii)
3. Restrictions on apprentices	G-3(a)(iii)(A)
IV. Supervisory Responsibilities	
A. Dealer's obligation to supervise	G-27(a)
B. Designation of principals	
1. Responsible for municipal securities business and activities of associated persons	G-27(b)(i)
2. Written record of designations	G-27(b)(ii)(A)-(B); G-8(a)(xiv)
3. Appropriate principal	G-27(b)(ii)(C)

**Part Three-IV-C:
General Supervision; Supervisory Responsibilities (cont'd)**

- C. Written supervisory procedures²
 - 1. Duty to establish and enforce G-27(c)(i)
 - 2. Duty to update and review G-27(c)(iii)
 - 3. Supervisory controls G-27(f)

- V. Any Recently Enacted Rules and Interpretations Governing General Supervision

² Requirements for SPECIFIC supervisory procedures are found under the appropriate topics (e.g., “Opening Customer Accounts” and “Review of Correspondence” on page 10; “Customer Complaints” on page 11).

Part Four

Fair Practice and Conflicts of Interest (17%)

- *Understand the impact of political contributions on the dealer's ability to sell municipal fund securities.*
- *Ensure fair conduct of municipal fund securities business.*
- *Ensure that appropriate disclosures are made to customers.*

I. Political contributions and prohibitions on municipal securities business

- | | | |
|----|--|-----------------|
| A. | Definitions | G-37(g) |
| B. | Period of prohibition; <i>de minimis</i> exception | G-37(b) |
| C. | Prohibition against solicitations | G-37(c) and (d) |
| D. | Requirements to disclose political contributions and municipal securities business | G-37(e) and (f) |
| E. | Records concerning political contributions | G-8(a)(xvi) |

II. Solicitation of municipal securities business

- | | | |
|----|--------------------------------|---------------|
| A. | Definitions | G-38(b) |
| B. | Prohibited payments | G-38(a) |
| C. | Records concerning consultants | G-8(a)(xviii) |

**Part Four-III:
Fair Practice and Conflicts of Interest; Conduct of Business**

- III. Conduct of Business
 - A. Fair Dealing G-17
 - B. Prices and Commissions G-30(b);
G-18
 - C. Control Relationships
 - 1. Definition G-22(a)
 - 2. Disclosure to customers G-22(c)
 - D. Gifts, gratuities and non-cash compensation G-20;
G-8(a)(xvii)
 - E. Advertising
 - 1. Definition G-21(a)
 - 2. Professional advertisements G-21(b)
 - 3. Product advertisements G-21(c)
 - 4. Approval by a principal G-21(f)
 - 5. Municipal fund security advertisements G-21(e)
- IV. Any Recently Enacted Rules and Interpretations Governing Fair Practice and Conflicts of Interest

Part Five

Sales Supervision (18%)

- *Understand the review and approval process for opening and maintenance of customer accounts.*
- *Understand requirements for communications with customers.*
- *Understand suitability requirements when recommending investments.*
- *Guard against improper and/or prohibited activities.*
- *Understand rules regarding review, handling and recordkeeping of customer complaints.*

I. Opening Customer Accounts

- | | | |
|----|---|------------------------|
| A. | Requirement to obtain customer account information | G-19(a);
G-8(a)(xi) |
| B. | Review and approval by a principal | G-27(c)(i)(G)(1) |
| C. | Transactions with employees and partners of other dealers | G-28 |

II. Communications with Customers

- | | | |
|----|--------------------------|---------|
| A. | Review of correspondence | G-27(e) |
|----|--------------------------|---------|

III. Suitability

- | | | |
|----|--------------------------------|---------|
| A. | Knowledge of customer | G-19(b) |
| B. | Suitability of recommendations | G-19(c) |

**Part Five-IV:
Sales Supervision; Improper Activities**

- IV. Improper Activities
 - A. Churning G-19(e)
 - B. Guarantees against loss G-25(b)
 - C. Sharing in profits or losses G-25(c)

- V. Customer Complaints
 - A. Review by a principal G-27(c)(i)(B)
 - B. Definition – recordkeeping requirements G-8(a)(xii)
 - C. Delivery of MSRB investor brochure G-10

- VI. Any Recently Enacted Rules and Interpretations Governing Sales Supervision

Part Six

Underwriting and Disclosure Obligations (6%)

- *Understand supervisory obligations for underwriters, including performance of due diligence.*
- *Understand timeframes associated with disclosure of required information.*
- *Understand the distinction between and responsibilities of primary distributors (underwriters) and selling dealers (selling group members).*

I. Obligations of Municipal Underwriters

- | | | |
|----|---|---|
| A. | “Reasonable basis” interpretation under SEC Rules | SEC Release
No. 34-26100
Part III |
| B. | Availability and review of official statements | SEC Rule 15c2-12 |
| C. | Delivery of official statement and Form G-36(OS)
to the MSRB | G-36;
G-8(a)(xv) |
| D. | Responsibility of primary distributors | G-32(c)(i) |

II. Disclosures to Customers

- | | | |
|----|---|----------------------------------|
| A. | Material disclosures at time of trade | G-17 |
| B. | Delivery of official statement to customer
and other disclosure requirements | G-32(a) and (b);
G-8(a)(xiii) |
| C. | Definitions | G-32(d) |

III. Any Recently Enacted Rules and Interpretations Governing Underwriting and Disclosure Obligations

Part Seven Operations (10%)

- *Understand confirmation and periodic statement requirements.*
 - *Understand recordkeeping requirements related to supervision of operations.*
-
- I. Confirmation of Transactions
 - A. Customer confirmations G-15(a)(i) through (vii)
 - B. Periodic statements G-15(a)(viii)
 - II. Customer Account Transfers G-26
 - III. Books and Records
 - A. Books and records required to be made³
 - 1. Records of original entry G-8(a)(i)
 - 2. Account records G-8(a)(ii)
 - 3. Securities records G-8(a)(iii)
 - 4. Subsidiary records G-8(a)(iv)
 - 5. Records of agency transactions G-8(a)(vi)
 - 6. Copies of confirmations and certain other notices to customers G-8(a)(ix)
 - 7. Manner in which books and records are to be maintained G-8(b)

³ Other required books and records are listed under specific topics.

**Part Seven-III-B:
Operations; Books and Records (cont'd)**

- | | |
|---|---------------------------|
| 8. Non-clearing brokers and dealers | G-8(c) |
| 9. Introducing brokers and dealers | G-8(d) |
| 10. Transactions in municipal fund securities;
books and records maintained by transfer agents | G-8(g) |
|
 | |
| B. Preservation of books and records | |
| 1. Period of time records must be preserved | G-9(a) through
G-9(c) |
| 2. Accessibility and availability | G-9(d) |
| 3. Method of record retention | G-9(e) |
|
 | |
| C. Compliance with recordkeeping rules | |
| 1. Records to be made | G-8(f);
SEC Rule 17a-3 |
| 2. Preservation of records | G-9(g);
SEC Rule 17a-4 |
- IV. Any Recently Enacted Rules and Interpretations Governing Operations

Sample Questions

The following questions are similar in format and content to questions on the examination. The sample questions, however, are **not** intended to parallel either the level of difficulty or the subject coverage of the examination. The sample questions are only intended to assist candidates in preparing for the types of multi-choice questions that will appear on the examination.

1. Which of the following statements regarding MSRB requirements for advertisements of municipal fund securities are TRUE?
 - I. Advertisements must be approved by a qualified principal prior to first use.
 - II. Advertisements must be submitted to the MSRB prior to first use.
 - III. Records for advertisements must be kept current and maintained in a separate file.
 - IV. Advertisements of municipal fund securities must be approved by the issuer.
 - (A) I and II
 - (B) I and III
 - (C) II and IV
 - (D) III and IV

2. Jan Smith, who had been previously employed in the state controller's office, was hired by Broker-Dealer B on March 1 to conduct business in municipal fund securities. Jan passed the municipal securities representative exam on March 30. On what date may Jan begin to conduct municipal fund securities business with customers?
 - (A) March 30
 - (B) April 1
 - (C) May 1
 - (D) June 1

3. A customer who is a resident of State A wants to invest in a 529 college savings plan offered by State B. All of the following statements would be appropriate for a representative to make to the customer EXCEPT:
 - (A) "State tax benefits available to you through investing in State A's plan may not be available to you when investing in State B's program."
 - (B) "A 10% penalty is imposed on funds not withdrawn from the plan by the time the beneficiary has attained the age of majority."

- (C) “Investments into the plan are made with after-tax dollars for federal income tax purposes.”
 - (D) “Withdrawals are tax-free when made for qualified education expenses.”
4. Jane Smith is hired in a representative capacity by SS Securities to handle investments by school districts in a local government investment pool (“LGIP”) operated by State X. Under MSRB rules, which of the following must Jane supply to a school district in connection with its initial investment in the LGIP?
- (A) The LGIP’s official statement
 - (B) The MSRB’s investor brochure
 - (C) Evidence of SIPC membership
 - (D) SS Securities’ telemarketing policy statement
5. John Doe, a resident of State X and a registered representative employed by VV Securities, exclusively markets interests in municipal fund securities programs operated by States X and Y. John makes a contribution of \$100 to the re-election campaign of Bill Brown, the Public Dog Catcher for State Y. Bill’s sole duty under state law is to catch stray dogs and return them to their rightful owners. No other political contributions were made by any associated person of VV Securities during that calendar quarter. Which of the following statements is true?
- (A) VV Securities must report the contribution on Form G-37 and a record of the contribution must be retained for two years.
 - (B) VV Securities must revoke any Form G-37x filed with the MSRB during the previous two years.
 - (C) VV Securities is banned from engaging in municipal fund securities business for two years in State Y but not in State X.
 - (D) VV Securities need not file Form G-37 for the quarter.

Answer Key

- | | | | |
|----|---|----|---|
| 1. | B | 4. | A |
| 2. | D | 5. | D |
| 3. | B | | |



DIVISION OF
MARKET REGULATION

PAGE 39 of 40

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

EXHIBIT 3c

July 24, 2000

Ms. Diane G. Klinke
General Counsel of the Board
Municipal Securities Rulemaking Board
1150 18th Street, N.W.
Suite 400
Washington, D.C. 20036

Re: Procedure for Filings Relating to Qualification Examinations

Dear Ms. Klinke: ^{Diane}

I am writing to inform you of a change in the filing requirements for proposed rule changes involving qualification examinations for associated persons. In the past, the Division required the SROs to file question banks for new examinations for Commission approval pursuant to Section 19(b)(2) of the Exchange Act. The Division also required SROs to file questions being added to the question bank for Commission approval.

The Division has decided that it is no longer necessary for SROs to file new exam question banks for Commission approval under Section 19(b)(2). In the future, any new examinations should be filed as non-controversial rule changes for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Exchange Act and Rule 19b-4(f)(6) thereunder. As you know, Rule 19b-4(f)(6) requires the SRO to give notice to the Commission of its intent to file a proposed rule change five days before doing so. During the five days prior to filing, the Division will determine if the proposed rule change is appropriately filed as non-controversial. To assist us in our analysis, please include a complete description of the examination in your rule filing. For example, the proposed rule change should address who will be required to take the exam, what information the exam will cover, the time allotted for each section, the weight assigned to each topic, the effective date of the exam requirement, and any other information that would be helpful to us in determining whether the proposal should become effective on filing. Also, pursuant to Rule 19b-4(f)(6), the rule change should be designated as effecting a change that does not significantly affect the protection of investors or the public interest, does not impose any significant burden on competition and, by its terms, does not become operative for 30 days after the date of the filing.

Diane G. Klinke
Page 2

Filings to modify an existing examination should be submitted as “constituting a stated policy, practice, or interpretation with respect to the meaning, administration or enforcement of an existing rule...” pursuant to Section 19(b)(3)(A) of the Exchange Act.

Our goal in changing these procedures is to expedite the effectiveness of proposed rule changes involving examination requirements for persons associated with SRO members. Please contact Kathy England, Assistant Director, at 202-942-0154, or Karl Varner, Special Counsel, at 202-942-7125, if you have any questions.

Sincerely,



Belinda Blaine
Associate Director