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Qualification

Affected Rules

[Rule G-3](#); [Rule G-7](#);
[Rule G-27](#)

MSRB Proposes Changes to Continuing Education Program

Developments include request for comment on proposed changes to Firm Element requirements and notice of proposed change regarding Financial and Operations Principal and Limited Representative – Investment Company and Variable Contracts Products

Overview

The Municipal Securities Rulemaking Board (MSRB) is seeking comments on proposed amendments to Rule G-3 to require all associated persons primarily engaged in municipal securities activities to participate in a minimum of one hour of Firm Element continuing education on municipal securities topics annually. While the MSRB understands that brokers, dealers and municipal securities dealers (dealers) generally deliver continuing education on a variety of topics, this change would ensure that associated persons primarily engaged in municipal securities activities receive a minimum threshold of training annually.

The MSRB has completed a comprehensive review of its testing and qualifications programs and is proposing several changes. The MSRB is (a) eliminating the requirement of MSRB Rule G-3(d) for certain firms to appoint at least one Financial and Operations Principal, and (b) modifying the scope of permissible activities for a Limited Representative – Investment Company and Variable Contracts Products (Limited Representative) in MSRB Rule G-3(a)(ii)(C). The MSRB is providing notice of these proposed changes to MSRB Rule G-3, which will be filed with the Securities and Exchange Commission (SEC) shortly.

Comments should be submitted no later than January 13, 2014, and may be submitted in electronic or paper form. Comments may be submitted electronically by clicking [here](#). Comments submitted in paper form should be sent to Ronald W. Smith, Corporate Secretary, Municipal Securities

Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, VA 22314. All comments will be available for public inspection on the MSRB's website.¹

Questions about this notice should be directed to Lawrence P. Sandor, Deputy General Counsel, at 703-797-6600.

Background

Over the course of a number of years, the MSRB has established and periodically revised a professional qualifications program that establishes competency standards for dealers and their associated persons. Section 15B(b)(2)(A) of the Securities Exchange Act of 1934 (the Act) requires associated persons of dealers to meet such standards of training, experience, competence, and such other qualifications as the MSRB finds necessary or appropriate in the public interest or for the protection of investors and municipal entities or obligated persons. In connection with such standards, the statute provides that the MSRB may require dealers' associated persons to pass tests to demonstrate competence regarding a particular subject matter prior to engaging in municipal securities activities. These examinations are intended to safeguard the investing public by helping to ensure that certain persons associated with dealers meet minimum qualifications to perform their job. Consistent with this purpose, the examinations seek to measure accurately and reliably the degree to which each candidate possesses the knowledge, skills and abilities necessary to perform his or her job. Certain qualification examinations recognized by the MSRB are focused exclusively on municipal securities, while other examinations are of a more general nature.

In addition to qualification examinations, the MSRB also sets forth continuing education requirements in MSRB Rule G-3(h). The purpose of continuing education is to keep associated persons of dealers abreast of issues that affect their job responsibilities and informed about product and regulatory developments. The two-part continuing education program consists of a Regulatory Element and a Firm Element and requires certain associated persons of dealers to participate in continuing professional education on a periodic basis.²

¹ Comments are posted on the MSRB website without change. Personal identifying information such as name, address, telephone number, or email address, will not be edited from submissions. Therefore, commenters should submit only information that they wish to make available publicly.

² MSRB Rule G-3(h).

The Regulatory Element requires all registered individuals to complete a computer-based training program within 120 days of the second anniversary of their registration approval dates and every three years thereafter. The Regulatory Element program focuses on compliance, regulatory, ethical and sales practice standards. Its content is derived from industry rules and regulations, as well as widely accepted standards and practices within the industry.

The Firm Element requires dealers to establish a formal training program to keep certain registered persons up to date on job and product-related subjects. In planning, developing and implementing the Firm Element program, each MSRB registrant must consider its size, structure, scope of business and regulatory concerns. Further, each registrant must administer its Firm Element program in accordance with its annual needs analysis and written training plan, and must maintain records documenting the content of the program and completion of the program by certain registered persons.

Proposed Revisions to MSRB Rule G-3

Continuing Education

MSRB Rule G-3(h) prescribes requirements regarding the continuing professional education of certain registered persons of dealers. Because the Regulatory Element is designed to focus on topics of broad-based interest to financial professionals, it does not typically focus on narrower product segments, such as municipal securities activities. Additionally, the Regulatory Element is only completed by registered individuals once every three years, so even if a program contained a discussion of municipal securities issues, given the vast range of financial products and issues, it could be many years before municipal content was repeated.

Currently, the Firm Element requirement applies to a “covered registered person” defined as “any person registered with a broker, dealer or municipal securities dealer who has direct contact with customers in the conduct of the broker, dealer or municipal securities dealer’s securities sales, trading and investment banking activities, and to the immediate supervisors of such persons.”³ Thus, representatives who do not have direct contact with customers, even if they have significant regulatory responsibilities, need not participate in the Firm Element, unless required to do so by the dealer with which they are registered.

³ MSRB Rule G-3(h)(ii)(A).

Under Rule G-3, dealers must develop training for covered registered persons based on the firm's size, organizational structure, scope of business activities, and other factors. The Firm Element is designed to enhance the securities knowledge, skill and professionalism of each firm's covered registered persons. At least annually, each dealer must evaluate and prioritize its training needs and develop a written training plan. At a minimum, the training should cover general investment features and associated risk factors, suitability and sales practices considerations and applicable regulatory requirements for the securities products, services and strategies offered by the firm.⁴

At present, Rule G-3(h) does not require dealers to provide municipal securities education annually, even for those registered persons primarily engaged in municipal securities activities. Rather, dealers may design their program based on all of the products and services they offer to customers. As a result, individuals may receive minimal, or no training, on municipal securities, particularly for a firm that offers a broad range of financial products. However, a customer who seeks to purchase or sell a municipal security should expect that each financial professional has participated in, and the firm as a whole has conducted, training on recent developments.

Recognizing that mandating training in one area may supersede training in another area, the MSRB is targeting the new training requirement towards individuals who are primarily engaged in municipal securities activities. The MSRB believes the proposed rule change will enhance the overall securities knowledge, skill and professionalism of associated persons primarily engaged in municipal securities activities and, hence, will advance the MSRB's interest in protecting investors, municipal entities and the public interest.

To require a minimum of one hour of continuing education annually for those individuals primarily engaged in municipal securities activities, the MSRB is proposing to change the definition of "covered registered persons" to "covered persons," which would mean any associated person of a dealer, as defined in MSRB Rule D-11. This broader definition would encompass associated persons who work in a dealer's back and middle office and do not have direct contact with customers.

At the same time, however, the MSRB would require the Firm Element training only of those covered persons that are primarily engaged in municipal securities activities, as described in Rule G-3(a)(i), and would require such individuals to participate in a minimum of one hour of Firm

⁴ MSRB Rule G-3(h)(ii)(B)(2)(a)-(c).

Element continuing education on municipal securities annually.⁵ Thus, the net effect would be that all associated persons *who are primarily engaged* in municipal securities activities would be required to receive the minimum level of Firm Element continuing education.⁶

The MSRB does not believe that Firm Element training requirements should distinguish between associated persons who have direct contact with customers and those who do not, or whether an individual is registered in establishing training requirements. Under the proposed standard, the determining factor for participation in Firm Element education would be whether an associated person is primarily engaged in municipal securities activity.

These minimum requirements should not be seen as the sole training criteria for covered persons. The MSRB views this proposed rule change as setting forth a *minimum* standard for certain associated persons primarily engaged in municipal securities activities, and suggests that dealers consider, in their needs analysis, whether additional annual training on municipal securities or other topics is appropriate. Further, dealers should consider whether training on municipal securities topics is appropriate for associated persons who are not primarily engaged in municipal securities activities.

The MSRB understands that many dealers require substantially more than one hour of municipal securities continuing education for their employees and encourages all firms to continue providing robust training. The proposal will ensure that all firms provide minimum levels of training, consistent with the expectations of investors towards the financial professionals and firms with which they do business.

Although the scope of the Firm Element component of continuing education has long been within the sole discretion of each firm, the Board believes that the unique nature of the municipal securities market and its distinct regulatory scheme support this change to the Firm Element requirement. The municipal securities market is different from other securities markets in a variety of ways, including the role of sovereign issuers, the continuing disclosure regime, effects of bankruptcies, the diversity of types of issuers,

⁵ The proposed requirement to train associated persons on a particular topic is not unique. See anti-money laundering training requirement of the Bank Secrecy Act (12 CFR §21.21(2)(c)(4)).

⁶ The phrase “primarily engaged in municipal securities activities” is similar to terminology used in MSRB rules to distinguish those individuals who are municipal finance professionals. See MSRB Rule G-37(g)(iv)(A).

the trading environment for municipal securities, and the federal tax law and state law requirements and restrictions that relate to the issuance and sale of municipal securities. The MSRB has a substantial body of rules governing dealer conduct, and rules that reflect the special characteristics of the municipal securities market. Even though some securities rules have been harmonized in recent years, the MSRB rules reflect the particulars of the municipal securities market, where municipal securities offerings are exempt from registration provisions of federal securities laws and issuers are not required to file a registration statement with the SEC. Moreover, Firm Element continuing education is not exclusively based on MSRB rules.

Finally, certain associated persons who are primarily engaged in municipal securities activities have been qualified to conduct such activities through general securities qualification examinations (such as the Series 7), rather than qualification examinations focused on municipal securities. By requiring these associated persons to participate in one hour of Firm Element continuing education, the MSRB is able to ensure that this class of individuals has a level of competency regarding municipal securities and is kept abreast of emerging regulatory developments and industry trends, without having to include additional municipal securities content on such general securities qualification examinations or impose a specific examination requirements for registered representatives engaged in municipal securities activities.

Financial and Operations Principal

MSRB Rule G-3(d) defines the duties of a Financial and Operations Principal and prescribes the requirements necessary to obtain such a qualification. As provided by Rule G-3(d)(ii), Financial and Operations Principals must be qualified in accordance with the rules of a registered securities association, FINRA. Hence, individuals seeking qualification as a Financial and Operations Principal must pass the Financial and Operations Principal Qualification Examination (Series 27) that is administered by FINRA.

Generally, the Series 27 examination tests a candidate's knowledge of applicable rules and statutory provisions relating to broker-dealer financial responsibilities, recordkeeping, and the Securities Investor Protection Act of 1970. The examination is focused primarily on the subjects of SEC net capital rules, reserves and custody of securities rules, and other regulations relevant to the role of a chief financial officer or similar financial officer at an investment firm. Hence, they have no specific nexus to municipal securities. Nevertheless, MSRB Rule G-3(d) requires that each dealer, excluding bank dealers or certain other dealers identified by reference to the SEC net capital rule (*e.g.*, dealers that do only mutual fund business, do no business with the public, or do not hold customer funds or securities) have at least one

Financial and Operations Principal, including its chief financial officer⁷ Consequently, only a limited number of dealers are required by MSRB rules to designate a Financial and Operations Principal.

Currently, the Series 27 examination tests few concepts related to MSRB rules and municipal securities and, if the Board were to require additional questions on the examination, such a requirement would likely be at odds with other examination priorities. Moreover, the MSRB does not believe it to be necessary to include additional questions on the Series 27 examination relating to municipal securities, as dealers are required to appoint at least one Municipal Securities Principal who is responsible for overseeing the municipal securities activities of the dealer.⁸

Additionally, FINRA Rule 1022(b) provides qualification requirements for Financial and Operations Principals at FINRA-member firms, and bank dealers are subject to separate financial oversight by the appropriate regulatory agency. MSRB and FINRA rules governing Financial and Operations Principals are substantially similar and differ principally in the type of dealers covered by the rules. Although the MSRB is proposing to delete Rule G-3(d), dealers that are FINRA members would still be obligated to comply with FINRA Rule 1022(b), and bank dealers would still be obligated to comply with the financial oversight rules of the appropriate regulatory agency. Thus, the MSRB believes that elimination of MSRB Rule G-3(d) will simplify the qualification rules that dealers must follow and will avoid regulatory duplication.

Limited Representative - Investment Company and Variable Contracts Products

The MSRB is proposing a rule change that would limit the activities of a Limited Representative exclusively to sales to and purchases from customers of municipal fund securities. Under MSRB Rule G-3(a)(ii)(C), an individual must pass the Investment Company Products/Variable Contracts Limited Representative Qualifications Examination (Series 6) to act as a municipal securities representative with respect to municipal fund securities. The rule permits an associated person of a dealer who has successfully completed the Series 6 examination and has complied with all other applicable qualification

⁷ MSRB Rule G-3(d)(i) excludes from the Financial and Operations principal requirement, any “bank dealer or a broker, dealer or municipal securities dealer meeting the requirements of subparagraph (a)(2)(iv), (v) or (vi) of rule 15c3-1 under the Act or exempted from the requirements of rule 15c3-1 in accordance with paragraph (b)(3) thereof.”

⁸ MSRB Rule G-3(b)(iii) sets forth the numerical requirements for Municipal Securities Principals.

requirements to perform activities such as underwriting, sales, research or any other activities which involve communication, directly or indirectly, with public investors in municipal fund securities.⁹ By contrast, FINRA limits a Limited Representative to investment company and variable contracts product sales activity.¹⁰ As amended, Rule G-3(a)(ii)(C) would be analogous to FINRA Rule 1032(b), in that a Limited Representative would be precluded from engaging in activities other than sales. Moreover, such sales would be limited to municipal fund securities. The MSRB's proposed rule change also would be consistent with the approach taken by FINRA regarding the Series 6 examination, which is focused on the sales-related job responsibilities of a Limited Representative.

Request for Comment

The MSRB is requesting comment from dealers and other market participants regarding the proposed change to Rule G-3(h)(ii)(C) regarding the Firm Element of continuing education. In addition to the substance of the proposed changes, the MSRB requests that commenters' address the following questions, and include relevant data wherever possible:

- Would the proposed training requirements have the anticipated benefits of protecting investors, municipal entities and the public interest? What are the potential benefits, if any, of the changes to the continuing education requirements? To the extent the proposed change would impose new burdens on dealers, please describe those burdens in detail and quantify them, to the extent possible.
- How much would it cost your firm to develop and deliver one hour of Firm Element continuing education annually for associated persons primarily engaged in municipal securities activities? Does your firm develop its own continuing education or does your firm hire outside consultants or vendors to develop such training? What is the total cost of development and delivery of Firm Element continuing education for covered registered persons?
- How many hours of Firm Element continuing education does each associated person receive annually at your firm? Does your firm provide associated persons with Firm Element continuing education regarding municipal securities? If so, how many hours of training are provided annually?
- Does your firm provide Firm Element continuing education for associated persons who are not covered registered persons under Rule G-3(h)(ii)(A)? If so, how much training is provided annually?

⁹ See MSRB Rule G-3(a)(i)(A)(1)-(4).

¹⁰ NASD Rule 1032(b).

- What percentage of your firm’s employees would be impacted by the proposed rule change on continuing education?
- If your firm offers products other than municipal securities, how do you determine whether to provide training regarding municipal securities? What other factors are considered and how are they weighed when the firm determines whether to provide training regarding municipal securities?
- If your annual training typically does not include municipal securities, please describe why municipal securities are excluded. Are new and revised MSRB rules and interpretive guidance considered when you develop the annual training plan?
- What type of supervisory continuing education does your firm offer regarding municipal securities?
- Is the Municipal Securities Principal(s) at your firm involved in the development of the annual training plan?
- Does your firm consider the Securities Industry/Regulatory Council on Continuing Education’s Firm Element CE when conducting its annual needs analysis and developing the written training plan?
- Has technology made it easier and less costly to develop and deliver Firm Element training? What types of technology are utilized by your firm to deliver Firm Element training?
- Does your firm combine the annual compliance training required by MSRB Rule G-27(b)(vii) with the Firm Element continuing education?
- Are there any alternatives to the proposed changes to continuing education requirements?

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Text of Proposed Rule Change¹¹

Rule G-3: Professional Qualifications ~~Classification of Principals and Representatives; Numerical Requirements; Testing; Continuing Education Requirements~~

No broker, dealer or municipal securities dealer or person who is a municipal securities representative, municipal securities principal, or municipal securities sales principal ~~or financial and operations principal~~ (as hereafter defined) shall be qualified for purposes of Rule G-2 unless such broker, dealer or municipal securities dealer or person meets the requirements of this rule.

(a) Municipal Securities Representative and Municipal Securities Sales Limited Representative.

- (i) No change.

¹¹ Underlining indicates new language; strikethrough denotes deletions.

(ii) Qualification Requirements.

(A) – (B) No change.

(C) The requirements of subparagraph (a)(ii)(A) of this rule shall not apply to any person who is duly qualified as a limited representative - investment company and variable contracts products by reason of having taken and passed the Limited Representative - Investment Company and Variable Contracts Products Examination, but only if such person's activities with respect to municipal securities are limited exclusively to sales to and purchases from customers of municipal fund securities. ~~described in paragraph (a)(i) of this rule are limited solely to municipal fund securities.~~

(D) No change.

(iii) No change.

(b) - (c) No change.

~~(d) Financial and Operations Principal.~~

~~(i) Definition. The term "financial and operations principal" means a natural person associated with a broker, dealer or municipal securities dealer (other than a bank dealer or a broker, dealer or municipal securities dealer meeting the requirements of subparagraph (a)(2)(iv), (v) or (vi) of rule 15c3-1 under the Act or exempted from the requirements of rule 15c3-1 in accordance with paragraph (b)(3) thereof), whose duties include:~~

~~(A) approval of and responsibility for financial reports required to be filed with the Commission or any self-regulatory organization;~~

~~(B) final preparation of such reports;~~

~~(C) overall supervision of individuals who assist in the preparation of such reports;~~

~~(D) overall supervision of and responsibility for individuals who are involved in the maintenance of the books and records from which such reports are derived;~~

~~(E) overall supervision and/or performance of the responsibilities of the broker, dealer or municipal securities dealer pursuant to the financial responsibility rules under the Act;~~

~~(F) overall supervision of and responsibility for all individuals who are involved in the administration and maintenance of the processing and clearance functions of such broker, dealer or municipal securities dealer; and~~

~~(G) overall supervision of and responsibility for all individuals who are involved in the administration and maintenance of the safekeeping functions of such broker, dealer or municipal securities dealer.~~

~~(ii) Qualification Requirements.~~

~~(A) Every financial and operations principal shall be qualified in such capacity in accordance with the rules of a registered securities association.~~

~~(B) Any person who ceases to be associated with a broker, dealer or municipal securities dealer as a financial and operations principal for two or more years at any time after having qualified as such in accordance with this paragraph (d)(ii) shall qualify in such capacity in accordance with the rules of a registered securities association prior to being qualified as a financial and operations principal.~~

~~(iii) Numerical Requirements. Every broker, dealer and municipal securities dealer (other than a bank dealer and a broker, dealer or municipal securities dealer meeting the requirements of subparagraph (a)(2)(iv), (v) or (vi) of rule 15c3-1 under the Act or exempted from the requirements of rule 15c3-1 in accordance with paragraph (b)(3) thereof) shall have at least one financial and operations principal, including its chief financial officer, qualified in accordance with paragraph (d)(ii) of this rule.~~

(e) - (f) No change.

~~(g) Waiver of Qualification Requirements.~~

~~(i) No change.~~

~~(ii) The requirements of paragraph (d)(ii) may be waived for any associated person of a broker, dealer or municipal securities dealer in circumstances sufficient to justify the granting of a waiver if such person were seeking to register and qualify with a member of a registered securities association as a financial and operations principal. Such waiver may be granted by a registered securities association with respect to a person associated with a member of such association.~~

~~(h) Continuing Education Requirements.~~

~~(i) Regulatory Element.~~

~~(A) – (E) No change.~~

~~(F) Definition of registered person—For purposes of this section, the term "registered person" means any person registered with the appropriate enforcement authority as a municipal securities representative, municipal securities principal, or municipal securities sales principal ~~or financial and operations principal~~ pursuant to this rule.~~

~~(G) No change.~~

(ii) *Firm Element.*

(A) Persons Subject to the Firm Element—The requirements of this section shall apply to any associated person as defined by MSRB Rule D-11~~person registered with a broker, dealer or municipal securities dealer who has direct contact with customers in the conduct of the broker, dealer or municipal securities dealer's securities sales, trading and investment banking activities, and to the immediate supervisors of such persons (collectively, "covered registered persons").~~ "Customer" shall mean any natural person and any organization, other than another broker, dealer or municipal securities dealer, executing securities transactions with or through or receiving investment banking services from a broker, dealer or municipal securities dealer.

(B) *Standards for the Firm Element*

(1) Each broker, dealer and municipal securities dealer must maintain a continuing and current education program for its covered ~~registered~~ persons primarily engaged in activities described in Rule G-3(a)(i) to enhance their securities knowledge, skill, and professionalism. At a minimum, each broker, dealer and municipal securities dealer shall at least annually evaluate and prioritize its training needs, ~~and~~ develop a written training plan, and conduct training on municipal securities for covered persons primarily engaged in activities described in Rule G-3(a)(i). The plan must take into consideration the broker, dealer and municipal securities dealer's size, organizational structure, and scope of business activities, as well as regulatory developments and the performance of covered registered persons in the Regulatory Element. If a broker, dealer or municipal securities dealer's analysis determines a need for supervisory training for persons with supervisory responsibility, such training must be included in the broker, dealer or municipal securities dealer's training plan.

(2) Minimum Standards for Training Programs—Programs used to implement a broker, dealer or municipal securities dealer's training plan must be appropriate for the business of the broker, dealer or municipal securities dealer and, at a minimum must cover the following matters concerning municipal securities products, services and strategies offered by the broker, dealer or municipal securities dealer:

- (a) General investment features and associated risk factors;
- (b) Suitability and sales practice considerations;
- (c) Applicable regulatory requirements.

(3) Administration of Continuing Education Program—A broker, dealer or municipal securities dealer must administer its continuing education programs in accordance with its annual evaluation and written plan and must maintain records documenting the content of the programs and completion of the programs by covered ~~registered~~ persons.

(C) Participation in the Firm Element—Covered ~~registered~~ persons primarily engaged in activities described in Rule G-3(a)(i) must take all appropriate and reasonable steps to participate in a minimum of one hour of Firm Element continuing education on municipal securities annually as required by the broker, dealer or municipal securities dealer. Other covered persons included in a broker, dealer or municipal securities dealer’s plan must take all appropriate and reasonable steps to participate in continuing education programs as required by the broker, dealer or municipal securities dealer.

(D) No change.

Rule G-7 Information Concerning Associated Persons

(a) No associated person (as hereinafter defined) of a broker, dealer or municipal securities dealer shall be qualified for purposes of Rule G-2 of the Board unless such associated person meets the requirements of this rule. The term "associated person" as used in this rule means (i) a municipal securities principal, (ii) a municipal securities sales principal, ~~(iii) a financial and operations principal,~~ (iii) (iv) a municipal securities representative, (iv) (v) a municipal securities sales limited representative, and (v) (vi) a municipal fund securities limited principal.

(b) - (e) No change.

(f) Every broker, dealer and municipal securities dealer shall maintain and preserve a record of the name and residence address of each associated person, designated by the category of function performed (whether municipal securities principal, municipal securities sales principal, or municipal securities representative ~~or financial and operations principal~~) and indicating whether such person has taken and passed the qualification examination for municipal securities principals, municipal securities sales principals, municipal securities representatives, municipal securities sales limited representatives, or municipal fund securities limited principals ~~or financial and operations principals~~ prescribed by the Board or was exempt from the requirement to take and pass such examination, indicating the basis for such exemption, until at least three years after the associated person's employment or other association with such broker, dealer or municipal securities dealer has terminated.

Rule G-27 Supervision

(a) No change.

(b) *Supervisory System.* Each dealer shall establish and maintain a system to supervise the municipal securities activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable Board rules. Final responsibility for proper supervision shall rest with the dealer. A dealer's supervisory system shall provide, at a minimum, for the following:

(i) No change.

(ii) (A) *General.* The designation of one or more associated persons qualified as municipal securities principals, municipal securities sales principals, municipal fund securities limited principals, ~~financial and operations principals~~ in accordance with Board rules, or as general securities principals to be responsible for the supervision of the municipal securities activities of the dealer and its associated persons as required by this rule.

(B) No change.

(C) *Appropriate Principal.*

(1) No Change.

~~(2) A non bank dealer shall designate a financial and operations principal as responsible for the financial reporting duties specified in Rule G-3(d) (i)(A-E) and with primary responsibility for books and records under paragraph (c)(i)(E) below; provided, however, that a non bank dealer meeting the requirements of Securities Exchange Act Rule 15c3-1(a)(2)(iv), (v) or (vi) or the exemption under Rule 15c3-1(b)(3) may, but is not required to, designate a financial and operations principal as responsible for such financial reporting duties and with primary responsibility for such books and records.~~

~~(2) (3)~~ A municipal securities sales principal may be designated as responsible for supervision under paragraphs (c)(i)(B), (C) and (G) and subsection (e)(i) of this rule, to the extent the activities pertain to sales to or purchases from a customer of municipal securities.

~~(3) (4)~~ A general securities principal may be designated as responsible for supervision under paragraph (c)(i)(E) and subparagraph (c)(i)(G)(1) of this rule and under Rules G-7(b) and G-21(f).

~~(5) A financial and operations principal may be designated as responsible for supervision under paragraph (c)(i)(F) of this rule.~~

~~(4) (6)~~ A municipal fund securities limited principal may be designated as responsible for supervision under sections (a), (b), (c), (d), (e) and (f) of this rule to the extent that the activities pertain solely to transactions in municipal fund securities.

(iii) – (vii) No change.

(c) – (g) No change.