

ARM Association of Registration Management

Post Office Box 133, Bowling Green Station, New York, NY 10274

May 16, 2014

Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314

Re: MSRB Regulatory Notice 2014-08: Request for Comment on
Establishing Professional Qualification Requirements for Municipal
Advisors

Dear Mr. Smith,

The Association of Registration Management, Inc. ("ARM")¹ would like to comment on the proposed amendments to the Municipal Securities Rulemaking Board ("MSRB") professional requirements for municipal advisors and their associated persons. ARM appreciates the opportunity to submit this letter and present feedback collected from the financial securities industry on this topic and the related process.

Along with our member firms, ARM has reviewed the proposed professional qualification standards for municipal advisor professionals and the suggested procedures for applying for both individual and entity registrations. As a result of that review, ARM believes that the best solution for the Securities and Exchange Commission ("SEC"), MSRB, the industry, and our clients would involve a more uniform approach to registration. ARM encourages the SEC and MSRB to leverage existing securities examinations and uniform applications for registration, and the system for processing

¹ The Association of Registration Management is an industry association founded in 1975, comprised of registration professionals from broker-dealers and investment advisers who deal with the regulatory community on licensing matters and related issues.

those applications, the Central Registration Depository, ("CRD")² owned and operated the Financial Industry Regulatory Authority ("FINRA").

ARM is mindful that unlike FINRA, the MSRB is not a membership or self-regulatory organization ("SRO"), but rather a rulemaking body. However, from a registration perspective, that is a difference without a distinction. The MSRB is a securities regulator, and with the adoption of independent registration and qualification requirements, operates no differently than any securities SRO.

ARM believes the existing municipal securities examinations, the Series 52 and 53, cover the topics necessary to conduct business as a municipal advisor and to supervise municipal advisors, respectively. However, if the MSRB strongly feels that the duties of municipal advisors require additional expertise, ARM recommends adding additional questions to the existing examinations, rather than creating entirely new examinations.

Furthermore, by grandfathering registered representatives who have the corresponding licenses to those examinations, the Municipal Securities Representative ("MR") and Municipal Securities Principal ("MP") registrations, the MSRB will also capture those individuals who have qualified by completing more encompassing examinations, such as Series 7 examinations prior to November 7, 2011. Should the MSRB add new questions to the existing examinations, ARM is confident that grandfathering is still the correct course of action. Existing MR and MP registered representatives are experienced municipal securities professionals, and that experience should suffice for the additional expertise necessary to operate as municipal advisors.

Alternatively, if the MSRB insists on new examinations for the municipal advisor registration categories and/or fails to grandfather MR and MP registered representatives, ARM suggests the MSRB considers how FINRA adopted and phased in the Operations Professional registration ("OS") requirement and the requisite examination, the Series 99, as an example. With the introduction of that registration, FINRA allowed their member firms to have individuals continue acting in an OS capacity for a period of one year

² The Central Registration Depository is a registration database, which was launched in 1981. CRD is used by broker-dealers and various regulators, including: (1) self-regulatory organizations; (2) all 50 US states; and (3) additional jurisdictions such as the District of Columbia, Puerto Rico, and the US Virgin Islands. CRD is also the data source for the FINRA BrokerCheck program. In addition to the use by broker-dealers, the investment adviser community also leverages CRD functionality.

from the effective date³, while they prepared for the examination to avoid disruption in the firms' operations. FINRA also recognized the overlap of content between the Series 99 and other examinations, including the Series 6, 7, and 27.

In connection with our request to leverage existing examinations, ARM also requests that the MSRB utilizes the existing securities registration forms and the system through which those forms are processed. ARM member firms have been using CRD for over 30 years to register their broker-dealers and investment advisers. To apply for both entity and individual registrations with multiple regulatory organizations and exchanges, uniform licensing applications were developed for member firms. Through this uniformity and consistency, these forms address common issues and reduce both redundancies among, and inconsistencies between, the responses to form questions. These standardized applications, including Forms BD, ADV, U4, and U5⁴, increase the efficiency and effectiveness of the registration and disclosure processes. Furthermore, by minimizing the number of forms, the securities regulators have prevented the over saturation of disclosure information by highlighting the relevant facts through specific questions and form sections. ARM believes that a comparison of uniform security applications to municipal advisor forms, such as Forms A-12, MA, and MA-I, demonstrates overlapping requirements. For example, key sections of the municipal advisor forms—such as Identifying Information (or General Information), Business Activities, and Contact Information—are also key sections on the uniform securities registration applications.

Uniform securities registration applications also feature a long list of registration categories. Some of these categories are common across multiple exchanges and regulatory organizations, and others are specific to individual organizations. ARM recommends a detailed analysis of these applications to include the new municipal advisor registration categories and any questions or form sections that are relevant to municipal advisor business and activities.

In addition to the increased efficiencies that can be accomplished with uniform applications, the MSRB can improve the efficiency and effectiveness

³ This allowance was provided on the condition that individuals submitted the required application within a 60-day timeframe.

⁴ The full titles of the referenced forms are as follows: (1) Form BD- Uniform Application for Broker-Dealer Registration; (2) Form ADV- Uniform Application for Investment Adviser Registration; (3) Form U4- Uniform Application for Securities Industry Registration or Transfer; and (4) Form U5- Uniform Termination Notice for Securities Industry Registration.

of their own processes and interactions with industry firms. CRD system features include, but are not limited to:

- (1) automated completeness check functionality to ensure data quality and prevent the submission of incomplete applications;
- (2) validation processes to check for the appropriate examinations for the categories of registrations being sought;
- (3) filters to identify those applicants who require regulatory review for disclosure incidents and other reasons;
- (4) reports and queries related to the application and registration information in the CRD data;
- (5) mass-filing through an electronic filing transfer process ("EFT"), in which licensing applications and amendments for multiple individuals are filed at the same time; and
- (6) accounting functionality to collect and disburse registration and renewal fees to the appropriate regulatory agencies.

FINRA also provides support services to complement the CRD system features, which also benefit member firms, regulators, and the investing public. First, industry firms are able to use FINRA's Call Center for support in the registration application process. Call Center personnel assist system users by answering application content and process questions, and by resolving technical issues such as access problems. Access problems with the MSRB and SEC sites were specifically cited in feedback received from our member firms, including cases where access was not resolved after weeks of requests and follow-up communication. Second, FINRA staff reviews disclosure filings to enforce compliance with reporting requirements and to screen for possible statutory disqualifications. Third, FINRA uses some of the collected data in their public disclosure program, allowing investors to use BrokerCheck to conduct their own background checks to determine which firms and registered representatives they are comfortable bringing their business to. ARM believes that these CRD features and related services would relieve administrative and process burdens, as well as the related costs, for both the MSRB and our member firms.

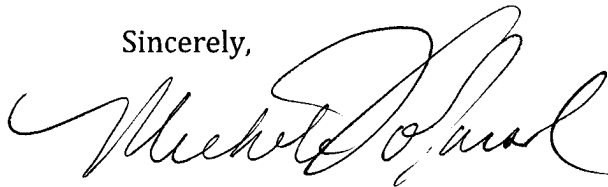
ARM recognizes the existence of municipal advisors that are not broker-dealers, and therefore would not be able to use the CRD registration process at this time. However, we believe that this is a relatively small percentage of the municipal advisor population. The efficiencies and benefits achieved by having the significant majority of municipal advisors registering through CRD should outweigh any additional efforts needed to address this smaller population.

ARM has had several discussions about the possibility of extending the MSRB registration process to CRD with FINRA. In response, FINRA contacts have expressed their willingness to assist the MSRB by introducing the CRD system and its potential uses. Our organization and our member firms will gladly participate in conferences and discussions with both FINRA and the MSRB to provide more detailed feedback on the use of this system and to use our combined years of registration experience to assist the MSRB in developing application, disclosure, and review procedures through the use of CRD.

ARM understands and fully supports the need for municipal advisor qualifications and registration categories. However, the organization and our member firms have concerns about the process to apply for those registrations. We recommend contacting ARM for more detailed industry feedback and to further explore the possibility of using CRD for municipal advisor registration processing.

Thank you for your time and consideration on this matter. Please contact me if you wish to discuss the matter in more detail, if you have any questions, or if I can assist with this initiative any further.

Sincerely,

A handwritten signature in cursive script, appearing to read "Michele Van Tassel".

Michele Van Tassel
President, Association of Registration Management, Inc.
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On behalf of the Executive Board and members of the
Association of Registration Management, Inc.

CC: Mario DiTrapani
Vice President, Registration and Disclosure
Financial Industry Regulatory Authority

Katherine England
Assistant Director, Trading and Markets
Securities and Exchange Commission