

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

April 25, 2014

Re: MSRB Regulatory Notice 2014-08 Relating to Establishing Professional Qualification Requirements for Municipal Advisers.

Dear Mr. Smith:

CFA Institute appreciates the opportunity to comment to the Municipal Securities Rulemaking Board (the “Board”) with regard to its regulatory notice (the “Notice”) pertaining to the establishment of professional qualification requirements for municipal advisers. CFA Institute represents the views of investment professionals before standard setters, regulatory authorities, and legislative bodies worldwide on issues that affect the practice of financial analysis and investment management, education and licensing requirements for investment professionals, and on issues that affect the integrity and accountability of global financial markets.

On March 17, 2014 the Municipal Securities Rulemaking Board (MSRB) released Regulatory Notice 2014-08 which requested comment on the Board’s intent to establish professional qualification requirements for municipal advisers and their associated persons. Under the proposed amendments, the Board would require municipal adviser representatives to take and pass the municipal adviser representative qualification examination to demonstrate a minimum level of competency.

CFA Institute appreciates the opportunity to provide comments on the Board’s new rulemaking. We believe that it is appropriate, and in the interest of investors and municipal entities, for the MSRB to impose qualification requirements on municipal advisers and their associated persons. The new standards

of competence are similar to the ones already imposed on other securities professionals and should help bring consistency across the investment industry.

Accordingly, CFA Institute recommends that the proposed qualification requirement be constructed in a modular fashion with one component focusing on the knowledge of business and the second component devoted to the rules and regulations of the municipal securities market. Furthermore, we request that CFA charterholders be granted a waiver from the knowledge of business component of the qualification requirement for municipal adviser representatives.

Background on CFA Institute and the CFA Charter

CFA Institute is the leading global association of investment professionals with more than 122,000 members in 144 countries. Our mission is to lead the investment profession globally by promoting the highest standards of ethics, education, and professional excellence for the ultimate benefit of society. We aspire to serve all finance professionals seeking education, knowledge, and professional development. CFA Institute also seeks to lead the investment profession's thinking in the areas of ethics, capital market integrity, and excellence of practice.

As part of its portfolio of educational programs, CFA Institute offers the Chartered Financial Analyst® (CFA®) charter which is the global investment industry's most challenging and most widely respected graduate-level investment credential. Earning the CFA charter requires passing three, six-hour examinations with an overall ten-year average pass rate of 42%. With 10-15% of each level of the CFA exam dedicated to ethics and standards, successfully completing the CFA program demonstrates a commitment to professional ethics as well as a mastery of a comprehensive range of advanced investment principles needed to successfully practice in the investment industry.

The CFA program curriculum is grounded in the practice of the investment profession. The topic areas covered by the CFA program range from ethical and professional standards to investment tools, asset classes (with a strong focus in fixed-income securities) and portfolio management. CFA Institute, through the oversight of the Educational Advisory Committee (EAC), regularly conducts a practice analysis survey of investment professionals around the world to determine the knowledge, skills, and abilities (competencies) that are relevant to the profession. The results of the practice analysis define the Global Body of Investment Knowledge (GBIK) and the CFA Program Candidate Body of Knowledge (CBOK).

CFA Program Recognition in the United States of America

Regulators around the world recognize the rigor of the CFA program by granting waivers from their own requirements for those who successfully participate in the CFA program. In all, regulators from twenty-three countries or territories formally recognize the CFA program.

In the case of the United States of America, the CFA Program has been recognized by regulatory agencies for certain job roles within the investment profession, thus allowing our candidates and charterholders to waive some of the Series exams required by Financial Industry Regulatory Authority (FINRA) and the New York Stock Exchange (NYSE):

- The NYSE exempts those who have passed CFA Level I and Part I of the NYSE Supervisory Analysts Qualification Exam (Series 16) from Part II of this two part exam.
- The NYSE and FINRA grant a waiver from the Series 86 exam for successful CFA Level II candidates who function as research analysts; and
- FINRA also grants a waiver from the Uniform Investment Adviser Examination (Series 65) for CFA charterholders.

In addition, the CFA charter has also been benchmarked by the National Academic Recognition Information Centre (NARIC) as comparable to a Master's level program relative to the English Qualification and Credit Framework.

Overview of the Board's draft amendments

Among the changes being proposed by the Board, the new rules would create two new registration classifications for municipal advisers: (a) municipal adviser representatives; and (b) municipal adviser principals. This new classification of associated persons as representatives and principals is consistent with those seen in other regulatory regimes. A municipal adviser representative is defined as a person who engages in municipal adviser activities while a principal is defined as a person who is engaged in the management, direction or supervision of the municipal advisory activities of the municipal adviser and its associated persons.

The draft amendments would require that each prospective municipal adviser representative take and pass the municipal adviser representative qualification examination in order to be qualified as a municipal adviser representative. The Board is also considering establishing a qualification examination for municipal adviser principals at a later date¹.

As to the Uniform Requirement (grandfathering), the MSRB also proposed that all persons considered municipal adviser representatives (as defined by MSRB Rule G-3) must take and pass the qualification examination, regardless of whether such persons have passed other MSRB or MSRB-recognized examinations (such as the Series 52 or 7 examinations), or previously have been engaged in municipal advisory business.

Request to the Board to adopt a modular approach to the municipal adviser representative qualification examination and grant waivers to the CFA Program for the knowledge of business component (investment-related content).

We agree with the Board that the proposed examination should demonstrate test takers' knowledge of business (appropriate investment-related content) as well as knowledge of the rules and regulations pertaining to the markets for municipal securities. In this way, our recommendation would be that MSRB construct the exam in a modular fashion as follows:

- Module 1 – Knowledge of Business (appropriate investment-related content)
- Module 2 – Regulatory Requirements

Considering the above, we request the Board that CFA Charterholders be allowed to waive “Module 1 - Knowledge of Business (appropriate investment-related content)” and only be required to take “Module 2 – Regulatory Requirements” to qualify as municipal adviser representatives.

We believe that, given the nature and rigor of the CFA program, this would be beneficial to the MSRB and the municipal securities market in that it would increase the attractiveness of practicing in this market for the most qualified investment practitioners in the world. In addition, the CFA program already enjoys broad acceptance by regulators in the U.S. as indicated by the waivers currently in place with FINRA and

¹ It is expected that each municipal adviser principal would, as a prerequisite, be required to take and pass the municipal adviser representative qualification examination before taking the municipal adviser principal qualification examination.

the NYSE (for Series 16, Series 65 and Series 86) which demonstrate the value and trust that regulatory agencies in the U.S. have placed in the program.

If the Board were to grant waivers to the CFA program, there would also be the obvious benefit to CFA charterholders who now would be able to leverage their participation in the CFA program and reduce the additional testing burden they would otherwise face to become municipal adviser representatives.

If a more detailed comparison would be helpful, the Regulator and Program Recognition (RPR) division can conduct a mapping exercise once the Board publishes the detailed learning objectives for the qualification examination. In a mapping exercise of this nature, RPR would match the learning outcome statements of the CFA Program to those of the municipal adviser representative examination. We expect that such a mapping exercise would confirm our assessment and demonstrate significant overlap between the topic areas of both exams.

Uniform Requirement – Grandfathering, Grace Period, and Apprenticeship

Finally, CFA Institute has no opinion on the practice of grandfathering. Similarly, CFA Institute has no position on the Board’s proposals for a grace period, or to eliminate the apprenticeship period.

We would be pleased to discuss our comments in greater detail, or to provide any other assistance that would be helpful. If you have any questions, please do not hesitate to contact us.

Yours sincerely,



Inigo Bengoechea, CFA, CPA
Director, Regulator and Program Recognition
inigo.bengoechea@cfainstitute.org
Tel: 212-418-6895



Dan Larocco, CFA, CIPM
Manager, Regulator and Regulation Research
dan.larocco@cfainstitute.org
Tel: 434-951-5204

cc: Rick Wayman, New Albany Capital Partners, LLC
James Allen, Head Capital Markets Policy Americas, CFA Institute
Kate Lander, Head of Regulator and Program Recognition, CFA Institute