

OMB APPROVAL

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Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 42	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2019 - * 12 Amendment No. (req. for Amendments *)
Filing by Municipal Securities Rulemaking Board Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934		
Initial * ☒ Amendment * ☐ Withdrawal ☐	Section 19(b)(2) * ☐ Section 19(b)(3)(A) * ☒ Section 19(b)(3)(B) * ☐	Rule ☒ 19b-4(f)(1) ☐ 19b-4(f)(4) ☐ 19b-4(f)(2) ☐ 19b-4(f)(5) ☐ 19b-4(f)(3) ☐ 19b-4(f)(6)
Pilot ☐ Extension of Time Period for Commission Action * ☐ Date Expires *		
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) * ☐ Section 806(e)(2) * ☐		Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) * ☐
Exhibit 2 Sent As Paper Document ☒ Exhibit 3 Sent As Paper Document ☒		
Description Provide a brief description of the action (limit 250 characters, required when Initial is checked *). Revisions to the Content Outline for the Municipal Advisor Principal Qualification Examination and Its Associated Selection Specifications for the Examination		
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 action. First Name * Bri Last Name * Joiner Title * Director of Professional Qualifications E-mail * bjoiner@msrb.org Telephone * (202) 838-1500 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. (Title *) Date 10/18/2019 By Ronald W. Smith (Name *) Corporate Secretary rsmith@msrb.org, rsmith@msrb.org		

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 EFFT 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 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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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, security-based swap submission, or advance notice 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

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 Sent As Paper Document

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Exhibit 3 - Form, Report, or Questionnaire

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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 Sent As Paper Document

☐

Exhibit 4 - Marked Copies

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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

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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 the Proposed Rule Change

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² the Municipal Securities Rulemaking Board (“Board” or “MSRB”) is filing with the Securities and Exchange Commission (“Commission” or “SEC”) revisions to the content outline for the Municipal Advisor Principal Qualification Examination (“Series 54 examination”) and its associated selection specifications for the examination (“selection specifications”) (collectively, the “proposed rule change”). The proposed revisions to the content outline include incorporating MSRB Rule G-40, on advertising by municipal advisors, and a description of the functions and knowledge required to perform the supervisory tasks related to Rule G-40; specifying that the passing score for the examination is 70%; updating the sample questions; and making other technical changes to clarify topic descriptions. The MSRB is not proposing in this filing any textual changes to its rules.

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

- (a) The Series 54 examination content outline is attached as Exhibit 3a. The selection specifications have been submitted to the Commission under a separate cover with a request for confidential treatment pursuant to SEC Rule 24b-2.⁵
- (b) Not applicable.
- (c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The Board approved the filing of the proposed rule change at its meeting on

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A).

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

⁵ 17 CFR 240.24b-2.

September 20, 2019. Questions concerning this filing may be directed to Bri Joiner, Director of Professional Qualifications, at (202) 838-1347.

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

(a) Purpose

Section 15B(b)(2)(A) of the Act authorizes the MSRB to prescribe “standards of training, experience, competence, and such other qualifications as the Board finds necessary or appropriate in the public interest or for the protection of investors and municipal entities or obligated persons”⁶ and requires persons in any such class to pass tests prescribed by the Board.⁷ Section 15B(b)(2)(L)(iii) of the Act further requires the MSRB to establish professional standards for municipal advisors.⁸ A professional qualification examination is intended to determine whether an individual meets the MSRB’s required qualification standards. The MSRB believes that professional qualification examinations, such as the Municipal Advisor Representative Qualification Examination (“Series 50 examination”) and the Series 54 examination are means for determining the competency of individuals in particular qualification classifications. More specifically, the Series 54 examination is designed to measure a candidate’s knowledge of the application of federal securities laws, including MSRB rules to the municipal advisory activities of a municipal advisor and that of its associated persons.

On September 19, 2018, the MSRB filed with the SEC amendments to Rule G-3, on professional qualification requirements, for immediate effectiveness, to require municipal advisor principals to become appropriately qualified by passing the Series 54 examination.⁹ Thereafter, on December 20, 2018, the MSRB filed the Series 54 examination content outline with the SEC for immediate effectiveness.¹⁰ The Series 54 examination content outline was developed to serve as a guide to the subject matter tested on the Series 54 examination and prescribes the specified knowledge required in each functional area that is specific to the role and responsibilities of a municipal advisor

⁶ 15 U.S.C. 78o-4(b)(2)(A).

⁷ 15 U.S.C. 78o-4(b)(2)(A)(iii).

⁸ 15 U.S.C. 78o-4(b)(2)(L)(iii).

⁹ See Exchange Act Release No. 84630 (November 20, 2018), 83 FR 60927 (November 27, 2018) (File No. SR-MSRB-2018-07).

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

principal (“principal-level activity”).¹¹ The MSRB has noted that the establishment of qualification requirements for municipal advisor principals and the subject matter covered on the examination to be tested on would assist in ensuring that municipal advisor principals have a baseline knowledge of the municipal market, municipal advisory activities, as well as the regulatory requirements.

Current Content Outline

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

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

As the MSRB has previously noted, while the subject matters represented on the Series 54 examination content outline may have redundancies with subject matters appearing on the Series 50 examination content outline, the Series 54 examination is designed to test the specific application of MSRB rules and other federal securities laws to the municipal advisory activities of the municipal advisor, whereas the Series 50 examination is meant to test the baseline competency of individuals engaged in municipal advisory activities and is not designed to specifically or extensively test the application of those laws.¹² Additionally, to familiarize candidates with the format of the Series 54 examination, the content outline includes sample questions that are similar to the type of questions that may be found on the Series 54 examination.

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

¹¹ Under Rule G-3(e) a “municipal advisor principal” is defined as “a natural person associated with a municipal advisor who is directly engaged in the management, direction or supervision of the municipal advisory activities of the municipal advisor and its associated persons.”

¹² See supra note 9.

administration of the Series 54 examination. Individuals will be allowed 180 minutes to complete the Series 54 examination.¹³

Proposed Revisions

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

Administration of the Exam

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

Part 1: Understanding the Municipal Advisor Regulatory Framework

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

¹³ Prior to beginning the examination, individuals will be provided with a brief tutorial on the administration of the computerized exam. Candidates will be given 30 minutes to complete the tutorial in addition to the 180 minutes allowed to complete the Series 54 examination.

Part 2: Supervising Municipal Advisory Activities

- Under the “Tasks” section, for words not taking the gerund form of a verb, revising as such:
 - Changing “Determination” to “Determining;” “Review” to “Reviewing;” “Documentation of” to “Documenting;” “Assess” to “Assessing;” “Determination” to “Determining;” and “Maintain” to “Maintaining;”
- For Subtopic A.8., under the “Knowledge Required” section, the description is being revised to read “Disclosure of Conflicts of Interest and Other Information;” the rule reference MSRB Rule G-42(b) is being added; the rule reference MSRB Rule G-44 is being deleted; and the description “Other duties of municipal advisors” is renumbered as A.10;
- For Subtopic A.9., under the “Knowledge Required” section, the description is being revised to “Provision on the process to cure inadvertent advice;”

Part 3: Supervising Municipal Advisor Firm Operations

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

- For Subtopic A.7., under the “Knowledge Required” section, the description is being revised to “Gifts, gratuities and normal business dealings compliance obligations;”
- For Subtopic A.8., under the “Knowledge Required” section, the description is being revised to “Activities triggering a ban on municipal advisory business, exemptions and required filings; the rule reference is being updated to MSRB Rule G-37(b)(i)(A)-(D) and (e);
- Under the “Knowledge Required” section, adding as subtopic A.10., the description “Advertising and content standards; and the rule reference MSRB Rule G-40;
- For Subtopic B.1., under the “Knowledge Required” section, the description is being revised to add the word “SEC” before “Form MA-I;”

Sample Questions

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

As noted above, the MSRB has designated the proposed rule change for immediate effectiveness. The selection specifications for the Series 54 examination, which the MSRB has submitted under separate cover with a request for confidential treatment to the Commission, pursuant to Rule 24b-2 under the Act,¹⁴ describe additional confidential information regarding the Series 54 examination.

(b) Statutory Basis

The MSRB believes that the proposed rule change is consistent with Section 15B(b)(2)(A) of the Act,¹⁵ 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 and municipal entities or obligated persons” and Sections 15B(b)(2)(A)(i)¹⁶ and 15B(b)(2)(A)(iii)¹⁷ of the Act, which provides that the Board may appropriately classify

¹⁴ 17 CFR 240.24b-2.

¹⁵ 15 U.S.C. 78o-4(b)(2)(A).

¹⁶ 15 U.S.C. 78o-4(b)(2)(A)(i).

¹⁷ 15 U.S.C. 78o-4(b)(2)(A)(iii).

associated persons of municipal advisors and require such persons in any such class to pass tests prescribed by the Board. The MSRB also believes that the proposed rule change is in furtherance of Section 15B(b)(2)(L)(iii) of the Act, which requires the MSRB to establish professional standards for municipal advisors.¹⁸

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

The MSRB also believes the proposed rule change is in accordance with Section 15B(b)(2)(C) of the Act,¹⁹ which requires, among other things, that MSRB rules "be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, ... and, in general, to protect investors, municipal entities, obligated persons, and the public interest..." The MSRB notes the proposed rule change is consistent with this provision of the Act, to foster the prevention of fraudulent practices, because by ensuring individuals have a guide to the subject matters covered in the requisite professional examinations and demonstrating competence in the application of federal securities laws and MSRB rules to a firm's municipal advisory activities, such individuals are likely better equipped to exercise proper supervisory control over the activities of municipal advisor representatives.

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

Section 15B(b)(2)(C) of the Act²⁰ requires that MSRB rules not be designed to impose any burden on competition not necessary or appropriate in furtherance of the

¹⁸ 15 U.S.C. 78o-4(b)(2)(L)(iii).

¹⁹ 15 U.S.C. 78o-4(b)(2)(C).

²⁰ 15 U.S.C. 78o-4(b)(2)(C).

purpose of the Act. In addition, Section 15B(b)(2)(L)(iv) of the Act²¹ provides that MSRB rules may “not impose a regulatory burden on small municipal advisors that is not necessary or appropriate in the public interest and for the protection of investors, municipal entities, and obligated persons, provided that there is robust protection of investors against fraud.” The MSRB does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of these provisions and their purposes under the Act, relative to the economic baseline, which includes the requirement that municipal advisor professionals demonstrate, by passing an examination, that they meet professional standards deemed necessary or appropriate in the public interest or for the protection of investors, municipal entities and obligated persons.

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

5. 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.

6. Extension of Time Period for Commission Action

Not applicable.

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

The MSRB has designated the proposed rule change as being immediately effective upon filing pursuant to Section 19(b)(3)(A)(i) of the Act²² and paragraph (f)(1) of Rule 19b-4 thereunder,²³ 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.

²¹ 15 U.S.C. 78o-4(b)(2)(L)(iv).

²² 15 U.S.C. 78s(b)(3)(A)(i).

²³ 17 CFR 240.19b-4(f)(1).

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

Not applicable.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervisions Act

Not applicable.

11. Exhibits

Exhibit 1. Completed Notice of Proposed Rule Change for Publication in the Federal Register.

Exhibit 3a. Revised Content Outline for the Series 54 Examination.

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

Exhibit 3c. Selection Specifications for the Series 54 examination. The MSRB has requested confidential treatment of the Series 54 selection specifications, which have been omitted from this filing, but filed separately with the Commission pursuant to SEC Rule 24b-2 of the Act.²⁴

²⁴

17 CFR 240.24b-2.

EXHIBIT 1

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

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

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

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

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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

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

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

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

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

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

1. Purpose

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

³ 15 U.S.C. 78s(b)(3)(A).

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

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

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

⁵ 15 U.S.C. 78o-4(b)(2)(A).

⁶ 15 U.S.C. 78o-4(b)(2)(A)(iii).

⁷ 15 U.S.C. 78o-4(b)(2)(L)(iii).

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

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

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

Current Content Outline

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

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

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

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

¹¹ See supra note 9.

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

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

Proposed Revisions

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

Administration of the Exam

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

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

Part 1: Understanding the Municipal Advisor Regulatory Framework

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

Part 2: Supervising Municipal Advisory Activities

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

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

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

Part 3: Supervising Municipal Advisor Firm Operations

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

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

Sample Questions

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

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

2. Statutory Basis

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

¹³ 17 CFR 240.24b-2.

¹⁴ 15 U.S.C. 78o-4(b)(2)(A).

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

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

¹⁵ 15 U.S.C. 78o-4(b)(2)(A)(i).

¹⁶ 15 U.S.C. 78o-4(b)(2)(A)(iii).

¹⁷ 15 U.S.C. 78o-4(b)(2)(L)(iii).

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

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

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

¹⁸ 15 U.S.C. 78o-4(b)(2)(C).

¹⁹ 15 U.S.C. 78o-4(b)(2)(C).

²⁰ 15 U.S.C. 78o-4(b)(2)(L)(iv).

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

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

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

Written comments were neither solicited nor received.

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

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

IV. Solicitation of Comments

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

²¹ 15 U.S.C. 78s(b)(3)(A).

²² 17 CFR 240.19b-4(f).

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

Electronic Comments:

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

Paper Comments:

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

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

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

For the Commission, pursuant to delegated authority.²³

Secretary

²³ 17 CFR 200.30-3(a)(12).

Municipal Advisor Principal Qualification Examination (Series 54)

CONTENT OUTLINE



Municipal Securities Rulemaking Board

Municipal Advisor Principal Qualification Examination (Series 54)

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Introduction

This content outline is intended to help candidates prepare for the Municipal Advisor Principal Qualification Examination (Series 54). This examination is developed and maintained by the Municipal Securities Rulemaking Board (MSRB), the self-regulatory organization (SRO) that establishes rules for municipal securities dealers and municipal advisors. The outline provides relevant information about the examination itself, as well as pertinent information about the content areas that are covered in the examination. The sample questions in this outline are similar to the types of multiple-choice questions that will appear in the examination. In addition, government and SRO websites that may be useful in preparing for the examination are provided at the end of the outline.

The questions used in the Series 54 examination are reviewed and updated on a regular basis and reflect current market practices. Questions that test new rules or amendments will be included in the examination after the effective date of the rule or rule change. Existing questions on rules or portions of rules that have been deleted will be removed from the examination prior to the effective date of the amendment.

PURPOSE FOR AND DEVELOPMENT OF THE EXAMINATION

The Securities Exchange Act of 1934 requires the MSRB to develop a regulatory framework for municipal advisors, including establishing professional standards of conduct. The Series 54 examination for municipal advisor principals was developed as a part of the fulfillment of that mandate. A municipal advisor principal is a natural person associated with a municipal advisor firm who is qualified as a municipal advisor representative and is directly engaged in the management, direction or supervision of the municipal advisory activities of the municipal advisor and its associated persons.

The content areas covered by the examination were determined by a panel of practicing municipal advisor professionals who represented various types of municipal advisors that were nationally diverse. The examination is intended to measure the degree to which candidates have demonstrated knowledge and skills necessary to perform the responsibilities of a municipal advisor principal.

STRUCTURE OF THE EXAMINATION

The Series 54 examination consists of 100 multiple choice questions that are organized under the following major functions:

Function	Description	Number of Questions
Function 1:	Understanding the Municipal Advisor Regulatory Framework	25
Function 2:	Supervising Municipal Advisory Activities	35
Function 3:	Supervising Municipal Advisor Firm Operations	40

Each candidate receives a unique sample of 100 questions that are drawn from the collection of test questions available for the examination, subject to two constraints—the content covered by the examination and the overall difficulty of the examination is the same for all candidates.

ADMINISTRATION OF THE EXAMINATION

Consistent with the administration of other securities industry examinations, this 100-question examination is administered at a computer. The examination also includes 10 additional questions, which serve to pretest items to ensure that they meet acceptable measurement standards prior to use in future administrations of the Series 54 examination. These 10 pretest items are randomly distributed throughout the examination and do not count for scoring purposes. Candidates receive a short tutorial providing details of the examination administration prior to initiating the test. Including the 30 minutes permitted for the tutorial, candidates are allowed three and one-half hours to complete the Series 54 examination.

A candidate must select one of the four answer choices that are presented for each question in order to complete the examination. Candidates should remember these relevant points about the examination:

- The exam consists of a total of 110 items (100 scored and 10 unscored);
- Each correct answer of a scored item is worth one point;
- It is to the candidate's advantage to answer each question, even if the candidate is uncertain of the correct response;
- Candidates are given three and one-half hours to complete the examination; and
- Any materials needed to complete the examination will be provided by the test center or within the test itself.

A candidate's score will be equal to the number of questions answered correctly. To establish the passing score for the examination, the MSRB administered a pilot exam based on the content of the final outline. Following a well-established practice known as standard setting, a committee of industry professionals working as municipal advisor principals evaluated the results of the pilot, assessing factors such as content difficulty and industry trends. The passing score set by the MSRB for the Series 54 examination is 70%.

CONFIDENTIALITY

In order to ensure MSRB examinations constitute valid tests of the qualifications of persons who take them, the MSRB has instituted various procedures, in the question-writing and administrative 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 that had used in their training material questions and answers that were determined 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.¹

¹ Rule G-3(f) on "Confidentiality of Qualification Examinations" states that:

No associated person of a broker, dealer, municipal securities dealer or municipal advisor 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 1:

Understanding the Municipal Advisor Regulatory Framework (25% of Exam Questions)

TASKS

- Assess application of U.S. Securities and Exchange Commission (SEC) and MSRB rules to firm activities
- Monitor for specified prohibitions related to principal transactions and affiliate transactions
- Assess activities to determine the distinction between municipal advisory activities and non-municipal advisory activities
- Assess rules that apply to municipal advisors in dealing with and interacting with dealers, counterparties and other market participants
- Monitor for changes to the applicable regulatory framework

KNOWLEDGE REQUIRED

A. Regulation of Municipal Securities

1. Dodd-Frank Wall Street Reform and Consumer Protection Act (Section 975 of Title IX)
2. SEC Municipal Advisor Registration Rule (Section 15B of the Exchange Act)
 - a. Municipal advice standard resulting in a municipal advisor recommendation (SEC Rule 15Ba1-1(d)(1)(ii) and MSRB Rule G-42(d))
 - b. Municipal advisor registration statutory exclusions:
 - (1) Underwriter engagement exclusion (Section 15Ba1-1(d)(2)(i))
 - (2) Responses to requests for proposals or qualifications (RFP or RFQ) (Section 15Ba1-1(d)(3)(iv))
 - (3) Independent registered municipal advisor (IRMA) exemption (Section 15Ba1-1(d)(3)(vi))
 - (a) Establishing a valid IRMA exemption
 - (b) Potential conflicts as they relate to the firm and individual
 - c. Activities within the scope and outside the scope of serving as an underwriter (SEC Rule 15Ba1-1(d)(2))
 - d. The difference between municipal entity and obligated person clients and applicable regulatory standards (Section 15B(e)(8); Section 15B(e)(10))
 - e. The definition of solicitation and relationship between third-party solicitors and non-solicitors (Section 15B(e)(4)(A); Section 15B(e)(9))
3. SEC Statutory Fiduciary Duty Standard and Anti-Fraud Rule (Section 15B(c)(1))

4. Fair Dealing Rule (MSRB Rule G-17)
- B. Regulatory Jurisdiction and Scope of Authority (SEC, MSRB, FINRA, CFTC and bank regulators)
1. Responsibilities of the regulatory agencies that oversee municipal advisory business (*e.g.*, rulemaking, examination, and enforcement)
 2. Role of the Qualified Independent Representative (QIR) (Section 4s(h) of the Commodity Exchange Act (CEA))

Part 2:

Supervising Municipal Advisory Activities (35% of Exam Questions)

TASKS

- Establishing written supervisory procedures (WSPs) for municipal advisory activities
- Monitoring business activities to establish compliance with written supervisory policies and procedures
- Monitoring for specified prohibitions related to municipal advisory activities (*e.g.*, political contributions, principal transactions and use of bond proceeds)
- Determining and disclosure of potential conflicts of interest (*e.g.*, prior dealer affiliation, current affiliation with issuers, other roles with or services for clients, ownership of issuer securities and relationships with other entities in similar industries)
- Supervising the client engagement process (*e.g.*, proper documentation and disclosure of conflicts of interest and legal and disciplinary events, compensation arrangements, scope of service and know your client)
- Mitigating the providing of inadvertent advice
- Reviewing and documenting a recommendation given by a municipal advisor for suitability and compliance with all applicable rules
- Fulfilling fiduciary duty obligations when reviewing recommendations to municipal entity clients and execution of transactions
- Supervising firm's due diligence process for issuer primary offering documents and continuing disclosures
- Assessing and determining the appropriate knowledge and expertise required of municipal advisors (*i.e.*, duty of care to municipal entity and obligated person clients)
- Maintaining policies and procedures to support firm and regulatory requirements for products recommended and services provided (*i.e.*, securities, non-securities, private placements and bank loans)

KNOWLEDGE REQUIRED

- A. Activity Related to Associated Persons Engaged in Municipal Advisory Activities
1. Duty owed (*i.e.*, standards of conduct) for the relationship with municipal entities and obligated person clients (Section 15B(c)(1); MSRB Rule G-42(a)(i)-(ii); Supp. Material .01 and .02)
 2. Scope of municipal advisory relationship and limitations on the scope of the engagement (MSRB Rule G-42(c); Supp. Material .04 and .06)
 3. Suitability and "know your client" requirements in managing municipal advisory activities (MSRB Rule G-42(d); Supp. Material .09 and .10; MSRB Rule G-8(h)(iv) and MSRB Rule G-17)

4. Recommendations and Review of Recommendations of Other Parties (MSRB Rule G-42(d) and Supp. Material .01, .09 and .10)
5. Issuer disclosures: initial offering, and continuing disclosures and available exemptions (SEC Rule 15c2-12 and G-42 Supp. Material .01)
6. Prohibition on engaging in underwriting activities (MSRB Rule G-23(d))
7. Prohibitions on principal transactions and exceptions thereto (MSRB Rule G-42(e)(ii); Supp. Material .13 and .14)
8. Disclosure of Conflicts of Interest and Other Information (MSRB Rule G-42(b))
9. Provision on the process to cure inadvertent advice (MSRB Rule G-42 Supp. Material .07)
10. Other Duties of Municipal Advisors

Part 3:

Supervising Municipal Advisor Firm Operations

(40% of exam questions)

TASKS

- Fulfilling requirements to register the municipal advisor with the SEC, MSRB and states
- Educating associated persons and other employees on the application of rules to municipal advisory business (*e.g.*, continuing education)
- Fulfilling obligations to identify and provide information regarding each associated person of the municipal advisor engaged in municipal advisory activities
- Fulfilling requirements for maintaining registration (*e.g.*, fees)
- Submitting updates to registration information and annual affirmation to regulatory authorities
- Ensuring municipal advisor professionals are properly qualified to engage in municipal advisory services, including proper registrations and licenses
- Maintaining general business records and other records in compliance with SEC and MSRB rules
- Implementing policies to document client complaints
- Overseeing quarterly submission of political contributions and other information
- Monitoring for adherence with MSRB rule on gifts, gratuities and entertainment
- Reviewing municipal advisor advertisements for compliance with applicable rules
- Ensuring firm activities comply with fair dealing obligations
- Surveilling for political contributions that may trigger a ban on municipal advisory business and required filings

KNOWLEDGE REQUIRED

A. Firm Activity

1. Books and records to be made and maintained (SEC Rule 15Ba1-8; MSRB Rule G-8(h) and MSRB Rule G-9(h)-(k))
2. Annual updates, withdrawals and registration fee (MSRB Rule A-12(a)-(d) and (j)-(l))
3. Firm filings and updating of designated contacts for the firm (MSRB Rule A-12)
4. Initial filing and amendments to SEC Form MA (SEC Rule 15Ba1-2 and SEC Rule 15Ba1-5)
5. Fair dealing requirement (MSRB Rule G-17)
6. Notification regarding the municipal advisory client brochure (MSRB Rule G-10)
7. Gifts, gratuities and normal business dealings compliance obligations (MSRB Rule G-20)
8. Activities triggering a ban on municipal advisory business, exemptions and required filings (MSRB Rule G-37(b)(i)(A)-(D) and (e))

9. Supervisory and compliance obligations of municipal advisors (MSRB Rule G-44)
10. Advertising and content standards (MSRB Rule G-40)

B. Registration and Professional Qualification Standards

1. Amendments to SEC Form MA-I (SEC Rule 15Ba1-5)
2. Professional fee (MSRB Rule A-11)
3. Qualification examination fees (MSRB Rule A-16)
4. Defined terms: associated persons, municipal advisory activities and appropriate regulatory agency (MSRB Rules D-11, D-13, and D-14)
5. Standards of Professional Qualifications (MSRB Rule G-2)
6. Qualification requirements and continuing education requirements (MSRB Rule G-3(d)-(e) and (i)(ii))

References

Listed below are government and SRO websites that provide information that candidates may find useful in preparing for the Series 54 examination. On the MSRB and SEC websites, candidates will find information about applicable rules, as well as regulatory notices and interpretive guidance concerning amendments to the rules and announcements of new rules that may relate to the examination. The other organizations listed may publish glossaries of terms, explanations of products and other resources on their websites. It is recommended that candidates refer to the content outline as part of their preparation for the exam. Candidates are responsible for planning their course of study in preparation for the exam—the MSRB produces the content outline but is not involved with, nor endorses, any particular test services vendor or course of study.

Municipal Securities Rulemaking Board (MSRB)

<http://msrb.org/Rules-and-Interpretations/MSRB-Rules.aspx>

<http://msrb.org/Rules-and-Interpretations/Regulatory-Notices.aspx>

MSRB Municipal Market Education for Professionals (MuniEdPro®)

<http://msrb.org/Regulated-Entities/MuniEdPro.aspx>

U.S. Securities and Exchange Commission (SEC)

<https://www.sec.gov/rules.shtml>

U.S. Securities and Exchange Commission (SEC) – Office of Municipal Securities

<https://www.sec.gov/municipal>

<https://www.sec.gov/info/municipal/mun-advisors-faqs.shtml>

Securities Industry/Regulatory Council on Continuing Education (CE Council)

<http://cecouncil.org/>

Board of Governors of the Federal Reserve System (Fed)

<https://www.federalreserve.gov/supervisionreg.htm>

Federal Deposit Insurance Corporation (FDIC)

<https://www.fdic.gov/regulations/>

Financial Industry Regulatory Authority (FINRA)

<http://www.finra.org/industry/guidance>

Office of the Comptroller of the Currency (OCC)

<https://occ.gov/topics/laws-regulations/index-laws-regulations.html>

U.S. Commodity Futures Trading Commission (CFTC)

<https://cftc.gov/LawRegulation/CommodityExchangeAct/index.htm>

Sample Questions

1. Under MSRB rules, a municipal advisor principal reviewing written conflicts of interest disclosures must assess whether the:
 - A. Municipal advisor has provided the municipal entity a copy of its MSRB Form A-12
 - B. Written disclosures were made prior to or upon engaging in municipal advisory activities**
 - C. Municipal advisor has provided the municipal entity an inventoried list of the requisite knowledge and experience to fulfill the duty of care
 - D. Written disclosures were acknowledged in writing by the municipal entity

2. A municipal advisor representative plans on distributing a letter to 50 existing clients promoting the services of the municipal advisor firm and the representative asks the municipal advisor principal if the letter requires approval prior to distribution. What should the municipal advisor principal tell the representative regarding the letter?
 - A. If the letter is to be sent to only existing clients, no approval is necessary
 - B. Approval is required prior to sending because the letter is promotional in nature and being broadly distributed**
 - C. If there is no call to action in the letter, no approval is necessary
 - D. Approval is required, but only after the letter is sent to clients

3. A municipal advisor principal reviewing the firm's registration on MSRB Form A-12 must consider all of the following **except**:
 - (A) Whether the firm has advised both municipal entities and obligated persons in the last year**
 - (B) Whether there has been a change in the firm's designated contacts
 - (C) Whether the firm also engages in underwriting activities
 - (D) Whether the firm engages in solicitation on behalf of a non-affiliated municipal advisor

4. A municipal advisor principal is advising her municipal advisor representatives on requirements under the MSRB rule relating to gifts and gratuities, non-cash compensation and expenses of issuance. Which of the following statements would be accurate under the MSRB rule?
 - I. Entertainment expenses can be included as reimbursable expenses from the bond proceeds
 - II. Reasonable and customary bereavement gifts are excluded from calculations when determining the aggregate amount of gifts given to a particular client
 - III. When determining the value of the gift, the tax and delivery charges must be included
 - IV. For the purposes of determining the value of an event ticket, the higher of the face value or purchase price should be used
 - A. I and III
 - B. I and IV
 - C. II and III
 - D. II and IV**

5. Under MSRB rules on supervision of municipal advisory activities, which two of the following actions is a municipal advisor firm required to take?
- I. Designate a chief compliance officer
 - II. Provide a quarterly disclosure with respect to any inadvertent advice
 - III. Adopt a written code of ethics
 - IV. Review the firm's supervisory policies annually
- (A) I and III
(B) I and IV
(C) II and III
(D) II and IV



DIVISION OF
MARKET REGULATION

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

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

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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,

A handwritten signature in dark ink, appearing to read "B. Blaine", with a stylized flourish at the end.

Belinda Blaine
Associate Director