

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-65393; File No. SR-MSRB-2011-17]

### Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing of Proposed Rule Change Regarding Professional Qualifications and Information Concerning Associated Persons

September 26, 2011.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Exchange Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on September 13, 2011, the Municipal Securities Rulemaking Board ("Board" or "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 is filing with the SEC a proposed rule change consisting of proposed amendments to Rule G-3, on professional qualifications, and Rule G-7, on information concerning associated persons (the "proposed rule change"). The MSRB requests that the proposed rule change be made effective on November 7, 2011, to coincide with proposed changes to the Series 7 examination filed by the Financial Industry Regulatory Authority ("FINRA").<sup>3</sup>

The text of the proposed rule change is available on the MSRB's Web site at <http://www.msrb.org/Rules-and-Interpretations/SEC-Filings/2011-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 Board 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

MSRB Rule G-3(a)(i) defines a municipal securities representative as a natural person associated with a broker, dealer or municipal securities dealer ("dealer"), other than a person whose functions are solely clerical or ministerial, whose activities include one or more of the following:

1. Underwriting, trading or sales of municipal securities;
2. financial advisory or consultant services for issuers in connection with the issuance of municipal securities;
3. research or investment advice with respect to municipal securities; or
4. any other activities that involve communication, directly or indirectly, with public investors in municipal securities provided, however, that the activities enumerated in 3 and 4 above are limited to such activities as they relate to the activities enumerated in 1 and 2 above.

An individual seeking to become qualified as a municipal securities representative must pass either of two qualification examinations—the Municipal Securities Representative Qualification Examination (Series 52) or the General Securities Registered Representative Examination (Series 7).

On September 7, 2011, FINRA filed with the Commission a proposed rule change to restructure the Series 7 examination to focus on a broader range of securities products available for sale by registered representatives. The effect of these changes would be a de-emphasis on non-sales aspects of the activities of securities professionals. In focusing on general principles applicable to the buying and selling of a broad range of securities, rather than specific products, the restructured Series 7 examination would reduce the number of questions that test for specific knowledge of municipal securities and the rules of the MSRB. Given the shift in emphasis of the Series 7 examination and the reduced number of municipal questions, in the view of the MSRB, passage of the Series 7 examination would no longer represent a useful gauge of whether a securities professional was qualified to perform municipal securities activities other than sales to, and purchases from,

customers<sup>4</sup> of municipal securities ("sales activities").

As a result of this restructured Series 7 examination, the MSRB determined to file the proposed rule change consisting of amendments to MSRB Rule G-3, on professional qualifications. The proposed rule change would provide that the Series 7 examination would no longer qualify individuals as "municipal securities representatives," unless they were engaged solely in sales activities or they passed the Series 7 examination prior to the effective date of the proposed rule change. Instead, passage of the Series 52 examination would be required for any municipal securities activities other than sales activities.

The proposed rule change would create a sub-category of municipal securities representative referred to as a "municipal securities sales limited representative" and would apply to individuals whose activities with respect to municipal securities are limited exclusively to sales activities. The proposed rule change would provide that an individual could qualify as a municipal securities sales limited representative by passage of the Series 7 examination. Other individuals would be required to pass the Series 52 examination in order to qualify as full municipal securities representatives, unless they had passed the Series 7 examination prior to the effective date of the proposed rule change and had maintained this registration.

The proposed rule change would also require a municipal securities limited representative who wished to become a municipal securities principal to pass the Series 52 examination prior to taking the Series 53 municipal securities principal examination. Otherwise, the proposed amendments to Rule G-3 would not distinguish between "municipal securities sales limited representatives" and other "municipal securities representatives."

The MSRB is also filing proposed amendments to MSRB Rule G-7, on information concerning associated persons. Rule G-7 requires brokers, dealers and municipal securities dealers ("dealers") to keep records concerning their associated persons, including the category of function they perform "whether municipal securities principal, municipal securities sales principal, municipal securities representative or financial and operations principal." The proposed

<sup>4</sup> "Customer" is defined in MSRB Rule D-9 as "any person other than a broker, dealer, or municipal securities dealer acting in its capacity as such or an issuer in transactions involving the sale by the issuer of a new issue of its securities."

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See File Number SR-FINRA-2011-45.

rule change would add “municipal securities sales limited representative” to that list.<sup>5</sup> Additionally, the proposed rule change would streamline Rule G-7(b) by simply requiring that dealers obtain either Form U4 (in the case of non-bank dealers) or Form MSD-4 (in the case of bank dealers), rather than repeating the categories of information required by those forms.

## 2. Statutory Basis

The MSRB believes that the proposed rule change is consistent with the provisions of Section 15B(b)(2)(A) of the Exchange Act, which authorizes the MSRB to prescribe “standards of training, experience, competence, and such other qualifications as the Board finds necessary or appropriate in the public interest or for the protection of investors and municipal entities or obligated persons.” Section 15B(b)(2)(A) of the Exchange Act also provides that the Board may appropriately classify municipal securities brokers, municipal securities dealers, and municipal advisors and persons associated with municipal securities brokers, municipal securities dealers, and municipal advisors and require persons in any such class to pass tests prescribed by the Board.

The MSRB believes that the proposed rule change is consistent with the provisions of Section 15B(b)(2)(A) of the Exchange Act in that the proposed rule change will ensure that individuals seeking to engage in more than sales activities will be tested on their qualification and competency to engage in such other municipal securities activities. These individuals will be required to pass an examination that includes questions both on municipal securities and the municipal markets and on U.S. government, federal agency and other financial instruments, economic activity, government policy, factors affecting interest rates, and applicable federal securities laws and regulations. The proposed rule change will also more closely align the information dealers are required to obtain pursuant to Rule G-7 with the information already required by FINRA and the bank regulators, thereby reducing the administrative burden on such dealers.

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

The MSRB does not believe that the proposed rule change will impose any burden on competition not necessary or

appropriate in furtherance of the purposes of the Exchange Act since it would apply equally to all dealers.

## 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 on the proposed rule change.

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

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) As the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve or disapprove such proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

## IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Exchange 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](mailto:rule-comments@sec.gov).
- Please include File Number SR-MSRB-2011-17 on the subject line.

### Paper Comments

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-MSRB-2011-17. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission’s Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the

Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site 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 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the MSRB’s offices. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions.

You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-MSRB-2011-17 and should be submitted on or before October 21, 2011.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>6</sup>

**Elizabeth M. Murphy,**  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-65395; File No. SR-MSRB-2011-12]

### Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Withdrawal of Proposed New Rule G-42, on Political Contributions and Prohibitions on Municipal Advisory Activities; Proposed Amendments to Rules G-8, on Books and Records, G-9, on Preservation of Records, and G-37, on Political Contributions and Prohibitions on Municipal Securities Business; Proposed Form G-37/G-42 and Form G-37x/G-42x; and a Proposed Restatement of a Rule G-37 Interpretive Notice

September 26, 2011.

On August 19, 2011, the Municipal Securities Rulemaking Board (the “MSRB”) filed with the Securities and Exchange Commission (the “Commission”) a proposed rule change pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> consisting of (i) proposed MSRB Rule G-42 (on political

<sup>6</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>5</sup> The proposed rule change would also add “municipal fund securities limited principal” to this list to reflect the previous creation of this separate category.