

## VIA ELECTRONIC MAIL

September 20, 2013

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

**Re: Notice of Request for Public Comment on Proposed Rule Change to Consolidate Registration Requirements**

Dear Mr. Smith:

On August 19, 2013, the Municipal Securities Rulemaking Board (MSRB) published its request for public comment on a proposed rule change to consolidate registration requirements (Proposed Changes).<sup>1</sup> The purpose of the Proposed Changes is to set forth in a single rule the requirements to and process by which brokers, dealers, municipal securities dealers and municipal advisors (Regulated Entities) register with the MSRB. The Proposed Changes would consolidate the requirements for new MSRB registrants into MSRB Rule A-12 and replace: MSRB Rules A-14 on the MSRB's annual fee; A-15 on the notification to the Board of a change in status or change of name or address; and G-40 on electronic mail contacts. The Proposed Changes would also modify MSRB Rule G-14(b)(iv) and replace two existing MSRB forms (Form RTRS and Form G-40) with a single consolidated electronic registration form, Form A-12. While the Proposed Changes consolidate existing MSRB guidance, new information is requested from firms regarding additional contact and firm identification information, as well as data concerning the scope of dealer activities in the municipal market. The Proposed Changes will also allow the MSRB to institute late fees to encourage timely payment of both the annual fee charged on firms and fees assessed under MSRB Rule A-13.<sup>2</sup>

The Financial Services Institute<sup>3</sup> (FSI) appreciates the opportunity to comment on this important proposal. While FSI is concerned about any increase in the overall fee burden on firms, FSI believes the Proposed Changes are net positive and increase the uniformity between information collected by the MSRB and other self-regulatory organizations (SROs), namely the Financial Industry Regulatory Authority (FINRA). Moreover, a consolidated registration rule and registration form will provide increased clarity and efficiency in the registration process.

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<sup>1</sup> Request for Comment on Proposed Rule Change to Consolidate Registration Requirements, MSRB Notice 2013-19, available at: <http://msrb.org/Rules-and-Interpretations/Regulatory-Notices/2013/2013-19.aspx?n=1>.

<sup>2</sup> Fees charged under MSRB Rule A-13 include underwriting, transaction and technology fees.

<sup>3</sup> The Financial Services Institute, Voice of Independent Broker-Dealers and Independent Financial Advisors, was formed on January 1, 2004. Our members are broker-dealers, often dually registered as federal investment advisers, and their independent contractor registered representatives. FSI has 100 Broker-Dealer member firms that have more than 138,000 affiliated registered representatives serving more than 14 million American households. FSI also has more than 35,000 Financial Advisor members.

### Background on FSI Members

The independent broker-dealer (IBD) community has been an important and active part of the lives of American investors for more than 30 years. The IBD business model focuses on comprehensive financial planning services and unbiased investment advice. IBD firms also share a number of other similar business characteristics. They generally clear their securities business on a fully disclosed basis; primarily engage in the sale of packaged products, such as mutual funds and variable insurance products; take a comprehensive approach to their clients' financial goals and objectives; and provide investment advisory services through either affiliated registered investment adviser firms or such firms owned by their registered representatives. Due to their unique business model, IBDs and their affiliated financial advisers are especially well positioned to provide middle-class Americans with the financial advice, products, and services necessary to achieve their financial goals and objectives.

In the U.S., approximately 201,000 independent financial advisers – or approximately 64 percent of all practicing registered representatives – operate in the IBD channel.<sup>4</sup> These financial advisers are self-employed independent contractors, rather than employees of the IBD firms. These financial advisers provide comprehensive and affordable financial services that help millions of individuals, families, small businesses, associations, organizations, and retirement plans with financial education, planning, implementation, and investment monitoring. Clients of independent financial advisers are typically “main street America” – it is, in fact, almost part of the “charter” of the independent channel. The core market of advisers affiliated with IBDs is comprised of clients who have tens and hundreds of thousands as opposed to millions of dollars to invest. Independent financial advisers are entrepreneurial business owners who typically have strong ties, visibility, and individual name recognition within their communities and client base. Most of their new clients come through referrals from existing clients or other centers of influence.<sup>5</sup> Independent financial advisers get to know their clients personally and provide them investment advice in face-to-face meetings. Due to their close ties to the communities in which they operate their small businesses, we believe these financial advisers have a strong incentive to make the achievement of their clients' investment objectives their primary goal.

FSI is the advocacy organization for IBDs and independent financial advisers. Member firms formed FSI to improve their compliance efforts and promote the IBD business model. FSI is committed to preserving the valuable role that IBDs and independent advisers play in helping Americans plan for and achieve their financial goals. FSI's primary goal is to ensure our members operate in a regulatory environment that is fair and balanced. FSI's advocacy efforts on behalf of our members include industry surveys, research, and outreach to legislators, regulators, and policymakers. FSI also provides our members with an appropriate forum to share best practices in an effort to improve their compliance, operations, and marketing efforts.

### Comments

FSI appreciates the opportunity to comment on the Proposed Changes. While FSI is concerned about the overall fee burden on firms, FSI believes that the Proposed Changes are net positive as they enhance uniformity between MSRB and FINRA rules, promote clarity, and reduce the resource burden on firms' efforts to comply with MSRB rules.

**FSI is Concerned About the Overall Burden of Regulatory Fees on Member Firms** - FSI remains concerned about any increased fees imposed by regulatory agencies. Broker-dealers are constantly faced with increased compliance and regulatory costs in addition to the fees imposed by regulatory agencies such as FINRA and the MSRB. The Proposed Changes will impose new late fees on MSRB registered firms for late payment of annual registration fees or the transaction, underwriting, and technology fees under MSRB Rule A-13. These late fees will be computed based on the overdue balance and the prime rate plus an additional \$25 per month. As these late fees are de minimus in nature, FSI is

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<sup>4</sup> Cerulli Associates at <http://www.cerulli.com/>.

<sup>5</sup> These “centers of influence” may include lawyers, accountants, human resources managers, or other trusted advisers.

not opposed to the MSRB charging the late fees for registration.<sup>6</sup> However, FSI and its membership will continue to monitor these fees to ensure that they do not become an excessive burden for MSRB registered firms. In addition, FSI supports the modification under the Proposed Changes that allows a regulated entity that registers and pays the annual registration fee in September to not pay the annual fee for the following fiscal year despite annual fees being due by October 31. This modification will allow flexibility and relief for some newly registered entities.

**FSI Supports the Increased Uniformity and Harmonization of Similar MSRB and FINRA Rules** - Under Rule A-12(f) of the Proposed Changes, firms will be required to provide the MSRB with significantly more contact information for firm personnel engaged in municipal securities activities.<sup>7</sup> Firms will also now be required to provide information to the MSRB about the types of municipal securities and advisory activities engaged in by the firms, on newly created Form A-12.<sup>8</sup> Broker-dealers are currently required to provide similar information to FINRA on FINRA Form BD<sup>9</sup> and through the FINRA contact system as required by NASD Rule 1160. The additional requested information promotes uniformity with FINRA requirements and will provide for more enhanced and effective communication between the MSRB and Regulated Entities. FSI supports increased harmonization between the rulebooks of FINRA and the MSRB as it promotes more effective compliance by Regulated Entities.

**The Consolidation and Simplification of Registration Requirements Will Promote More Effective Compliance** - FSI supports the MSRB's effort to consolidate its multiple rules and forms regarding MSRB registration into the new Rule A-12 under the Proposed Changes. This consolidation and simplification will promote more effective compliance with MSRB registration requirements by Regulated Entities and free up resources that firms can dedicate to their ongoing compliance responsibilities. FSI has consistently supported the simplification and harmonization of regulatory rules as we believe that clear, uniform guidelines are the key to successful compliance. We applaud the MSRB for its efforts to enhance resource efficiencies while maintaining effective regulatory requirements in the municipal securities industry.

#### Conclusion

We are committed to constructive engagement in the regulatory process and, therefore, welcome the opportunity to work with the MSRB on this and other important regulatory efforts.

Thank you for your consideration of our comments. Should you have any questions, please contact me at (202) 803-6061.

Respectfully submitted,

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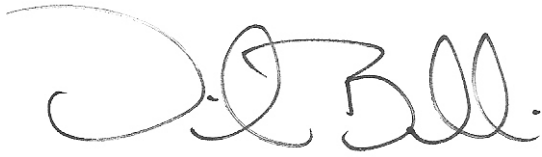
<sup>6</sup> FSI member firms have indicated that the annual registration fee assessed under MSRB Rule A-14 (\$500) and the transaction, technology and underwriting fees charged under MSRB Rule A-13 are relatively minor. In contrast, FINRA's new member fee ranges from \$7,500 to \$55,000 depending on the size of the new member applicant and from \$5,000 to \$35,000 for continuing membership, depending on size of firm. See Regulatory Notice 12-32, FINRA, available at:

<http://www.finra.org/web/groups/industry/@ip/@reg/@notice/documents/notices/p127238.pdf>

<sup>7</sup> Firms will now be required to designate on Form A-12, a Primary Regulatory Contact, Master Account Administrator, Billing Contact, Compliance Contact, and a Data Quality Contact and may also designate an Optional Regulatory Contact and/or an Optional Technical Contact for purposes of communication between the firm and the MSRB.

<sup>8</sup> This information includes whether they act as a Municipal Advisor (as a Financial Advisor, GIC Broker/Advisor, Investment Advisor/Bonds Proceed Investment, Placement Agent, Solicitor/Finder, Swap/Derivative Advisor, Tax, Third Party Marketer or Other), the types of municipal securities they involved with (529 Plan Primary Distributor, 529 Plan Sales, Local Government Investment Pool Distributor/Sales or Other) and the activities they carry out as a dealer (Underwriting, Retail Sales, Research, Alternative Trading System, Broker's Broker Activities, Institutional Sales, Online Brokerage, Trading-Proprietary, Trading Inter-Dealer or Other).

<sup>9</sup> See FINRA Form BD, p. 5; Form BD Schedule D; see also NASD Rule 1160; FINRA Regulatory Notice 07-42, available at: <http://www.finra.org/web/groups/industry/@ip/@reg/@notice/documents/notices/p036732.pdf>

A handwritten signature in black ink, appearing to read "D. T. Bellaire". The signature is fluid and cursive, with a large initial "D" and "T" followed by "Bellaire".

David T. Bellaire, Esq.  
Executive Vice President & General Counsel