

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 95	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2015 - * 07	Amendment No. (req. for Amendments *)
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Filing by Municipal Securities Rulemaking Board  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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**Description**

Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

Revisions to the Content Outlines for the Series 51, 52 and 53 Examinations and to the Selection Specifications for the Series 53 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 \* Loretta Last Name \* Jones

Title \* Director of Professional Qualifications

E-mail \* ljones@msrb.org

Telephone \* (703) 797-6600 Fax (703) 797-6700

**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 07/31/2015 Corporate Secretary

By Ronald W. Smith

(Name \*)

Persona Not Validated - 1422382132618,

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 EFFF website.

**Form 19b-4 Information \***

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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**

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Exhibit Sent As Paper Document

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 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

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 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**

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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”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> the Municipal Securities Rulemaking Board (“Board” or “MSRB”) is filing with the Securities and Exchange Commission (“Commission” or “SEC”) proposed revisions to the content outlines for the Municipal Fund Securities Limited Principal Qualification Examination (Series 51), Municipal Securities Representative Qualification Examination (Series 52) and Municipal Securities Principal Qualification Examination (Series 53). As a result of changes to MSRB rules, revisions to the content outlines are necessary to more accurately indicate the current rule requirements and rule citations. Additionally, the MSRB is proposing revisions to the selection specifications for the Series 53 qualification examination (collectively, the “proposed rule change”).<sup>3</sup> The MSRB is not proposing any textual changes to its rules.

(a) The Series 51 content outline is attached as Exhibit 3a, the Series 52 content outline is attached as Exhibit 3b and the Series 53 content outline is attached as Exhibit 3c.

(b) Not applicable.

(c) Not applicable.

## 2. Procedures of the Self-Regulatory Organization

The Board approved the Series 51 examination content outline revisions at its meeting on April 22, 2015. The Board approved the Series 52 examination content outline revisions and the Series 53 examination selection specifications and content outline revisions at its meeting on July 17, 2015. The MSRB has filed the proposed rule change for immediate effectiveness. Questions concerning this filing may be directed to Loretta Jones, Director of Professional Qualifications, or Michael Cowart, Assistant General Counsel, at (703) 797-6600.

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

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

<sup>3</sup> The MSRB is also proposing changes to the question banks for the Series 51, Series 52 and Series 53 examinations, but based upon instructions from the Commission staff, the MSRB is submitting SR-MSRB-2015-07 for immediate effectiveness pursuant to Section 19(b)(3)(A)(i) of the Act and Rule 19b-4(f)(6) thereunder, and is not filing the question banks for Commission review. See 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 3d. The question banks are available for Commission review. The selection specifications for the Series 53 examination, Exhibit 3e, have been omitted and filed separately with the Commission for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act.

### 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<sup>4</sup> authorizes the MSRB to prescribe for municipal securities brokers or municipal securities dealers and their associated persons 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. The MSRB has developed examinations that are designed to establish that persons associated with brokers, dealers and municipal securities dealers that effect transactions in municipal securities and municipal advisors who engage in municipal advisory activities have attained specified levels of competence and knowledge. The content outline for each examination serves as a guide to the subject matter tested on the examination and provides learning objectives associated with each subject matter to assist candidates in preparing for the examination. Each content outline also provides sample questions similar to the type of questions that may be found on the examination. The arrangement of the subject matter in the content outline reflects the various job functions performed within a broker, dealer or municipal securities dealer. The MSRB periodically reviews the content outline for each examination to determine whether revisions are necessary or appropriate in view of changes pertaining to the subject matter covered by the examination. Below is a summary of the proposed revisions to the Series 51, Series 52 and Series 53 content outlines.

The selection specifications for the Series 53 examination, which the MSRB has submitted under separate cover with a request for confidential treatment to the Commission's Secretary pursuant to Rule 24b-2 under the Act,<sup>5</sup> describe additional confidential information regarding the Series 53 examination.

#### **MUNICIPAL FUND SECURITIES LIMITED PRINCIPAL QUALIFICATION EXAMINATION - SERIES 51**

The Municipal Fund Securities Limited Principal Qualification Examination is designed to determine whether an individual meets the MSRB's qualification standards for municipal fund securities limited principals applicable to the activities as defined in Rule G-3(b)(iv).<sup>6</sup> To do

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<sup>4</sup> 15 U.S.C. 78o-4(b)(2)(A).

<sup>5</sup> 17 CFR 240.24b-2.

<sup>6</sup> MSRB Rule G-3(b)(iv) states that the municipal fund securities limited principal has responsibility to oversee the municipal securities activities of a securities firm or bank dealer solely as such activities relate to transactions in municipal fund securities. In this capacity, the municipal fund securities limited principal manages, directs or supervises one or more of the following activities relating to municipal fund securities as defined in Rule G-3(b)(i)(A)-(G):

this, the examination measures a candidate's knowledge of MSRB rules, rule interpretations and federal statutory provisions applicable to the activities listed above. It also measures the candidate's ability to apply these rules, interpretations and federal statutory provisions to given fact situations in the context of municipal fund securities activities. In addition to passing the Series 51 examination, to qualify as a municipal fund securities limited principal, a candidate must also have previously or concurrently qualified as a general securities principal or investment company/variable contracts limited principal. Candidates are allowed one and one-half hours to complete the Series 51 examination consisting of 60 multiple-choice questions.

As a result of recent changes to MSRB rules, revisions to the Series 51 content outline are necessary to indicate the current rule requirements and rule citations. A summary of the changes to the content outline for the Series 51 examination, detailed by major topic headings, is provided below:

### **Introduction**

- Footnote 2 will be changed to footnote 3.
- The rule citation and quotation in footnote 3 regarding the "Confidentiality of Qualification Examinations" is being revised from "Rule G-3(e)" to "Rule G-3(f)" to conform to amendments to Rule G-3.

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(A) underwriting, trading or sales of municipal securities;

(B) financial advisory or consultant services for issuers in connection with the issuance of municipal securities;

(C) processing, clearance, and, in the case of brokers, dealers and municipal securities dealers other than bank dealers, safekeeping of municipal securities;

(D) research or investment advice with respect to municipal securities;

(E) any other activities which involve communication, directly or indirectly, with public investors in municipal securities;

(F) maintenance of records with respect to the activities described in subparagraphs (A) through (E); or

(G) training of municipal securities principals or municipal securities representatives;

*provided, however,* that the activities enumerated in subparagraphs (D) and (E) above shall be limited to such activities as they relate to the activities enumerated in subparagraphs (A) or (B) above.

## **Part Three: General Supervision**

### **Qualification and Registration**

- The sub-topic “Registration with the MSRB and payment of initial fee and annual fee A-12; A-14” is being revised to “Registration requirements A-12(a)” to reflect that the relevant provision (which is now included in Rule A-12) is no longer included in Rule A-14, as amended.
- The rule citation and sub-topic “Notification to the MSRB of change in status, name or address A-15” is being revised to “Form A-12 updates and withdrawal A-12(j)” to conform to recent amendments of Rule A-12.
- The rule citation and sub-topic “Requirement to submit e-mail contact to MSRB G-40” is being revised to “Designated contacts A-12(f)” to conform to recent amendments of Rule A-12.

### **Associated persons**

- The sub-topic “financial and operations principals G-3(d)(i) and (ii)” is being rescinded to reflect that this registration category is no longer referenced in Rule G-3.
- The sub-topic “municipal advisor representatives G-3(d)” and “municipal advisor principals G-3(e)” are being added to reflect the new registration category as referenced in Rule G-3.
- The sub-topic “Apprenticeship requirement G-3(a)(iii)” is being rescinded to reflect that, as amended, Rule G-3 no longer has this requirement.
- The sub-topic “Restrictions on apprentices G-3(a)(iii)(A)” is being rescinded to reflect that, as amended, Rule G-3 no longer has this requirement.

### **Supervisory responsibilities**

- The rule citation for sub-topic “1. Responsible for municipal securities business and activities of associated persons” is being revised from “G-27(b)(i)” to “G-27(b)(ii)” to reflect the reorganization of Rule G-27, as amended.

## **Part Four: Fair Practice and Conflicts of Interest**

### **Conduct of Business**

- The rule citation for sub-topic “Prices and Commissions” is being revised from “G-30(b); G-18” to “G-30(b)” to reflect that the relevant requirements are included in Rule G-30, as amended.
- The rule citation for sub-topic “Advertising, 1. Definition” is being revised from “G-21(a)” to “G-21(a)(i)” to reflect the reorganization of Rule G-21, as amended.

## **Part Five: Sales Supervision**

### **Opening Customer Accounts**

- The rule citation for sub-topic “Requirement to obtain customer account information” is being revised from “G-19(a)” to “G-19” to reflect the reorganization of Rule G-19, as amended.
- The sub-topic “Transactions with employees and partners of other dealers G-28” is being revised to “Transactions with employees and partners of other municipal securities professionals G-28” to reflect the reorganization of Rule G-28, as amended.

### **Suitability**

- The rule citation for sub-topic “Knowledge of customer” is being revised from “G-19(b)” to “G-19 [Supp. .04 and .06]” to reflect that the relevant requirements are included in paragraphs .04 and .06 of the Supplementary Material of Rule G-19, as amended.
- The rule citation for sub-topic “Suitability of recommendations” is being revised from “G-19(c)” to “G-19 [Supp. .05]” to reflect that the relevant requirements are included in paragraph .05 of the Supplementary Material of Rule G-19, as amended.

### **Improper Activities**

- The title of topic “Improper Activities” is being revised to “Improper Use of Customer Assets.”
- The sub-topic and rule citation “Churning G-19(e)” are being revised to “Quantitative suitability G-19 [Supp. .05(c)]” to reflect that the relevant requirements are included in paragraph .05 of the Supplementary Material of Rule G-19, as amended.

## **Part Six: Underwriting and Disclosure Obligations**

### **Disclosures to Customers**

- The sub-topic and related rule citation “Material disclosures at time of trade G-17” are being revised to “Time of trade disclosure G-47” to reflect that the requirements are included in new Rule G-47.

## Part Seven: Operations

### Confirmation of Transactions

- The rule citation for sub-topic “Periodic statements” is being revised from “G-15(a)(viii)” to “G-15(a)(viii)(B)(1)” to reflect the reorganization of Rule G-15, as amended.

### Sample Questions

- Sample question number 2 is being removed from the outline because the topic (apprenticeship) is no longer tested on the examination.

## MUNICIPAL SECURITIES REPRESENTATIVE EXAMINATION - SERIES 52

The Municipal Securities Representative Qualification Examination is designed to determine whether an individual meets the MSRB’s qualification standards for municipal securities representatives by measuring a candidate’s knowledge of MSRB rules, rule interpretations and federal statutory provisions applicable to the activities listed in Rule G-3(a)(i).<sup>7</sup> The Series 52 examination also measures a candidate’s ability to apply the rules and interpretations to given fact situations in the context of a representative’s municipal securities activities. Candidates are allowed three and one-half hours to complete the examination consisting of 115 multiple-choice questions.

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<sup>7</sup> MSRB Rule G-3(a)(i) states:

(A) The term "municipal securities representative" means a natural person associated with a broker, dealer or municipal securities 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 which involve communication, directly or indirectly, with public investors in municipal securities;

*provided, however,* that the activities enumerated in subparagraphs (3) and (4) above shall be limited to such activities as they relate to the activities enumerated in subparagraphs (1) and (2) above.



As a result of recent changes to MSRB rules, revisions to the Series 52 content outline are necessary to indicate the current rule requirements and rule citations. A summary of the changes to the content outline for the Series 52 examination, detailed by major topic headings, is provided below:

### **Introduction:**

- The rule citation and quote in the “Confidentiality” section is being revised from “Rule G-3(e)” to “Rule G-3(f)” and added as footnote 2, to conform to amendments to Rule G-3.

## **Part Four: Federal Legal Considerations**

### **III. MSRB Rules**

- The rule citation “Professional Qualifications (G-2 through G-7)” is being revised to “Standards of Professional Qualification and Professional Qualification Requirements (G-2 through G-3)” to conform to the current titles of the Rules, as amended.
- The rule citation “Recordkeeping (G-8)” is being revised to “Books and Records to be Made by Brokers, Dealers, Municipal Securities Dealers, and Municipal Advisors (G-8)” to conform to the current title of Rule G-8, as amended.
- The rule citation “Preservation of Records (G-9)” is being added, to reflect the relevant requirements included in Rule G-9.
- The rule citation “Investor Brochure (G-10)” is being revised to “Delivery of Investor Brochure (G-10)” to conform to the current title of Rule G-10.
- The rule citation “New Issue Syndicate Practices (G-11)” is being revised to “Primary Offering Practices (G-11)” to conform to the current title of Rule G-11.
- The rule citation “Conduct of Municipal Securities Activities (G-17)” is being revised to “Conduct of Municipal Securities and Municipal Advisory Activities (G-17)” to conform to the current title of Rule G-17, as amended.
- The rule citation “Execution of Transactions (G-18)” is being revised to “Best Execution (G-18)” to conform to the current title of Rule G-18, as amended.
- The rule citation “Suitability of Recommendations and Transactions; Discretionary Accounts (G-19)” is being revised to “Suitability of Recommendations and Transactions (G-19)” to conform to the current title of Rule G-19, as amended.
- The rule citation “Disclosure of Control Relationships (G-22)” is being revised to “Control Relationships (G-22)” to conform to the current title of Rule G-22, as amended.

- The rule citation “Transactions with Employees of Other Municipal Securities Professionals (G-28)” is being revised to “Transactions with Employees and Partners of Other Municipal Securities Professionals (G-28)” to conform to the current title of Rule G-28, as amended.
- The rule citation “Calculations (G-33)” is being added to reflect the requirements included in Rule G-33.
- The rule citation “Broker’s Broker (G-43)” is being added to reflect the requirements included in Rule G-43.
- The rule citation “Time of Trade Disclosure (G-47)” is being added to reflect the requirements included in Rule G-47.
- The rule citation “Transactions with Sophisticated Municipal Market Professionals (G-48)” is being added to reflect the relevant requirements included in Rule G-48, as amended.

### **MUNICIPAL SECURITIES PRINCIPAL EXAMINATION - SERIES 53**

The Municipal Securities Principal Qualification Examination (Series 53) is designed to determine whether an individual meets the Board’s qualification standards for municipal securities principals. The Series 53 examination measures a candidate’s knowledge of Board rules, rule interpretations and federal statutory provisions applicable to municipal securities activities. It also measures an individual’s ability to apply these rules and interpretations to given fact situations. Candidates are allowed three hours to complete the examination consisting of 100 multiple-choice questions.<sup>8</sup>

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<sup>8</sup> MSRB Rule G-3(b)(i) states:

(i) Definition. The term "municipal securities principal" means a natural person (other than a municipal securities sales principal), associated with a broker, dealer or municipal securities dealer who is directly engaged in the management, direction or supervision of one or more of the following activities:

(A) underwriting, trading or sales of municipal securities;

(B) financial advisory or consultant services for issuers in connection with the issuance of municipal securities;

(C) processing, clearance, and, in the case of brokers, dealers and municipal securities dealers other than bank dealers, safekeeping of municipal securities;

The selection specifications for the Series 53 examination, which the MSRB has submitted under separate cover with a request for confidential treatment to the Commission's Secretary pursuant to Rule 24b-2 under the Act,<sup>9</sup> describe additional confidential information regarding the Series 53 examination. Due to the changes in the selection specifications the weighting for 5 of the 6 topic areas of the Series 53 content outline have changed. The first topic area, Federal Regulation, remains the same at 4% of the exam. The second topic area, General Supervision, is 23% of the exam. The third topic area, Sales Supervision, is 25% of the exam. The fourth topic area, Origination and Syndication, is 23% of the exam. The fifth topic area, Trading, is 10% of the exam. The sixth topic area, Operations, is 15% of the exam.

As a result of recent changes to MSRB rules, revisions to the Series 53 content outline are necessary to indicate the current rule requirements and rule citations. A summary of the changes to the content outline for the Series 53 examination, detailed by major topic headings, is provided below:

### **Introduction**

- The rule citation and quotation in footnote 2 regarding "Confidentiality" is being revised from "Rule G-3(e)" to "Rule G-3(f)" to conform to amendments to Rule G-3.

### **Part One: Federal Regulations**

#### **Rules of the Securities and Exchange Commission**

- The rule citation "Dodd-Frank Wall Street Financial Reform and Consumer Protection Act" is being added to reflect the current status of federal securities law.

### **Part Two: General Supervision**

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(D) research or investment advice with respect to municipal securities;

(E) any other activities which involve communication, directly or indirectly, with public investors in municipal securities;

(F) maintenance of records with respect to the activities described in subparagraphs (A) through (E); or

(G) training of municipal securities principals or municipal securities representatives;

*provided, however,* that the activities enumerated in subparagraphs (D) and (E) above shall be limited to such activities as they relate to the activities enumerated in subparagraphs (A) or (B) above.

<sup>9</sup> 17 CFR 240.24b-2.

## **Definitional Rules**

- The rule citation “Associated person D-11” is being added to reflect the requirements included in Rule D-11, as amended.
- The rule citation “Sophisticated Municipal Market Professional (SMMP) D-15” is being added to reflect the requirements included in Rule D-15, as amended.

## **Qualification and Registration**

- The rule citation “Registration with the MSRB and payment of initial fee A-12” is being revised to “Registration A-12” to conform to amendments to Rule A-12.
- The topic “MSRB annual fee A-14” is being removed to reflect that the relevant provision of Rule A-14 is now included in Rule A-12, as amended.
- The rule citation “Assessments for Municipal Advisor Professionals A-11” is being added to reflect the new requirement in Rule A-11.
- The topic “Electronic mail contacts G-40” is being removed because Rule G-40 has been rescinded.
- The rule citation “Notification to the MSRB of change in status, name or address A-15” is being removed to reflect that the relevant provision of Rule A-15 is now included in Rule A-12, as amended.
- The rule citation “Limited representative – investment company and variable contracts products G-3(a)(i)(C)” is being added to reflect the requirements included in Rule G-3, as amended.
- The rule citation “Municipal advisor representative G-3(d)” is being added to reflect the requirements included in Rule G-3, as amended.
- The rule citation “Municipal advisor principal G-3(e)” is being added to reflect the requirements included in Rule G-3, as amended.
- The topic “financial and operations principals G-3d(i) and (ii)” is being removed to reflect the rescission of the requirement in Rule G-3d(i) and (ii), as amended.
- The rule citation “Continuing education requirements G-3(h)” is being revised to “Continuing education requirements G-3(i)” to reflect the reorganization of Rule G-3, as amended.

- The rule citation “Confidentiality of qualification examinations G-3(e)” is being revised to “Confidentiality of qualification examinations G-3(f)” to reflect the reorganization of Rule G-3, as amended.
- The topic “Apprenticeship requirement G-3(a)(iii)” is being removed to reflect the rescission of the requirement.

### **Supervisory Responsibilities**

- The rule citation “Responsibility for municipal securities business and activities of associated persons G-27(b)(i)” is being revised to “Responsibility for municipal securities business and activities of associated persons G-27(b)” to reflect the reorganization of Rule G-27.
- The topic and rule citation “Internal inspections G-27(d)” is being added to reflect the requirements included in Rule G-27.
- The topic area “Definition G-22(a)” is being revised to “Definition of control relationship G-22(a)” to provide clarity to the title of the topic area.
- The topic area “Definitions G-20(e)” is being revised to “Definitions of ‘non-cash compensation’, ‘cash compensation’, ‘offeror’ and ‘primary offering’ G-20(e)” to provide clarity to the title of the topic area.
- The topic area “Prohibition from engaging in municipal securities business” is being revised to “Political contributions and prohibition from engaging in municipal securities business” to provide clarity to the title of the topic area.
- The topic area “Definitions G-37(g)” is being revised to “Definitions including ‘municipal finance professional,’ ‘municipal securities businesses’ and ‘issuer official’ G-37(g)” to provide clarity to the title of the topic area.
- The topic area “Period of prohibition G-37(b)” is being revised to “Ban on municipal securities business; *de minimis* exemption G-37(b)” to conform to the title of Rule G-37.
- The topic area and rule citation “Prohibition on Soliciting and Coordinating Contributions G-37(c)” is being added to reflect the requirements included in Rule G-37.
- The topic area “Definitions G-21(a)” is being revised to “Definitions; General standard for advertisements G-21(a)(iii)” to provide clarity to the title of the topic area.

### **Part Three: Sales Supervision**

#### **Opening Customer Accounts**

- The rule citation “Requirement to obtain customer account information G-19(a)” is being revised to “Requirement to obtain customer account information G-19” to reflect the reorganization of Rule G-19, as amended.
- The topic area “Transactions with employees and partners of other dealers” is being revised to “Transactions with employees and partners of other municipal securities professionals” to provide clarity to the title of the topic area.
- The topic area “Exemption for municipal fund securities G-28(c)” is being added to reflect the relevant requirements included in Rule G-28.

### **Communications with Customers**

- The topic area and rule citation “Restrictions on apprentices G-3(a)(iii)(A)” is being removed to reflect the rescission of the requirement in Rule G-3, as amended.
- The topic area and rule citation “Tape recording of conversations G-27(c)(ii)” is being added to reflect the requirements included in Rule G-27.

### **Suitability**

- The rule citation for topic area “Knowledge of customer G-19(b)” is being revised to “Knowledge of customer G-19 [Supp. .04]” to reflect that the relevant requirements are included in paragraph .04 of the Supplementary Material of Rule G-19, as amended.
- The rule citation for topic area “Suitability of recommendations G-19(c)” is being revised to “Suitability of recommendations and transactions G-19” to reflect that the relevant requirements are included in Rule G-19, as amended.
- The topic area and rule citation “Time of trade disclosure G-47” is being added to reflect the requirements included in Rule G-47.
- The topic area and rule citation “Sophisticated Municipal Market Professionals (SMMP) G-48” is being added to reflect the requirements included in Rule G-48, as amended.
- The section header “Improper Activities” is being revised to “Supervisory Concerns” to provide clarity to the title of the section.
- The topic area and rule citation “Churning G-19(e)” is being revised to “Quantitative Suitability G-19 [Supp. .05]” to reflect that the relevant requirements are included in paragraph .05 of the Supplementary Material of Rule G-19, as amended.

- The topic area “Prohibition against soliciting and coordinating political contributions G-37(c) and (d)” is being revised to “Prohibition against soliciting and coordinating political contributions; and circumvention of rule, G-37(c) and (d)” to reflect that the relevant requirements are included in Rule G-37.

### **Discretionary Accounts**

- The topic area and rule citation “Suitability G-19(d)” is being moved to the suitability section in Part three of the content outline.
- The topic area and rule citation “Written supervisory procedures G-27(c)(i)” is being revised to “Approval of transactions G-27(c)(i)(G)(2)” to reflect the reorganization of Rule G-27.

### **Customer Complaints**

- The rule citation for topic area “Review by a principal G-27(c)(ii)” is being revised to “Review by a principal G-27(c)(i)(B)” to reflect the reorganization of Rule G-27.

## **Part Four: Orientation and Syndication**

### **New Issue Syndicate Practices**

- The topic area and rule citation “Retail order period and required disclosures G-11(k)” are being added to reflect the requirements included in Rule G-11.
- The topic area “Definitions A-13(f)” is being revised to “Definition of primary offering A-13(f)” to provide clarity to the title of the topic area.

## **Part Five: Trading**

### **Execution of Transactions**

- The topic area “Transactions as agent G-18” is being revised to “Best execution G-18” to reflect the requirements included in Rule G-18.
- The topic area “Prices and Commissions” is being added to reflect the requirements included in Rule G-30.
- The topic area and rule citation “Principal transactions G-30(a)” is being moved from section two regarding general supervision to section five regarding trading.
- The topic area and rule citation “Agency transactions G-30(b)” is being moved from section two regarding general supervision to section five regarding trading.

- The topic area and rule citation “Time of trade disclosure G-47” is being added to reflect the requirements included in Rule G-47, as amended.

## Reports of Sales or Purchases

- The topic area “Definitions G-14, RTRS Procedures, Sect. (d)” is being revised to “Definitions relating to reporting requirements for specific types of transactions” to provide clarity to the title of the topic area.

### (b) Statutory Basis

The MSRB believes that the proposed rule change is consistent with the provisions of Section 15B(b)(2)(A) of the Act,<sup>10</sup> which authorizes the MSRB to prescribe for municipal securities brokers or municipal securities dealers and their associated persons 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 Act<sup>11</sup> 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 revisions to the content outline for the Series 51, Series 52, and Series 53 examinations and changes to the selection specifications for the Series 53 examination are consistent with the provisions of Section 15B(b)(2)(A) of the Act<sup>12</sup> in that the revisions will ensure that certain key concepts and rules are tested on each of the examinations in order to test the competency of individuals seeking to qualify as a municipal fund securities limited principal, municipal securities representative and municipal securities principal with respect to their knowledge of MSRB rules and the municipal securities market.

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

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 the purposes of the Act. The updated Series 51, Series 52, and Series 53 content outlines align with the functions and associated tasks currently performed by municipal fund securities limited principals, municipal securities representatives, and municipal securities principals and tests knowledge of the most current laws, rules, and regulations and skills relevant to those functions and associated tasks. As such, the proposed rule change would make the examinations more efficient and effective.

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<sup>10</sup> 15 U.S.C. 78o-4(b)(2)(A).

<sup>11</sup> Id.

<sup>12</sup> Id.



**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 on the proposed rule change.

**6. Extension of Time Period for Commission Action**

The MSRB declines to consent to an extension of the time period specified in Section 19(b)(2) of the Act or Section 19(b)(7)(D) of the Act.

**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 Series 53 examination selection specifications and the content outlines for the Series 51, Series 52 and Series 53 examinations as being immediately effective upon filing pursuant to Section 19(b)(3)(A)(i) of the Act<sup>13</sup> and Rule 19b-4(f)(6) thereunder,<sup>14</sup> because the proposed rule change effects a change that (A) does not significantly affect the protection of investors or the public interest; (B) does not impose any significant burden on competition; and (C) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest. On July 24, 2015, the MSRB provided the Commission with written notice of its intent to file the Series 51, Series 52, and Series 53 examination content outlines and the Series 53 selection specifications, along with a brief description and text of the Series 51, Series 52, and Series 53 examination content outlines and the Series 53 selection specifications, which was at least five business days prior to the date of filing of the proposed rule change. The examination content outlines for the Series 51, Series 52, Series 53 examinations and the Series 53 selection specifications will become operative on August 31, 2015.

**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 Supervision Act**

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<sup>13</sup> 15 U.S.C. 78s(b)(3)(A)(i).

<sup>14</sup> 17 CFR 240.19b-4(f)(6).

Not applicable.

**11. Exhibits**

- Exhibit 1 Completed Notice of Proposed Rule Change for Publication in the Federal Register
- Exhibit 3a Content Outline for the Series 51 Examination
- Exhibit 3b Content Outline for the Series 52 Examination
- Exhibit 3c Content Outline for the Series 53 Examination
- Exhibit 3d Letter to Diane G. Klinke, General Counsel, MSRB, from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000
- Exhibit 3e Selection Specifications for the Series 53 Examination

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-\_\_\_\_\_; File No. SR-MSRB-2015-07)

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing of a Proposed Rule Change Consisting of Revisions to the Content Outlines for the Municipal Fund Securities Limited Principal Qualification Examination, Municipal Securities Representative Qualification Examination and Municipal Securities Principal Qualification Examination and Revisions to the Selection Specifications for the Municipal Securities Principal Qualification Examination

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on \_\_\_\_\_ the Municipal Securities Rulemaking Board (the “MSRB” or “Board”) filed with the Securities and Exchange Commission (the “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 proposed revisions to the content outlines for the Municipal Fund Securities Limited Principal Qualification Examination (Series 51), Municipal Securities Representative Qualification Examination (Series 52) and Municipal Securities Principal Qualification Examination (Series 53). As a result of changes to MSRB rules, revisions to the content outlines are necessary to more accurately indicate the current rule requirements and rule citations. Additionally, the MSRB is proposing revisions to the selection specifications

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

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

for the Series 53 qualification examination (collectively, the “proposed rule change”).<sup>3</sup> The MSRB is not proposing any textual changes to its rules.

The text of the proposed rule change is available on the MSRB’s website at [www.msrb.org/Rules-and-Interpretations/SEC-Filings/2015-Filings.aspx](http://www.msrb.org/Rules-and-Interpretations/SEC-Filings/2015-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<sup>4</sup> authorizes the MSRB to prescribe for municipal securities brokers or municipal securities dealers and their associated persons standards of

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<sup>3</sup> The MSRB is also proposing changes to the question banks for the Series 51, Series 52 and Series 53 examinations, but based upon instructions from the Commission staff, the MSRB is submitting SR-MSRB-2015-07 for immediate effectiveness pursuant to Section 19(b)(3)(A)(i) of the Act and Rule 19b-4(f)(6) thereunder, and is not filing the question banks for Commission review. See 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 3d. The question banks are available for Commission review. The selection specifications for the Series 53 examination, Exhibit 3e, have been omitted and filed separately with the Commission for confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act.

<sup>4</sup> 15 U.S.C. 78o-4(b)(2)(A).

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. The MSRB has developed examinations that are designed to establish that persons associated with brokers, dealers and municipal securities dealers that effect transactions in municipal securities and municipal advisors who engage in municipal advisory activities have attained specified levels of competence and knowledge. The content outline for each examination serves as a guide to the subject matter tested on the examination and provides learning objectives associated with each subject matter to assist candidates in preparing for the examination. Each content outline also provides sample questions similar to the type of questions that may be found on the examination. The arrangement of the subject matter in the content outline reflects the various job functions performed within a broker, dealer or municipal securities dealer. The MSRB periodically reviews the content outline for each examination to determine whether revisions are necessary or appropriate in view of changes pertaining to the subject matter covered by the examination. Below is a summary of the proposed revisions to the Series 51, Series 52 and Series 53 content outlines.

The selection specifications for the Series 53 examination, which the MSRB has submitted under separate cover with a request for confidential treatment to the Commission's Secretary pursuant to Rule 24b-2 under the Act,<sup>5</sup> describe additional confidential information regarding the Series 53 examination.

#### MUNICIPAL FUND SECURITIES LIMITED PRINCIPAL QUALIFICATION

#### EXAMINATION - SERIES 51

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<sup>5</sup> 17 CFR 240.24b-2.

The Municipal Fund Securities Limited Principal Qualification Examination is designed to determine whether an individual meets the MSRB's qualification standards for municipal fund securities limited principals applicable to the activities as defined in Rule G-3(b)(iv).<sup>6</sup> To do this, the examination measures a candidate's knowledge of MSRB rules, rule interpretations and federal statutory provisions applicable to the activities listed above. It also measures the candidate's ability to apply these rules, interpretations and federal statutory provisions to given fact situations in the context of municipal fund securities activities. In addition to passing the Series 51 examination, to qualify as a municipal fund securities limited principal, a candidate

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<sup>6</sup> MSRB Rule G-3(b)(iv) states that the municipal fund securities limited principal has responsibility to oversee the municipal securities activities of a securities firm or bank dealer solely as such activities relate to transactions in municipal fund securities. In this capacity, the municipal fund securities limited principal manages, directs or supervises one or more of the following activities relating to municipal fund securities as defined in Rule G-3(b)(i)(A)-(G):

(A) underwriting, trading or sales of municipal securities;

(B) financial advisory or consultant services for issuers in connection with the issuance of municipal securities;

(C) processing, clearance, and, in the case of brokers, dealers and municipal securities dealers other than bank dealers, safekeeping of municipal securities;

(D) research or investment advice with respect to municipal securities;

(E) any other activities which involve communication, directly or indirectly, with public investors in municipal securities;

(F) maintenance of records with respect to the activities described in subparagraphs (A) through (E); or

(G) training of municipal securities principals or municipal securities representatives;

provided, however, that the activities enumerated in subparagraphs (D) and (E) above shall be limited to such activities as they relate to the activities enumerated in subparagraphs (A) or (B) above.

must also have previously or concurrently qualified as a general securities principal or investment company/variable contracts limited principal. Candidates are allowed one and one-half hours to complete the Series 51 examination consisting of 60 multiple-choice questions.

As a result of recent changes to MSRB rules, revisions to the Series 51 content outline are necessary to indicate the current rule requirements and rule citations. A summary of the changes to the content outline for the Series 51 examination, detailed by major topic headings, is provided below:

### Introduction

- Footnote 2 will be changed to footnote 3.
- The rule citation and quotation in footnote 3 regarding the “Confidentiality of Qualification Examinations” is being revised from “Rule G-3(e)” to “Rule G-3(f)” to conform to amendments to Rule G-3.

### Part Three: General Supervision

#### Qualification and Registration

- The sub-topic “Registration with the MSRB and payment of initial fee and annual fee A-12; A-14” is being revised to “Registration requirements A-12(a)” to reflect that the relevant provision (which is now included in Rule A-12) is no longer included in Rule A-14, as amended.
- The rule citation and sub-topic “Notification to the MSRB of change in status, name or address A-15” is being revised to “Form A-12 updates and withdrawal A-12(j)” to conform to recent amendments of Rule A-12.

- The rule citation and sub-topic “Requirement to submit e-mail contact to MSRB G-40” is being revised to “Designated contacts A-12(f)” to conform to recent amendments of Rule A-12.

#### Associated persons

- The sub-topic “financial and operations principals G-3(d)(i) and (ii)” is being rescinded to reflect that this registration category is no longer referenced in Rule G-3.
- The sub-topic “municipal advisor representatives G-3(d)” and “municipal advisor principals G-3(e)” are being added to reflect the new registration category as referenced in Rule G-3.
- The sub-topic “Apprenticeship requirement G-3(a)(iii)” is being rescinded to reflect that, as amended, Rule G-3 no longer has this requirement.
- The sub-topic “Restrictions on apprentices G-3(a)(iii)(A)” is being rescinded to reflect that, as amended, Rule G-3 no longer has this requirement.

#### Supervisory responsibilities

- The rule citation for sub-topic “1. Responsible for municipal securities business and activities of associated persons” is being revised from “G-27(b)(i)” to “G-27(b)(ii)” to reflect the reorganization of Rule G-27, as amended.

#### Part Four: Fair Practice and Conflicts of Interest

##### Conduct of Business

- The rule citation for sub-topic “Prices and Commissions” is being revised from “G-30(b); G-18” to “G-30(b)” to reflect that the relevant requirements are included in Rule G-30, as amended.



- The rule citation for sub-topic “Advertising, 1. Definition” is being revised from “G-21(a)” to “G-21(a)(i)” to reflect the reorganization of Rule G-21, as amended.

#### Part Five: Sales Supervision

##### Opening Customer Accounts

- The rule citation for sub-topic “Requirement to obtain customer account information” is being revised from “G-19(a)” to “G-19” to reflect the reorganization of Rule G-19, as amended.
- The sub-topic “Transactions with employees and partners of other dealers G-28” is being revised to “Transactions with employees and partners of other municipal securities professionals G-28” to reflect the reorganization of Rule G-28, as amended.

##### Suitability

- The rule citation for sub-topic “Knowledge of customer” is being revised from “G-19(b)” to “G-19 [Supp. .04 and .06]” to reflect that the relevant requirements are included in paragraphs .04 and .06 of the Supplementary Material of Rule G-19, as amended.
- The rule citation for sub-topic “Suitability of recommendations” is being revised from “G-19(c)” to “G-19 [Supp. .05]” to reflect that the relevant requirements are included in paragraph .05 of the Supplementary Material of Rule G-19, as amended.

##### Improper Activities

- The title of topic “Improper Activities” is being revised to “Improper Use of Customer Assets.”
- The sub-topic and rule citation “Churning G-19(e)” are being revised to “Quantitative suitability G-19 [Supp. .05(c)]” to reflect that the relevant requirements are included in paragraph .05 of the Supplementary Material of Rule G-19, as amended.

## Part Six: Underwriting and Disclosure Obligations

### Disclosures to Customers

- The sub-topic and related rule citation “Material disclosures at time of trade G-17” are being revised to “Time of trade disclosure G-47” to reflect that the requirements are included in new Rule G-47.

## Part Seven: Operations

### Confirmation of Transactions

- The rule citation for sub-topic “Periodic statements” is being revised from “G-15(a)(viii)” to “G-15(a)(viii)(B)(1)” to reflect the reorganization of Rule G-15, as amended.

### Sample Questions

- Sample question number 2 is being removed from the outline because the topic (apprenticeship) is no longer tested on the examination.

## MUNICIPAL SECURITIES REPRESENTATIVE EXAMINATION - SERIES 52

The Municipal Securities Representative Qualification Examination is designed to determine whether an individual meets the MSRB’s qualification standards for municipal securities representatives by measuring a candidate’s knowledge of MSRB rules, rule interpretations and federal statutory provisions applicable to the activities listed in Rule G-3(a)(i).<sup>7</sup> The Series 52 examination also measures a candidate’s ability to apply the rules and

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<sup>7</sup> MSRB Rule G-3(a)(i) states:

(A) The term "municipal securities representative" means a natural person associated with a broker, dealer or municipal securities 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;

interpretations to given fact situations in the context of a representative's municipal securities activities. Candidates are allowed three and one-half hours to complete the examination consisting of 115 multiple-choice questions.

As a result of recent changes to MSRB rules, revisions to the Series 52 content outline are necessary to indicate the current rule requirements and rule citations. A summary of the changes to the content outline for the Series 52 examination, detailed by major topic headings, is provided below:

Introduction:

- The rule citation and quote in the “Confidentiality” section is being revised from “Rule G-3(e)” to “Rule G-3(f)” and added as footnote 2, to conform to amendments to Rule G-3.

Part Four: Federal Legal Considerations

III. MSRB Rules

- The rule citation “Professional Qualifications (G-2 through G-7)” is being revised to “Standards of Professional Qualification and Professional Qualification Requirements (G-2 through G-3)” to conform to the current titles of the Rules, as amended.

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(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 which involve communication, directly or indirectly, with public investors in municipal securities;

provided, however, that the activities enumerated in subparagraphs (3) and (4) above shall be limited to such activities as they relate to the activities enumerated in subparagraphs (1) and (2) above.

- The rule citation “Recordkeeping (G-8)” is being revised to “Books and Records to be Made by Brokers, Dealers, Municipal Securities Dealers, and Municipal Advisors (G-8)” to conform to the current title of Rule G-8, as amended.
- The rule citation “Preservation of Records (G-9)” is being added, to reflect the relevant requirements included in Rule G-9.
- The rule citation “Investor Brochure (G-10)” is being revised to “Delivery of Investor Brochure (G-10)” to conform to the current title of Rule G-10.
- The rule citation “New Issue Syndicate Practices (G-11)” is being revised to “Primary Offering Practices (G-11)” to conform to the current title of Rule G-11.
- The rule citation “Conduct of Municipal Securities Activities (G-17)” is being revised to “Conduct of Municipal Securities and Municipal Advisory Activities (G-17)” to conform to the current title of Rule G-17, as amended.
- The rule citation “Execution of Transactions (G-18)” is being revised to “Best Execution (G-18)” to conform to the current title of Rule G-18, as amended.
- The rule citation “Suitability of Recommendations and Transactions; Discretionary Accounts (G-19)” is being revised to “Suitability of Recommendations and Transactions (G-19)” to conform to the current title of Rule G-19, as amended.
- The rule citation “Disclosure of Control Relationships (G-22)” is being revised to “Control Relationships (G-22)” to conform to the current title of Rule G-22, as amended.
- The rule citation “Transactions with Employees of Other Municipal Securities Professionals (G-28)” is being revised to “Transactions with Employees and Partners of Other Municipal Securities Professionals (G-28)” to conform to the current title of Rule G-28, as amended.

- The rule citation “Calculations (G-33)” is being added to reflect the requirements included in Rule G-33.
- The rule citation “Broker’s Broker (G-43)” is being added to reflect the requirements included in Rule G-43.
- The rule citation “Time of Trade Disclosure (G-47)” is being added to reflect the requirements included in Rule G-47.
- The rule citation “Transactions with Sophisticated Municipal Market Professionals (G-48)” is being added to reflect the relevant requirements included in Rule G-48, as amended.

#### MUNICIPAL SECURITIES PRINCIPAL EXAMINATION - SERIES 53

The Municipal Securities Principal Qualification Examination (Series 53) is designed to determine whether an individual meets the Board’s qualification standards for municipal securities principals. The Series 53 examination measures a candidate’s knowledge of Board rules, rule interpretations and federal statutory provisions applicable to municipal securities activities. It also measures an individual’s ability to apply these rules and interpretations to given fact situations. Candidates are allowed three hours to complete the examination consisting of 100 multiple-choice questions.<sup>8</sup>

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<sup>8</sup> MSRB Rule G-3(b)(i) states:

(i) Definition. The term "municipal securities principal" means a natural person (other than a municipal securities sales principal), associated with a broker, dealer or municipal securities dealer who is directly engaged in the management, direction or supervision of one or more of the following activities:

(A) underwriting, trading or sales of municipal securities;

(B) financial advisory or consultant services for issuers in connection with the issuance of municipal securities;

The selection specifications for the Series 53 examination, which the MSRB has submitted under separate cover with a request for confidential treatment to the Commission's Secretary pursuant to Rule 24b-2 under the Act,<sup>9</sup> describe additional confidential information regarding the Series 53 examination. Due to the changes in the selection specifications the weighting for 5 of the 6 topic areas of the Series 53 content outline have changed. The first topic area, Federal Regulation, remains the same at 4% of the exam. The second topic area, General Supervision, is 23% of the exam. The third topic area, Sales Supervision, is 25% of the exam. The fourth topic area, Origination and Syndication, is 23% of the exam. The fifth topic area, Trading, is 10% of the exam. The sixth topic area, Operations, is 15% of the exam.

As a result of recent changes to MSRB rules, revisions to the Series 53 content outline are necessary to indicate the current rule requirements and rule citations. A summary of the

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(C) processing, clearance, and, in the case of brokers, dealers and municipal securities dealers other than bank dealers, safekeeping of municipal securities;

(D) research or investment advice with respect to municipal securities;

(E) any other activities which involve communication, directly or indirectly, with public investors in municipal securities;

(F) maintenance of records with respect to the activities described in subparagraphs (A) through (E); or

(G) training of municipal securities principals or municipal securities representatives;

provided, however, that the activities enumerated in subparagraphs (D) and (E) above shall be limited to such activities as they relate to the activities enumerated in subparagraphs (A) or (B) above.

<sup>9</sup> 17 CFR 240.24b-2.

changes to the content outline for the Series 53 examination, detailed by major topic headings, is provided below:

### Introduction

- The rule citation and quotation in footnote 2 regarding “Confidentiality” is being revised from “Rule G-3(e)” to “Rule G-3(f)” to conform to amendments to Rule G-3.

### Part One: Federal Regulations

#### Rules of the Securities and Exchange Commission

- The rule citation “Dodd-Frank Wall Street Financial Reform and Consumer Protection Act” is being added to reflect the current status of federal securities law.

### Part Two: General Supervision

#### Definitional Rules

- The rule citation “Associated person D-11” is being added to reflect the requirements included in Rule D-11, as amended.
- The rule citation “Sophisticated Municipal Market Professional (SMMP) D-15” is being added to reflect the requirements included in Rule D-15, as amended.

#### Qualification and Registration

- The rule citation “Registration with the MSRB and payment of initial fee A-12” is being revised to “Registration A-12” to conform to amendments to Rule A-12.
- The topic “MSRB annual fee A-14” is being removed to reflect that the relevant provision of Rule A-14 is now included in Rule A-12, as amended.
- The rule citation “Assessments for Municipal Advisor Professionals A-11” is being added to reflect the new requirement in Rule A-11.

- The topic “Electronic mail contacts G-40” is being removed because Rule G-40 has been rescinded.
- The rule citation “Notification to the MSRB of change in status, name or address A-15” is being removed to reflect that the relevant provision of Rule A-15 is now included in Rule A-12, as amended.
- The rule citation “Limited representative – investment company and variable contracts products G-3(a)(i)(C)” is being added to reflect the requirements included in Rule G-3, as amended.
- The rule citation “Municipal advisor representative G-3(d)” is being added to reflect the requirements included in Rule G-3, as amended.
- The rule citation “Municipal advisor principal G-3(e)” is being added to reflect the requirements included in Rule G-3, as amended.
- The topic “financial and operations principals G-3d(i) and (ii)” is being removed to reflect the rescission of the requirement in Rule G-3d(i) and (ii), as amended.
- The rule citation “Continuing education requirements G-3(h)” is being revised to “Continuing education requirements G-3(i)” to reflect the reorganization of Rule G-3, as amended.
- The rule citation “Confidentiality of qualification examinations G-3(e)” is being revised to “Confidentiality of qualification examinations G-3(f)” to reflect the reorganization of Rule G-3, as amended.
- The topic “Apprenticeship requirement G-3(a)(iii)” is being removed to reflect the rescission of the requirement.

### Supervisory Responsibilities



- The rule citation “Responsibility for municipal securities business and activities of associated persons G-27(b)(i)” is being revised to “Responsibility for municipal securities business and activities of associated persons G-27(b)” to reflect the reorganization of Rule G-27.
- The topic and rule citation “Internal inspections G-27(d)” is being added to reflect the requirements included in Rule G-27.
- The topic area “Definition G-22(a)” is being revised to “Definition of control relationship G-22(a)” to provide clarity to the title of the topic area.
- The topic area “Definitions G-20(e)” is being revised to “Definitions of ‘non-cash compensation’, ‘cash compensation’, ‘offeror’ and ‘primary offering’ G-20(e)” to provide clarity to the title of the topic area.
- The topic area “Prohibition from engaging in municipal securities business” is being revised to “Political contributions and prohibition from engaging in municipal securities business” to provide clarity to the title of the topic area.
- The topic area “Definitions G-37(g)” is being revised to “Definitions including ‘municipal finance professional,’ ‘municipal securities businesses’ and ‘issuer official’ G-37(g)” to provide clarity to the title of the topic area.
- The topic area “Period of prohibition G-37(b)” is being revised to “Ban on municipal securities business; *de minimis* exemption G-37(b)” to conform to the title of Rule G-37.
- The topic area and rule citation “Prohibition on Soliciting and Coordinating Contributions G-37(c)” is being added to reflect the requirements included in Rule G-37.
- The topic area “Definitions G-21(a)” is being revised to “Definitions; General standard for advertisements G-21(a)(iii)” to provide clarity to the title of the topic area.

### Part Three: Sales Supervision

#### Opening Customer Accounts

- The rule citation “Requirement to obtain customer account information G-19(a)” is being revised to “Requirement to obtain customer account information G-19” to reflect the reorganization of Rule G-19, as amended.
- The topic area “Transactions with employees and partners of other dealers” is being revised to “Transactions with employees and partners of other municipal securities professionals” to provide clarity to the title of the topic area.
- The topic area “Exemption for municipal fund securities G-28(c)” is being added to reflect the relevant requirements included in Rule G-28.

#### Communications with Customers

- The topic area and rule citation “Restrictions on apprentices G-3(a)(iii)(A)” is being removed to reflect the rescission of the requirement in Rule G-3, as amended.
- The topic area and rule citation “Tape recording of conversations G-27(c)(ii)” is being added to reflect the requirements included in Rule G-27.

#### Suitability

- The rule citation for topic area “Knowledge of customer G-19(b)” is being revised to “Knowledge of customer G-19 [Supp. .04]” to reflect that the relevant requirements are included in paragraph .04 of the Supplementary Material of Rule G-19, as amended.
- The rule citation for topic area “Suitability of recommendations G-19(c)” is being revised to “Suitability of recommendations and transactions G-19” to reflect that the relevant requirements are included in Rule G-19, as amended.

- The topic area and rule citation “Time of trade disclosure G-47” is being added to reflect the requirements included in Rule G-47.
- The topic area and rule citation “Sophisticated Municipal Market Professionals (SMMP) G-48” is being added to reflect the requirements included in Rule G-48, as amended.
- The section header “Improper Activities” is being revised to “Supervisory Concerns” to provide clarity to the title of the section.
- The topic area and rule citation “Churning G-19(e)” is being revised to “Quantitative Suitability G-19 [Supp. .05]” to reflect that the relevant requirements are included in paragraph .05 of the Supplementary Material of Rule G-19, as amended.
- The topic area “Prohibition against soliciting and coordinating political contributions G-37(c) and (d)” is being revised to “Prohibition against soliciting and coordinating political contributions; and circumvention of rule, G-37(c) and (d)” to reflect that the relevant requirements are included in Rule G-37.

#### Discretionary Accounts

- The topic area and rule citation “Suitability G-19(d)” is being moved to the suitability section in Part three of the content outline.
- The topic area and rule citation “Written supervisory procedures G-27(c)(i)” is being revised to “Approval of transactions G-27(c)(i)(G)(2)” to reflect the reorganization of Rule G-27.

#### Customer Complaints

- The rule citation for topic area “Review by a principal G-27(c)(ii)” is being revised to “Review by a principal G-27(c)(i)(B)” to reflect the reorganization of Rule G-27.

#### Part Four: Orientation and Syndication

### New Issue Syndicate Practices

- The topic area and rule citation “Retail order period and required disclosures G-11(k)” are being added to reflect the requirements included in Rule G-11.
- The topic area “Definitions A-13(f)” is being revised to “Definition of primary offering A-13(f)” to provide clarity to the title of the topic area.

### Part Five: Trading

#### Execution of Transactions

- The topic area “Transactions as agent G-18” is being revised to “Best execution G-18” to reflect the requirements included in Rule G-18.
- The topic area “Prices and Commissions” is being added to reflect the requirements included in Rule G-30.
- The topic area and rule citation “Principal transactions G-30(a)” is being moved from section two regarding general supervision to section five regarding trading.
- The topic area and rule citation “Agency transactions G-30(b)” is being moved from section two regarding general supervision to section five regarding trading.
- The topic area and rule citation “Time of trade disclosure G-47” is being added to reflect the requirements included in Rule G-47, as amended.

#### Reports of Sales or Purchases

- The topic area “Definitions G-14, RTRS Procedures, Sect. (d)” is being revised to “Definitions relating to reporting requirements for specific types of transactions” to provide clarity to the title of the topic area.

#### 2. Statutory Basis

The MSRB believes that the proposed rule change is consistent with the provisions of Section 15B(b)(2)(A) of the Act,<sup>10</sup> which authorizes the MSRB to prescribe for municipal securities brokers or municipal securities dealers and their associated persons 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 Act<sup>11</sup> 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 revisions to the content outline for the Series 51, Series 52, and Series 53 examinations and changes to the selection specifications for the Series 53 examination are consistent with the provisions of Section 15B(b)(2)(A) of the Act<sup>12</sup> in that the revisions will ensure that certain key concepts and rules are tested on each of the examinations in order to test the competency of individuals seeking to qualify as a municipal fund securities limited principal, municipal securities representative and municipal securities principal with respect to their knowledge of MSRB rules and the municipal securities market.

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

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 the purposes of the Act. The

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<sup>10</sup> 15 U.S.C. 78o-4(b)(2)(A).

<sup>11</sup> Id.

<sup>12</sup> Id.

updated Series 51, Series 52, and Series 53 content outlines align with the functions and associated tasks currently performed by municipal fund securities limited principals, municipal securities representatives, and municipal securities principals and tests knowledge of the most current laws, rules, and regulations and skills relevant to those functions and associated tasks. As such, the proposed rule change would make the examinations more efficient and effective.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>13</sup> and Rule 19b-4(f)(6) thereunder.<sup>14</sup> The examination content outlines for the Series 51, Series 52, Series 53 examinations and the Series 52 selection specifications will become operative on August 31, 2015.

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

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<sup>13</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>14</sup> 17 CFR 240.19b-4(f)(6).

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](mailto:rule-comments@sec.gov). Please include File Number SR-MSRB-2015-07 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-2015-07. 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; 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-2015-

07 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, pursuant to delegated authority.<sup>15</sup>

Secretary

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<sup>15</sup> 17 CFR 200.30-3(a)(12).



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# Municipal Fund Securities Limited Principal Qualification Examination (Series 51)

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CONTENT OUTLINE



Municipal Securities Rulemaking Board

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# Municipal Fund Securities Limited Principal Qualification Examination (Series 51)

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# INTRODUCTION

## THE CONTENT OUTLINE

This content outline serves as a guide to the subject matter tested by the Municipal Fund Securities Limited Principal Qualification Examination (Test Series 51). It lists the topics covered by the examination and provides sample questions similar to the type used in the examination.

The arrangement of the subject matter in the content outline reflects the various aspects of the activities that a broker, dealer or municipal securities dealer may engage in with respect to municipal fund securities<sup>1</sup> and the tasks that a municipal fund securities limited principal would be expected to supervise. Reference is made to the appropriate MSRB rule or federal laws or regulations that govern each task. Not only are questions in the examination based on these federal regulations and MSRB rules, but are also based on the published interpretations of MSRB rules.

## THE MUNICIPAL FUND SECURITIES LIMITED PRINCIPAL

The municipal fund securities limited principal has primary responsibility for overseeing the municipal fund securities activities of a broker, dealer or municipal securities dealer.<sup>2</sup> In this capacity, a municipal fund securities limited principal MANAGES, DIRECTS or SUPERVISES one or more of the following activities:

- underwriting of municipal fund securities;
- trading of municipal fund securities;
- selling municipal fund securities to customers;
- rendering of financial advisory or consultant services to issuers of municipal fund securities;
- communications with customers about any of the above activities;
- maintaining records on the above activities;
- processing, clearing, and (in the case of securities firms) safekeeping of municipal fund securities; and
- training of principals or representatives.

## THE EXAMINATION

The Municipal Fund Securities Limited Principal Qualification Examination is designed to determine whether an individual meets the MSRB's qualification standards for municipal fund securities limited principals. To do this, the examination measures a candidate's knowledge of MSRB rules, rule interpretations and federal statutory provisions applicable to the activities listed above. It also measures the candidate's ability to apply these rules and interpretations to given fact situations in the context of municipal fund securities activities. In addition to passing this examination, a candidate must also have previously or concurrently qualified as a general securities principal or investment company/variable contracts limited principal.

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<sup>1</sup> Rule D-12 defines a municipal fund security as a municipal security issued by an issuer that, but for the application of Section 2(b) of the Investment Company Act of 1940, would constitute an investment company within the meaning of Section 3 of the Investment Company Act.

<sup>2</sup> The municipal securities principal (Series 53) is also qualified to supervise these responsibilities.

The examination consists of 60 multiple-choice questions assigned to the seven areas of the examination as follows:

Regulatory Structure	5%
Product Knowledge	27%
General Supervision	17%
Fair Practice and Conflicts of Interest	17%
Sales Supervision	18%
Underwriting and Disclosure Obligations	6%
Operations	10%

These questions are further distributed among the various subtopics in a manner that reflects the distribution of subject matter in the content outline. Each question is worth one point, and the passing grade is 70%. Candidates are allowed one and one-half hours to complete the examination. During the administration of the examination, candidates are not allowed to use reference materials.

The questions used in the examination are reviewed and updated on a regular basis. Questions that test a new rule or a new rule amendment 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 amended or deleted will be removed from the examination prior to the effective date of the amendment.

## CONFIDENTIALITY

In order to ensure that its examinations constitute valid tests of the qualifications of persons who take them, the MSRB has instituted various procedures, in the question-writing as well as the administration 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 which had used in their training material questions and answers that appeared 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.<sup>3</sup>

<sup>3</sup> 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: REGULATORY STRUCTURE (5% OF TEST QUESTIONS)

- 1.0 **Ensure conduct of an ethical municipal securities business.**
  - Understand applicability of antifraud provisions mandated under the '34 Act.
  - Understand provisions for enforcement of MSRB rules.
  - Understand prohibitions against employment of manipulative and deceptive devices.
  - Understand provisions of regulations established to ensure investor protection.
  
- 1.1 **Jurisdiction**
  - 1.1.1 "Exempted securities" '33 Act, Sect. 3(a)(2)
  - 1.1.2 "Municipal security" '34 Act, Sect. 3(a)(29)
  - 1.1.3 Exemption from Investment Company Act of 1940 '40 Act (ICA), Sect. 2(b)
  
- 1.2 **MSRB Rulemaking '34 Act, Sect. 15B(b)**
  
- 1.3 **Enforcement of MSRB Rules**
  - 1.3.1 Enforcement agencies '34 Act, Sect. 15B(c)(5); Sect. 15A(b)(2); Sect. 3(a)(34)(A)
  - 1.3.2 Compliance examinations '34 Act, Sect. 15B(c)(7)(A)
  
- 1.4 **Securities Investor Protection Corporation (SIPC) SIPA<sup>4</sup> Sect. 5; Sect. 9**
  - 1.4.1 Purpose of SIPC
  - 1.4.2 Coverage limitations
  
- 1.5 **Antifraud**
  - 1.5.1 Antifraud provisions applicable to all persons, including municipal issuers, brokers, dealers and municipal securities dealers '34 Act, Sect. 10(b); Sect. 15(c)
  - 1.5.2 Antifraud provisions applicable to brokers, dealers and municipal securities dealers **G-17**
  - 1.5.3 Fraud and misrepresentations by brokers, dealers and municipal securities dealers '34 Act; SEC Rule 15c1-2

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<sup>4</sup> Securities Investor Protection Act of 1970—See [www.sipc.org](http://www.sipc.org) for more information.

## PART 2: PRODUCT KNOWLEDGE (27% OF TEST QUESTIONS)

- 2.0 Understand key industry terms.**  
**Demonstrate product knowledge of municipal fund securities.**  
**Understand the differences between municipal fund securities and registered securities.**  
**Understand the differences between municipal fund securities and the underlying investments and the risks associated with both.**  
**Demonstrate knowledge and appropriate uses of alternative higher education savings products.**
- 2.1 Municipal fund securities D-12**
- 2.2 New Products Governed by MSRB Rules**
- 2.3 Product Knowledge**
- 2.3.1 Local Government Investment Pools (LGIP):** *Differences in state law; authorization to invest; formation of pool; investment policy of investor; structure of pool; direction of fund purchases and redemptions on behalf of investors; potential tax consequences for investment of bond proceeds; authorized participants; generally no guarantees by state/county; distribution methods*
- 2.3.2 529 College Savings Plans**
- 2.3.2.1** *Federal tax law issues: Established and maintained by a state; contribution limits—excess contributions; limits on investment direction; prohibition on using as security for a loan; rollovers; contributions only in cash; estate and gift tax issues; federal tax-deferred growth; federal tax-free withdrawals for qualified higher education expenses; taxes and penalties on withdrawals for non-qualified uses; requirements for beneficiary changes; account ownership issues*
- 2.3.2.2** *State tax issues: Possible deductibility of contributions and recapture on withdrawal or rollover; possible tax-free withdrawals*
- 2.3.2.3** *Other state law issues: Generally not guaranteed by state; differences in state law (fee structure—resident vs. non-resident; matching contributions)*
- 2.3.2.4** *Issuance and market structure: State as issuer; primary distributor; selling dealer; method of purchase (direct vs. broker sold); transfer agent*
- 2.3.3 Education savings alternatives (e.g., Coverdell):** *Education Savings Account (CESA), UGMA/UTMA, 529 pre-paid tuition plans, savings bonds, etc.*

## PART 3: GENERAL SUPERVISION (17% OF TEST QUESTIONS)

- 3.0 **Understand qualification and registration requirements for firms and associated persons conducting a municipal fund securities business.**
  - Understand requirements to implement, monitor and maintain appropriate systems to ensure compliance with MSRB rules.
  - Understand responsibilities for supervising the sale of municipal fund securities.
  
- 3.1 **Definitional Rules**
  - 3.1.1 "Municipal securities dealer" '34 Act, Sect. 3(a)(30); Sect. 15B(a)
  - 3.1.2 "Bank dealer" D-8
  - 3.1.3 "Customer" SEC Rule 15c1-1; D-9; G-8(e)
  
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- 3.3 **Qualification and Registration**
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**3.4 Supervisory Responsibilities**

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**3.4.2** Designation of principals

**3.4.2.1** Responsible for municipal securities business and activities of associated persons **G-27(b)(ii)**

**3.4.2.2** Written record of designations **G-27(b)(ii)(A)-(B); G-8(a)(xiv)**

**3.4.2.3** Appropriate principal **G-27(b)(ii)(C)**

**3.4.3** Written supervisory procedures<sup>5</sup>

**3.4.3.1** Duty to establish and enforce **G-27(c)(i)**

**3.4.3.2** Duty to update and review **G-27(c)(iii)**

**3.4.3.3** Supervisory controls **G-27(f)**

**3.5 Any Recently Enacted Rules and Interpretations Governing General Supervision**

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<sup>5</sup> Requirements for SPECIFIC supervisory procedures are found under the appropriate topics (e.g., "Opening Customer Accounts" and "Review of Correspondence" on page 10; "Customer Complaints" on page 10).

## PART 4: FAIR PRACTICE AND CONFLICTS OF INTEREST (17% OF TEST QUESTIONS)

- 4.0 **Understand the impact of political contributions on the dealer's ability to sell municipal fund securities.**  
**Ensure fair conduct of municipal fund securities business.**  
**Ensure that appropriate disclosures are made to customers.**
  
- 4.1 **Political contributions and prohibitions on municipal securities business**
  - 4.1.1 Definitions **G-37(g)**
  - 4.1.2 Period of prohibition; *de minimis* exception **G-37(b)**
  - 4.1.3 Prohibition against solicitations **G-37(c) and (d)**
  - 4.1.4 Requirements to disclose political contributions and municipal securities business **G-37(e) and (f)**
  - 4.1.5 Records concerning political contributions **G-8(a)(xvi)**
  
- 4.2 **Solicitation of municipal securities business**
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  - 4.2.2 Prohibited payments **G-38(a)**
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**4.3.5** Advertising

**4.3.5.1** Definition **G-21(a)(i)**

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**4.3.5.3** Product advertisements **G-21(c)**

**4.3.5.4** Approval by a principal **G-21(f)**

**4.3.5.5** Municipal fund security advertisements **G-21(e)**

**4.4** **Any Recently Enacted Rules and Interpretations Governing Fair Practice and Conflicts of Interest**

## PART 5: SALES SUPERVISION (18% OF TEST QUESTIONS)

- 5.0 **Understand the review and approval process for opening and maintenance of customer accounts.**  
**Understand requirements for communications with customers.**  
**Understand suitability requirements when recommending investments.**  
**Guard against improper and/or prohibited activities.**  
**Understand rules regarding review, handling and recordkeeping of customer complaints.**
  
- 5.1 **Opening Customer Accounts**
  - 5.1.1 Requirement to obtain customer account information **G-19; G-8(a)(xi)**
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- 5.2 **Communications with Customers**
  - 5.2.1 Review of correspondence **G-27(e)**
  
- 5.3 **Suitability**
  - 5.3.1 Knowledge of customer **G-19 [Supp.04, .06]**
  - 5.3.2 Suitability of recommendations **G-19 [Supp.05]**
  
- 5.4 **Improper Use of Customer Assets**
  - 5.4.1 Quantitative suitability **G-19 [Supp.05(c)]**
  - 5.4.2 Guarantees against loss **G-25(b)**
  - 5.4.3 Sharing in profits or losses **G-25(c)**
  
- 5.5 **Customer Complaints**
  - 5.5.1 Review by a principal **G-27(c)(i)(B)**
  - 5.5.2 Definition — recordkeeping requirements **G-8(a)(xii)**
  - 5.5.3 Delivery of MSRB investor brochure **G-10**
  
- 5.6 **Any Recently Enacted Rules and Interpretations Governing Sales Supervision**

## PART 6: UNDERWRITING AND DISCLOSURE OBLIGATIONS (6% OF TEST QUESTIONS)

- 6.0 Understand supervisory obligations for underwriters, including performance of due diligence.  
Understand timeframes associated with disclosure of required information.  
Understand the distinction between and responsibilities of primary distributors (underwriters) and selling dealers (selling group members).
- 6.1 **Obligations of Municipal Underwriters**
  - 6.1.1 “Reasonable basis” interpretation under SEC Rules *SEC Release No. 34-26100, Part III*
  - 6.1.2 Availability and review of official statements *SEC Rule 15c2-12*
  - 6.1.3 Submission of official statements, advance refunding documents and other required information to EMMA *G-32(b); G-8(a)(xv)*
- 6.2 **Disclosures to Customers**
  - 6.2.1 Time of trade disclosure *G-47*
  - 6.2.2 Delivery of official statement to customer and other disclosure requirements *G-32(a); G-8(a)(xiii)*
  - 6.2.3 Definitions *G-32(d)*
- 6.3 **Any Recently Enacted Rules and Interpretations Governing Underwriting and Disclosure Obligations**

## PART 7: OPERATIONS (10% OF TEST QUESTIONS)

- 7.0 **Understand confirmation and periodic statement requirements.**  
**Understand recordkeeping requirements related to supervision of operations.**
- 7.1 **Confirmation of Transactions**
  - 7.1.1 Customer confirmations **G-15(a)(i) – (vii)**
  - 7.1.2 Periodic statements **G-15(a)(viii)(B)(1)**
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  - 7.3.1 Books and records required to be made<sup>6</sup>
    - 7.3.1.1 Records of original entry **G-8(a)(i)**
    - 7.3.1.2 Account records **G-8(a)(ii)**
    - 7.3.1.3 Securities records **G-8(a)(iii)**
    - 7.3.1.4 Subsidiary records **G-8(a)(iv)**
    - 7.3.1.5 Records of agency transactions **G-8(a)(vi)**
    - 7.3.1.6 Copies of confirmations and certain other notices to customers **G-8(a)(ix)**
    - 7.3.1.7 Manner in which books and records are to be **G-8(b)**
    - 7.3.1.8 Non-clearing brokers and dealers **G-8(c)**
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    - 7.3.1.10 Transactions in municipal fund securities; books and records maintained by transfer agents **G-8(g)**
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    - 7.3.2.1 Period of time records must be preserved **G-9(a) through G-9(c)**
    - 7.3.2.2 Accessibility and availability **G-9(d)**
    - 7.3.2.3 Method of record retention **G-9(e)**
  - 7.3.3 Compliance with recordkeeping rules
    - 7.3.3.1 Records to be made **G-8(f); SEC Rule 17a-3**
    - 7.3.3.2 Preservation of records **G-9(g); SEC Rule 17a-4**
- 7.4 **Any Recently Enacted Rules and Interpretations Governing Operations**

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<sup>6</sup> Other required books and records are listed under specific topics.

## SAMPLE QUESTIONS

The following questions are similar in format and content to questions on the examination. The sample questions, however, are not intended to parallel either the level of difficulty or the subject coverage of the examination. The sample questions are only intended to assist candidates in preparing for the types of multi-choice questions that will appear on the examination.

1. Which of the following statements regarding MSRB requirements for advertisements of municipal fund securities are TRUE?
  - I. Advertisements must be approved by a qualified principal prior to first use.
  - II. Advertisements must be submitted to the MSRB prior to first use.
  - III. Records for advertisements must be kept current and maintained in a separate file.
  - IV. Advertisements of municipal fund securities must be approved by the issuer.
  - (A) I and II
  - (B) I and III
  - (C) II and IV
  - (D) III and IV
  
2. A customer who is a resident of State A wants to invest in a 529 college savings plan offered by State B. All of the following statements would be appropriate for a representative to make to the customer EXCEPT:
  - (A) "State tax benefits available to you through investing in State A's plan may not be available to you when investing in State B's program."
  - (B) "A 10% penalty is imposed on funds not withdrawn from the plan by the time the beneficiary has attained the age of majority."
  - (C) "Investments into the plan are made with after-tax dollars for federal income tax purposes."
  - (D) "Withdrawals are tax-free when made for qualified education expenses."
  
3. Jane Smith is hired in a representative capacity by SS Securities to handle investments by school districts in a local government investment pool ("LGIP") operated by State X. Under MSRB rules, which of the following must Jane supply to a school district in connection with its initial investment in the LGIP?
  - (A) The LGIP's official statement
  - (B) The MSRB's investor brochure
  - (C) Evidence of SIPC membership
  - (D) SS Securities' telemarketing policy statement
  
4. John Doe, a resident of State X and a registered representative employed by VV Securities, exclusively markets interests in municipal fund securities programs operated by States X and Y. John makes a contribution of \$100 to the re-election campaign of Bill Brown, the Public Dog Catcher for State Y. Bill's sole duty under state law is to catch stray dogs and return them to their rightful owners. No other political contributions were made by any associated person of VV Securities during that calendar quarter. Which of the following statements is true?
  - (A) VV Securities must report the contribution on Form G-37 and a record of the contribution must be retained for two years.
  - (B) VV Securities must revoke any Form G-37x filed with the MSRB during the previous two years.
  - (C) VV Securities is banned from engaging in municipal fund securities business for two years in State Y but not in State X.
  - (D) VV Securities need not file Form G-37 for the quarter.

ANSWERS 1. (B) 2. (B) 3. (A) 4. (D)

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# Municipal Securities Representative Qualification Examination (Series 52)

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CONTENT OUTLINE



Municipal Securities Rulemaking Board



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# Municipal Securities Representative Qualification Examination (Series 52)

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# INTRODUCTION

## CONTENT OUTLINE

This content outline lists the topics covered by the Municipal Securities Representative Qualification Examination (Series 52) and as such serves as a guide to the subject matter tested by the examination. In addition, listed at the end of the outline are certain reference materials that discuss many of the topics set forth in sections of this outline in a substantive way.

The sample questions on pages 16-17 of the outline are similar to the types of multiple choice questions that will appear in the examination.

## THE MUNICIPAL SECURITIES REPRESENTATIVE

The municipal securities representative is any natural person associated with a broker, dealer or municipal securities dealer, other than a person whose functions are solely clerical or ministerial, who activities include one or more of the following:

- underwriting, trading or sales of municipal securities;
- financial advisory or consultant services for issuers in connection with the issuance of municipal securities;
- research or investment advice with respect to municipal securities; or
- any other activities which involve communication, directly or indirectly, with public investors in municipal securities.

## THE EXAMINATION

The Municipal Securities Representative Qualification Examination is designed to measure a candidate's qualification and competency to engage in the municipal securities business. The examination includes questions on municipal securities, the municipal markets, 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 percentages assigned to each of these topics on the examination are as follows:

Municipal Securities	57%
U.S. Government, Federal Agency and Other Financial Instruments	4%
Economic Activity, Government Policy and the Behavior of Interest Rates	13%
Securities Laws and Regulations	26%

The examination consists of 115 multiple-choice questions that test the topics specified in this outline. Each multiple-choice question is worth one point and the passing grade set by the Board is 70%. It is in a candidate's best interest to answer all questions because an unanswered question is considered an incorrect answer. Candidates are allowed three and one-half hours to complete the examination.<sup>1</sup>

The questions used in the examination are reviewed and updated on a regular basis to reflect current market practices and securities. 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 which have been amended or deleted will be removed from the examination prior to the effective date of the amendment.

Because the examination is a closed-book test, candidates are not permitted any reference materials during the test administration. If needed, electronic calculators will be provided by the test center or within the examination.

## CONFIDENTIALITY

In order to ensure that its examinations constitute valid tests of the qualifications of persons who take them, the Municipal Securities Rulemaking Board (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 questions and answers that appeared to have been taken from questions contained in MSRB qualification examinations in their training material. 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 Board rules for the candidate.<sup>2</sup>

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<sup>1</sup> The examination is administered by FINRA on its PROCTOR system. For further information on application and administration procedures for MSRB examinations, please contact FINRA at 301-590-6500.

<sup>2</sup> 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: MUNICIPAL SECURITIES (57% OF TEST QUESTIONS)

- 1.1 **Types of Municipal Securities**
  - 1.1.1 **General obligation bonds:**
    - 1.1.1.1 Source of payment: *generally payable from taxes (limited tax; unlimited tax);*
    - 1.1.1.2 Limitations on issuance (*voter approval; statutory or constitutional*)
  - 1.1.2 **Revenue bonds:**
    - 1.1.2.1 Source of payment: *generally payable from project revenues*
    - 1.1.2.2 Limitations on issuance: *Usually not subject to statutory debt limitations; may be issued by any authorized political entity*
    - 1.1.2.3 Purposes: *Utility revenue (e.g., water, sewer, electric); housing revenue (e.g., single-family, multi-family); transportation (e.g., airport revenue, toll road); education (e.g., dormitory, student loan, general revenue); health (e.g., hospital, life care); industrial (e.g., industrial development, pollution control)*
  - 1.1.3 **Special type bonds:** *Special tax; special assessment; moral obligation; double-barreled; lease rental; certificate of participation (COP)*
  - 1.1.4 **Taxable municipal securities:** *Build America Bonds (BABs); taxable municipal bonds; other tax credit bonds*
  - 1.1.5 **Short-term obligations**
    - 1.1.5.1 Notes: *Tax anticipation notes (TAN); tax and revenue anticipation notes (TRAN); bond anticipation notes (BAN); revenue anticipation notes (RAN); variable rate demand obligations (VRDOs); multi-modal); grant anticipation notes (GAN); construction loan notes (CLN)*
    - 1.1.5.2 Tax-exempt commercial paper
  - 1.1.6 **Municipal fund securities** (Basic characteristics, ownership and contribution limits)
- 1.2 **Characteristics of Municipal Securities**
  - 1.2.1 **Basic characteristics**
    - 1.2.1.1 Method of quotations: *Yield; dollar price*
    - 1.2.1.2 Forms of ownership: *Fully registered; book-entry only*
    - 1.2.1.3 Depository eligibility
    - 1.2.1.4 Delivery procedures: *Cash (same day); regular way; delayed delivery; special settlement (as mutually agreed upon); forward delivery*
    - 1.2.1.5 Legal opinion
    - 1.2.1.6 Interest

- 1.2.1.6.1 Rates: *Fixed; variable/floating; capital appreciation bonds (zeros); zeros; convertible/stepped coupons*
- 1.2.1.6.2 Payment periods
- 1.2.1.7 Maturity: *Term; serial*
- 1.2.1.8 Denominations
- 1.2.1.9 Early redemption
- 1.2.1.9.1 Types: *Optional; sinking fund; extraordinary; mandatory; make whole call*
- 1.2.1.9.2 Bond refunding methods: *Direct exchange versus sale of new issue; refunding (current); advance refunding (pre-refunding); escrowed to maturity (ETM); crossover refunding*
- 1.2.1.9.3 Procedures: *Tender; call; puts; open-market purchase*
- 1.2.1.9.4 Advantages and disadvantages: *To issuer; to investor*
  
- 1.2.2 **Tax considerations**
- 1.2.2.1 Interest
- 1.2.2.1.1 Federal income tax status: *Tax-exempt; taxable; alternative minimum tax (AMT); bank qualified bonds*
- 1.2.2.1.2 State and local income tax status
- 1.2.2.1.3 Value of tax exemption: *To investor; to issuer*
- 1.2.2.2 Principal
- 1.2.2.2.1 Premiums and discounts: *Amortization of premiums; accretion of discounts; tax consequences for different types of investors; de minimis exemption on original issue discount (OID) bonds*
- 1.2.2.2.2 Capital gains/losses: *Cost basis; rates; wash sales; offsets; tax swaps*
- 1.2.2.2.3 Original issue discount/premium
- 1.2.2.2.4 Market discount/premium
- 1.2.2.2.5 Compound accreted value
  
- 1.2.3 **Factors affecting marketability and liquidity:** *Ratings; maturity; call feature; coupon; block size; issue size; dollar/yield price; issuer name, local or national; sinking fund; blue sky laws; credit and liquidity support; denominations; type of issuance; source of funds*
  
- 1.3 **The Market for Municipal Securities**
- 1.3.1 **Primary Market**
- 1.3.1.1 Methods of primary financing:
  - 1.3.1.1.1 Competitive sale
  - 1.3.1.1.2 Negotiated sale: *Public offering; private placement (limited offering)*
- 1.3.1.2 Information sources
  - 1.3.1.2.1 Notice of Sale *(see ATTACHMENT A)*
  - 1.3.1.2.2 Official statement: *Preliminary; final (see ATTACHMENT B)*
  - 1.3.1.2.3 Issuers or financial advisors

- 1.3.1.2.4 EMMA
- 1.3.1.2.5 New issue wires
- 1.3.1.2.6 Print and electronic news services
- 1.3.1.3 Underwriting procedures
  - 1.3.1.3.1 Account formation procedures: *Determining members and participation; underwriting account agreement—documents (syndicate letter (competitive); agreement among underwriters (negotiated); types of accounts (undivided; divided); roles of underwriters (responsibilities of manager, responsibilities of members); selling groups*
  - 1.3.1.3.2 Determination of syndicate bid: *Components (scale, spread, interest rates); computation of bid—production, swing coupon; bid price; terms and conditions; submission of bid; basis for award (net interest cost; true interest cost (Canadian method); gross interest cost); bond years; factors relevant to the member’s participation in the bid (pre-sale orders; determination of liability; scale and spread; ability to sell this issue)*
  - 1.3.1.3.3 Syndicate operational procedures
    - 1.3.1.3.3.1 Establish offering terms: *Order period; concessions and takedowns; retention bonds; priority provisions (retail orders; group orders; designated orders; member orders)*
    - 1.3.1.3.3.2 Establish time of first trade
    - 1.3.1.3.3.3 Settlement terms: *When-as-and-if-issued; establishment of delivery dates; final accounting and settlement*
    - 1.3.1.3.3.4 Required disclosures: *EMMA (primary offerings, material event notices); NIIDS; SHORT; delivery of official statement*
- 1.3.1.4 Functions of a bond attorney: *Determine authority for bond issuance; render a legal opinion concerning tax status; issue a legal opinion*
- 1.3.1.5 Role of financial advisor
- 1.3.2 **Secondary Market**
  - 1.3.2.1 Traded over-the-counter (OTC)
  - 1.3.2.2 Information sources: *Dealers’ offering sheets; brokers’ brokers communications; inter-dealer communications; alternative trading systems (ATS); EMMA; electronic information services*
  - 1.3.2.3 Market participants: Institutional; retail; dealers; municipal advisors; brokers’ brokers
  - 1.3.2.4 Secondary market procedures
    - 1.3.2.4.1 Kinds of transactions: Principal; agency
      - 1.3.2.4.2 Trading terms: *Bid; offering; list; down bid; workable indications; evaluation; all or none (AON); minimums and multiples; out firm; fill-or-kill; locked market; cover bid*
  - 1.3.2.5 Functions of a municipal bond trader: *Make markets; position trading; joint accounts; appraisals and evaluations; hedging*
- 1.3.3 **Market indicators**
  - 1.3.3.1 Published indices: *Bond Buyer indices (visible supply; placement ratio); MMD curve; SIFMA index; U.S. Treasuries; London Interbank Offered Rate (LIBOR)*
  - 1.3.3.2 Other market-level indicators: *New-issue scales; electronic trading information platforms; market activity in other securities; current economic factors; futures*

**1.3.4 Customer suitability considerations****1.3.4.1** Financial profile**1.3.4.2** Tax status**1.3.4.3** Investment objectives: *Safety of principal; income liquidity; growth; speculation***1.3.4.4** Diversification: *Geographical; maturity; purpose of issue; security; quality***1.3.4.5** Investment risks: *Financial (credit risk); market (interest rate risk); put and call features; legislative risk; inflationary risk; reinvestment risk; price risk; selection risk; timing risk; liquidity risk***1.4 Analyzing Municipal Credit****1.4.1 General obligation securities****1.4.1.1** Demographic considerations: *Tax base; diversification of economic activity; population trends; geography***1.4.1.2** Nature of the issuer's debt: *Present and past attitudes toward debt; debt trend; schedule of debt service requirements; contemplated financing; relation of debt to the life of improvement***1.4.1.3** Factors affecting ability to pay: *Budgetary practices and legislative climate; current financial condition; Unfunded liabilities (pension funds, etc.); tax limitations; tax rates, trends and comparisons; tax collection record; trends in assessed valuation; non-tax revenues; overlapping debt; litigation***1.4.1.5** Municipal debt ratios: *Net overall (direct and overlapping) debt to assessed valuation; net overall (direct and overlapping) debt to estimated real valuation; per capita net debt; debt service to annual revenues***1.4.2 Revenue bonds****1.4.2.1** Feasibility study: *Need for project; existing or potential competitive facilities; engineering reports; economic viability***1.4.2.2** Sources of revenue: *User charges; concessions and fees; special taxes; rental or lease payments (public agencies; private agencies); legislative appropriation***1.4.2.3** Security**1.4.2.3.1** Bond indenture: *Rate covenant; insurance covenant; operation and maintenance covenant; requirement for financial reports and outside audits; restrictions on issuance of additional bonds (open-end indenture; closed-end indenture; project completion)***1.4.2.3.2** Flow of funds: *Types of funds (revenue; operation and maintenance; sinking fund or debt service; debt service reserve; reserve maintenance; renewal and replacement; surplus; construction); application of revenue (net revenue pledge; gross revenue pledge)***1.4.2.3.3** Debt service coverage**1.4.3 Sources of credit information:** *The issuer; continuing disclosure information (EMMA); advisory councils and services of certain states; commercial research services; industry and general publications***1.4.4 Rating services**



- 1.4.5 **Credit enhancements:** *Letters of credit (LOC); advance refunded; insurance; escrow*
  
- 1.5 **Mathematical Calculations and Methods**

  - 1.5.1 **Yields:** *Yield to early redemption (put; call; par option; average life (sinking fund)); yield to maturity; current yield; after-tax yield; taxable equivalent yield*
  - 1.5.2 **Relationship of bond prices to change in:** *Maturity; coupon; yield; call/put features*
  - 1.5.3 **Duration**
  - 1.5.4 **Basis points:** *Dollar value of a basis point; convexity*
  - 1.5.5 **Dollar value of points and fractions**
  - 1.5.6 **Accrued interest:** *Regular coupon; odd first coupon (long or short)*
  - 1.5.7 **Level debt service**
  - 1.5.8 **Capital gains**
  - 1.5.9 **Day-count basis of computations of dollar price and accrued interest:** *Notes (30/360; actual/360; actual/365; actual/actual); bonds (30/360)*
  - 1.5.10 **Flat**
  - 1.5.11 **Market discount**
  - 1.5.12 **Amortization of premium**
  - 1.5.13 **Accretion of discount (OID)**

## PART 2: U.S. GOVERNMENT, FEDERAL AGENCY AND OTHER FINANCIAL INSTRUMENTS (4% OF TEST QUESTIONS)

- 2.1 **Types**
  - 2.1.1 **Obligations of the U.S. Treasury:** *Bills; notes; bonds; STRIPS; SLGS; TIPS*
  - 2.1.2 **Obligations of federal agencies:** *Federal Farm Credit Banks; Federal Home Loan Bank (FHLB); Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac); Federal National Mortgage Association (FNMA or Fannie Mae); Government National Mortgage Association (GNMA or Ginnie Mae)*
  - 2.1.3 **Money market instruments:** *Certificates of deposit; commercial paper; federal funds; repurchase and reverse repurchase agreements; money market mutual funds*
  - 2.1.4 **Other financial instruments (corporate bonds, CMOs, etc.)**
  
- 2.2 **Characteristics of Various U.S. Government, Federal Agency and Other Financial Instruments**
  - 2.2.1 **Marketability:** *Liquidity; price volatility; ratings; economic indicators*
  - 2.2.2 **Federal and state tax treatment:** *Interest income; amortization of premium; accretion of discount; capital gains/loss*
  - 2.2.3 **Trading:** *Discount basis; bond equivalent yield; yield quotation; dollar price quotation and fractions (1/32; value of a plus (1/64)*
  - 2.2.4 **Settlement:** *Cash; regular way*
  - 2.2.5 **Form of Delivery**
  
- 2.3 **The Market for U.S. Government, Federal Agency and Other Financial Instruments—Impact and Relationship to Other Fixed Income Markets**
  - 2.3.1 **Index floaters**
  - 2.3.2 **Credit spreads**
  
- 2.4 **Credit Features**
  - 2.4.1 **Definition of each investment and comparative strength for all U.S.**
  - 2.4.2 **Treasury guarantees (direct, secondary, or implied where applicable)**

## PART 3: ECONOMIC ACTIVITY, GOVERNMENT POLICY AND THE BEHAVIOR OF INTEREST RATES (13% OF TEST QUESTIONS)

- 3.1 Monetary Policy**
  - 3.1.1 Objectives of Federal Reserve monetary policy:** *Price stability; long-term economic growth; stabilize foreign exchange markets*
  - 3.1.2 Operating tools of the Federal Reserve:** *Open market operations; discount rate; reserve requirements; margin requirements*
  - 3.1.3 Operations of the Federal Reserve:** *Policy role of the Federal Open Market Committee; market role of the Open Market Trading Desk*
  - 3.1.4 Major factors influencing Federal Reserve policy:** *Monetary aggregates; economic indices (Consumer Price Index; unemployment rate (non-farm payroll); housing starts (existing home sales); foreign trade deficits; purchasing manager's report; leading/lagging/co-existent indicators; Producer Price Index; Gross Domestic Product); commodity prices; foreign exchange rates; international economic activity*
- 3.2 Fiscal Policy**
  - 3.2.1 U.S. Treasury debt management practices—impact of short-term and long-term financings**
  - 3.2.2 Federal budgetary practices and their impact on the money and capital markets:** *Deficits and surpluses; taxation and spending*
- 3.3 Factors Affecting Interest Rates**
  - 3.3.1 Supply and demand for credit relative to the economic cycle**
  - 3.3.2 The effect of inflation and investor expectations on interest rate levels**
  - 3.3.3 Yield curve analysis:** *Financial and economic characteristics of a positive or negative (inverted) sloped yield curve; uses and implications*
  - 3.3.4 Yield spread differentials between credit quality groups:** *Impact of economic and financial conditions; during periods of high/low interest rate levels; compression*
  - 3.3.5 Changes in commodity and currency prices**

## PART 4: SECURITIES LAWS AND REGULATIONS (26% OF TEST QUESTIONS)

### 4.1 Regulation of Municipal Market Professionals

4.1.1 **Securities Act of 1933:** *Municipal securities exempt from registration requirements; Antifraud provisions applicable to municipal issuers as well as brokers and dealers*

#### 4.1.2 Securities Exchange Act of 1934:

4.1.2.1 Municipal securities exempt from registration requirements

4.1.2.2 Antifraud provisions applicable to municipal issuers as well as brokers and dealers

4.1.2.3 Amendments of 1975

4.1.2.3.1 Registration of municipal brokers, dealers and bank dealers with the SEC 4.1.2.3.2  
Regulators: *Rulemaking (Municipal Securities Rulemaking Board (MSRB); Securities and Exchange Commission (SEC))*

4.1.2.3.3 Enforcement: *Securities and Exchange Commission (SEC); Financial Industry Regulatory Authority (FINRA); Federal Reserve Board; Comptroller of the Currency; Federal Deposit Insurance Corporation*

4.1.2.3.4 Applicable SEC rules: *Securities financial responsibility rules (inapplicable to banks); SEC Rule 15c2-12 on municipal securities disclosure; SEC antifraud rules*

### 4.2 Securities Investor Protection Act of 1970

#### 4.2.1 Purpose of Securities Investor Protection Corporation (SIPC)

#### 4.2.2 Coverage limitations

### 4.3 MSRB rules

4.3.1 Standards of Professional Qualification and Professional Qualification Requirements (G-2 through G-3)

4.3.2 Books and Records to be Made by Brokers, Dealers, Municipal Securities Dealers and Municipal Advisors (G-8)

4.3.3 Preservation of Records (G-9)

4.3.4 Delivery of Investor Brochure (G-10)

4.3.5 Primary Offering Practices (G-11)

4.3.6 Uniform Practice (G-12)

4.3.7 Quotations and Sales Reports (G-13 and G-14)

- 4.3.8 Confirmation, Clearance, Settlement and Other Uniform Practice Requirements with Respect to Transactions with Customers (G-15)
- 4.3.9 Conduct of Municipal Securities and Municipal Advisory Activities (G-17)
- 4.3.10 Best Execution (G-18)
- 4.3.11 Suitability of Recommendations and Transactions (G-19)
- 4.3.12 Gifts, Gratuities and Non-Cash Compensation (G-20)
- 4.3.13 Advertising (G-21)
- 4.3.14 Control Relationships (G-22)
- 4.3.15 Activities of Financial Advisors (G-23)
- 4.3.16 Use of Ownership Information Obtained in a Fiduciary Capacity (G-24)
- 4.3.17 Improper Use of Assets (G-25)
- 4.3.18 Customer Account Transfers (G-26)
- 4.3.19 Supervision (G-27)
- 4.3.20 Transactions with Employees and Partners of Other Municipal Securities Professionals (G-28)
- 4.3.21 Availability of Board Rules (G-29)
- 4.3.22 Prices and Commissions (G-30)
- 4.3.23 Reciprocal Dealings with Municipal Securities Investment Companies (G-31)
- 4.3.24 Disclosures in Connection with Primary Offerings (G-32)
- 4.3.25 Calculations (G-33)
- 4.3.26 CUSIP Numbers, New Issue and Market Information Requirements (G-34)
- 4.3.27 Political Contributions and Prohibitions on Municipal Securities Business (G-37)
- 4.3.28 Solicitation of Municipal Securities Business (G-38)
- 4.3.29 Telemarketing (G-39)
- 4.3.30 Anti-Money Laundering Compliance Program (G-41)
- 4.3.31 Broker's Brokers (G-43)
- 4.3.32 Time of Trade Disclosure (G-47)
- 4.3.33 Transactions with Sophisticated Municipal Market Professionals (G-48)
- 4.3.34 Recently Enacted Rules Relating to the Conduct of Municipal Securities Business

## ATTACHMENT A CONTENTS OF A TYPICAL NOTICE OF BOND SALE

- (1) Date, time and place of sale
- (2) Name and description of issuer
- (3) Type of bond
- (4) Terms and conditions
- (5) Bidding restrictions
- (6) Interest payment dates
- (7) Dated date, interest accrual date, first coupon payment date
- (8) Maturity structure
- (9) Call provisions
- (10) Denominations and registration provisions
- (11) Expenses to be borne by purchaser or issuer
- (12) Amount of good faith deposit
- (13) Paying Agent and/or Trustee
- (14) Name of attorney providing legal opinion
- (15) Details of delivery
- (16) Right of rejection
- (17) Criteria for award

## ATTACHMENT B OUTLINE OF A TYPICAL OFFICIAL STATEMENT

- (1) Offering terms
- (2) Summary statement
- (3) Purpose of issue
- (4) Authorization of bonds
- (5) Security of bonds
- (6) Description of bonds
- (7) Description of issuer
  - (a) Organization
  - (b) Area economy
  - (c) Financial summary
- (8) Construction program
- (9) Project feasibility
- (10) Regulatory matters
- (11) Specific provisions of Indenture and/or Resolution
  - (a) Funds and accounts
  - (b) Investment of funds
  - (c) Additional bonds
  - (d) Insurance
  - (e) Events of default
- (12) Legal proceedings
- (13) Tax status
- (14) Continuing disclosure certification
- (15) Appendix
  - (a) Various consultant reports
  - (b) Legal opinion
  - (c) Financial statements and audits

## REFERENCE MATERIAL

The following list of reference materials is presented here for convenience but is not intended to be all-inclusive.

Primary reference materials on the functioning of municipal, government, and money markets and municipal finance and investments:

Downes, John and Jordan Elliot Goodman. *Dictionary of Finance and Investment Terms*. Fifth edition. Hauppauge, NY: Barron's Educational Series, Inc. (1998).

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## SAMPLE QUESTIONS

The following questions are similar in format and content to questions on the examination. The sample questions, however, are not intended to parallel either the level of difficulty or the subject coverage of the examination. The sample questions are only intended to assist candidates in preparing for the types of multiple-choice questions which will appear on the examination.

1. A municipal securities trade occurs on August 14. Assuming there are no intervening holidays, regular way settlement would occur on
  - (A) August 15
  - (B) August 16
  - (C) August 17
  - (D) August 21
  
2. Which two of the following are characteristics of tax-exempt commercial paper?
  - I. Issued at a discount
  - II. Short-term maturities
  - III. Semi-annual interest payments
  - IV. Certainty of liquidity
  - (A) I and II
  - (B) I and IV
  - (C) II and III
  - (D) III and IV
  
3. An investor in the 28% tax bracket purchases a 5.60% municipal bond at par. To realize the same net return from a taxable investment purchased at par, the investor would have to purchase a taxable bond with which of the following yields?
  - (A) 5.60%
  - (B) 7.78%
  - (C) 11.20%
  - (D) 20.00%
  
4. Under MSRB rules, all of the following would be considered an advertisement EXCEPT:
  - (A) A form letter sent to prospective customers
  - (B) An abstract of an official statement
  - (C) A report published on a dealer's website
  - (D) A listing of a dealer's offerings published electronically
  
5. A municipal bond that is offered at a yield-to-maturity lower than its coupon rate is recognized as trading
  - (A) At a discount
  - (B) At a premium
  - (C) Flat
  - (D) At par

6. A representative of a dealer who solicits municipal securities business from an official of an issuer contributes \$200 to the official's mayoral re-election campaign during the general election. Under what circumstance would the contribution invoke a ban on the dealer's municipal securities business with that issuer?
- (A) The representative resides in the official's city.
  - (B) The dealer seeks to engage in a competitive underwriting with the issuer.
  - (C) The representative contributed \$250 during the primary election.
  - (D) The dealer underwrites a private placement on behalf of the issuer.

ANSWERS: 1. C 2. A 3. B 4. D 5. B 6. D

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# Municipal Securities Principal Qualification Examination (Series 53)

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CONTENT OUTLINE



Municipal Securities Rulemaking Board

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# Municipal Securities Principal Qualification Examination (Series 53)

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## INTRODUCTION

Municipal Securities Rulemaking Board (MSRB) rules require a dealer to supervise the municipal securities activities of its associated persons and the conduct of its business, and require that one or more municipal securities principals must be designated to carry out this supervisory responsibility. The MSRB has urged the enforcement agencies to look at a dealer's supervisors to ensure that compliance procedures are established and enforced. Moreover, the MSRB has taken the position that violations of MSRB rules, particularly those that indicate a lack of effective supervisory controls, also may constitute a "failure to supervise" on the part of the designated principal and the dealer.

## THE CONTENT OUTLINE

This content outline serves as a guide to the subject matter tested by the Municipal Securities Principal Qualification Examination (Series 53). It lists the topics covered by the examination, and provides learning objectives associated with those topics that are intended to assist candidates preparing for the examination. The outline also provides sample questions similar to the type used in the examination.

The arrangement of the subject matter in the study outline reflects the various aspects of municipal securities activity within a securities firm or bank dealer and the tasks of a municipal securities principal in supervising such activities. Reference is made to the appropriate MSRB rule or federal regulation which governs each task.<sup>1</sup> Not only are questions in the examination based on these federal regulations and MSRB rules, but are also based on the interpretations that follow each MSRB rule.

## THE MUNICIPAL SECURITIES PRINCIPAL

The municipal securities principal bears primary responsibility for overseeing the municipal securities activities of a securities firm or bank dealer. In this capacity, a municipal securities principal MANAGES, DIRECTS or SUPERVISES one or more of the following activities:

- underwriting of municipal securities;
- trading of municipal securities;
- buying or selling municipal securities from or to customers;
- rendering of financial advisory or consultant services to issuers of municipal securities;
- communications with customers about any of the above activities;
- maintaining records on the above activities;
- processing, clearing, and (in the case of securities firms) safekeeping of municipal securities; and
- training of principals or representatives.

## THE EXAMINATION

The Municipal Securities Principal Qualification Examination is designed to determine whether an individual meets the MSRB's qualification standards for municipal securities principals. To do this, the examination measures a candidate's knowledge of MSRB rules, rule interpretations and federal statutory provisions applicable to the activities listed above. It also measures the candidate's ability to apply these rules and interpretations to given fact situations.

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<sup>1</sup> Referenced MSRB rules are found in the *MSRB Rule Book*. Referenced federal regulations are found in the *MSRB Manual*, which may be obtained from CCH Incorporated.

The examination consists of 100 multiple-choice questions assigned to the six areas of the examination as follows:

Federal Regulations	4%
General Supervision	23%
Sales Supervision	25%
Origination and Syndication	23%
Trading	10%
Operations	15%

These questions are further distributed among the various subtopics in a manner which reflects the distribution of subject matter in the study outline. Each question is worth one point, and the passing grade is 70%. Candidates are allowed three and one-half hours for each testing session. During the administration of the examination, candidates are not allowed to use reference materials.<sup>2</sup>

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

## CONFIDENTIALITY

In order to ensure that its examinations constitute valid tests of the qualifications of persons who take them, the MSRB has instituted various procedures, in the question-writing as well as the administration 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 appeared 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.<sup>3</sup>

<sup>2</sup> The examination is administered by FINRA on the PROCTOR system. For further information on application and administration procedures for MSRB examinations, please contact FINRA at 301-590-6500, or refer to the FINRA website at [www.finra.org](http://www.finra.org).

<sup>3</sup> 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: FEDERAL REGULATIONS (4% OF TEST QUESTIONS)

- 1.0 **Ensure that appropriate ethical practices govern the conduct of municipal securities business.**  
**Understand the regulatory agencies that oversee municipal securities business.**  
**Understand the rulemaking process.**  
**Demonstrate understanding of the protections offered to investors by SIPC.**  
**Understand the applicability of the SEC’s antifraud statutes.**
  
- 1.1 **Securities Exchange Act of 1934** *’34 Act, Section 10(b); Section 15(c)*
- 1.1.1 Antifraud provisions applicable to all persons, including municipal issuers, dealers and municipal securities dealers
- 1.1.2 Regulatory framework for the municipal securities industry
- 1.1.2.1 Rulemaking process: Enforcement agencies *MSRB Manual, Par. 103 ; ’34 Act, Section 15B(c)(5); Section 15A(b)(2); and Section 3(a)(34)(A)*
- 1.1.2.2 Compliance examinations *’34 Act, Section 15B(c)(7)(A) and Rule G-16<sup>4</sup>*
  
- 1.2 **Rules of the Securities and Exchange Commission**
- 1.2.1 Dodd-Frank Wall Street Financial Reform and Consumer Protection Act
- 1.2.2 Employment of manipulative and deceptive devices by brokers, dealers, or municipal securities dealers; by any person, including municipal issuers, brokers, dealers and municipal securities dealers *SEC Rules 10b-3 and 10b-5*
  
- 1.3 **Securities Investor Protection Corporation (SIPC)** *SIPA<sup>5</sup> Section 5 and Section 9*
- 1.3.1 Purpose of SIPC
- 1.3.2 Coverage limitations

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<sup>4</sup> All references in the study outline, unless otherwise noted, are to MSRB rules (e.g., A-14, D-8 or G-16).

<sup>5</sup> Securities Investor Protection Act of 1970 — a recommended source of information on these subjects is the SIPC brochure entitled “How SIPC Protects You,” which is available at [www.sipc.org](http://www.sipc.org).



## PART 2: GENERAL SUPERVISION (23% OF TEST QUESTIONS)

- 2.0**      **Ensure an appropriate level of understanding of the general supervisory responsibilities of a municipal securities principal.**
- Understand the rules that govern the overall municipal securities business as opposed to specific areas within the business.**
- Ensure knowledge of key industry terms as they are employed in MSRB rules.**
- Ensure knowledge of the registration, qualification and continuing education requirements of various categories of municipal securities professionals.**
- Implement and monitor appropriate systems and procedures to comply with regulations governing municipal securities activities.**
- Ensure that municipal securities activities are conducted fairly with appropriate disclosures made to customers.**
- Understand requirements of associated persons and firms regarding certain responsibilities that are general in nature including solicitation of municipal securities business, gifts, and political contributions.**
- 
- 2.1**      **Definitional rules:**
- "Bank dealer"    **D-8**
- "Customer"    **SEC rule 15c1-1; D-9**
- "Discretionary account"    **D-10**
- "Associated person"    **D-11**
- "Municipal fund security"    **D-12**
- "Municipal advisory activities"    **D-13**
- "Sophisticated Municipal Market Professional" (SMMP)    **D-15**
- 
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- 2.2.1.1**      Registration    **A-12**
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- 2.2.1.5.2**      Limited representative — investment company and variable contracts products    **G-3(a)(i)(C)**
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- 2.2.1.5.4 Municipal fund securities limited principals **G-3(b)(iv)(A) and (B)**
- 2.2.1.5.5 Municipal securities sales principals **G-3(c)**
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- 2.2.2 Associated persons
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  - 2.2.2.2 Information to be compiled on each associated person **G-7(b)**
  - 2.2.2.3 Verification, maintenance, preservation and filing of such information  
**G-7(c) through G-7(h); G-9; SEC 17a-4**
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    - Appropriate principal **G-27(b)(ii)(C)**
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  - 2.3.4 Duty to establish, maintain and enforce supervisory control policies and written procedures **G-27(f)**
  - 2.3.5 Internal inspections **G-27(d)**
  - 2.3.6 Availability of Board rules **G-29**
  - 2.3.7 Anti-money laundering compliance program **G-41**
  
- 2.4 **Conduct of Business**

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<sup>6</sup> Requirements for SPECIFIC supervisory procedures are found under the appropriate topics, *i.e.*, "Opening Customer Accounts" and "Communications with Customers" on p. 8, also "Discretionary Accounts" and "Customer Complaints" on p. 9.

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## PART 3: SALES SUPERVISION (25% OF TEST QUESTIONS)

- 3.0**      **Ensure knowledge of the various supervisory tasks and regulations that apply to the supervision of salespersons within the municipal securities business.**  
**Understand rules, record keeping responsibilities and review and approvals needed for the opening and maintenance of customer accounts.**  
**Demonstrate knowledge of the requirements that govern all types of communications with customers.**  
**Develop practical knowledge of what investments are suitable for customers; understand suitability rules.**  
**Understand unique requirements and supervisory procedures that relate to discretionary accounts.**  
**Understand the sales related activities that are deemed improper and/or prohibited.**  
**Understand rules governing the review, recording and handling of customer complaints.**
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## PART 4: ORIGINATION AND SYNDICATION (23% OF TEST QUESTIONS)

**4.0 Demonstrate understanding of the activities required of a supervisory role related to the origination and syndication of new issue municipal securities in both financial advisory and underwriting roles.**

**Understand a dealer's obligations when serving as a financial advisor to an issuer.**

**Define advisory relationship.**

**Understand requirements relating to the documenting of the advisory relationship.**

**Understand required disclosures and responsibilities in connection with official statements, both as financial advisor and underwriter.**

**Understand order types and disclosure of orders.**

**Understand administration rules relating to role of lead manager of a syndicate.**

**Understand timeframes associated with various responsibilities.**

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## PART 5: TRADING (10% OF TEST QUESTIONS)

- 5.0**      **Ensure understanding of the rules and regulations related to supervision of trading of municipal securities.**  
**Demonstrate understanding of the rules related to quotations of municipal securities.**  
**Understand record keeping responsibilities for principal and agency transactions.**  
**Understand procedures and timeframes for reporting every municipal securities transaction to the MSRB or its designee.**  
**Understand responsibilities related to the assignment of CUSIP numbers in secondary market trading.**  
**Understand the prohibition against dissemination of fictitious trade reports.**
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**5.6 Any Recently Enacted Rules Governing Trading**

## PART 6: OPERATIONS (15% OF TEST QUESTIONS)

- 6.0**      **Ensure understanding of the rules and record keeping requirements related to the operational aspects of supervision of the municipal securities business.**  
**Understand the items required to confirm transactions.**  
**Understand the settlement process for trades.**  
**Understand the mechanics of delivery of securities and the requirements for handling trade or settlement problems.**  
**Understand procedures and timeframes for reporting of municipal securities trades to the MSRB.**  
**Demonstrate knowledge of various types of records that are required to be maintained, and the timeframes required for their maintenance.**  
**Understand requirements and rules governing the transfer of customer accounts to other firms.**
- 6.1**      **Confirmation, Clearance, Settlement and Other Uniform Practice Requirements with Respect to Transactions with Customers**
- 6.1.1**      Confirmation requirements
- 6.1.1.1**      Customer confirmations    **G-15(a)**
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<sup>7</sup> Other required books and records are listed under specific topics.

## SAMPLE QUESTIONS

The following questions are similar in format and content to questions on the examination. The sample questions, however, are not intended to parallel either the level of difficulty or the subjects covered in the examination. The sample questions are only intended to assist candidates in preparing for the types of multiple-choice questions which will appear on the examination.

1. What action by an associated person of a dealer would cause the dealer to be prohibited from engaging in municipal securities business with that issuer?
  - (A) A non-MFP executive officer makes a contribution to an official of the issuer.
  - (B) An MFP contributes \$100 to the campaign of an issuer official in a state where he does not reside.
  - (C) An MFP contributes \$250 to the campaign of an issuer official in the city where he lives.
  - (D) An associated person whose municipal securities' activities are limited to sales to customers contributes \$300 to an issuer official.
  
2. Reclamation of municipal securities is permitted for one business day following delivery for which of the following reasons?
  - (A) If there is a disagreement as to the purchase price
  - (B) If a coupon is discovered to be mutilated
  - (C) If the CUSIP number is not imprinted on the certificates
  - (D) If the securities go into default
  
3. Which two of the following statements correctly describe a manager's obligations with respect to disclosure of syndicate expenses to account members?
  - I. An itemized statement of anticipated expenses must be provided prior to formation of the account.
  - II. The amount of the management fee must be disclosed to the account members prior to the submission of a bid.
  - III. The final account statement must be furnished not later than 60 days from the date of delivery of all securities by the syndicate.
  - IV. Each expense, regardless of the amount, must be listed in the final account statement.
  - (A) I and III
  - (B) I and IV
  - (C) II and III
  - (D) II and IV
  
4. Senior managers of municipal securities syndicates must maintain, for each syndicate account, books and records that show all of the following information EXCEPT:
  - (A) the terms and conditions governing operation of the syndicate account
  - (B) a reconciliation of the profits and expenses of the syndicate
  - (C) all allotments of those securities to syndicate members and the price at which sold
  - (D) the names and addresses of each customer purchasing securities from a syndicate member

ANSWERS: 1. (B) 2. (B) 3. (C) 4. (D)



DIVISION OF  
MARKET REGULATION

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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~~ <sup>Diane</sup>:

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 black ink, appearing to read "B. Blaine".

Belinda Blaine  
Associate Director