



FAQs on Municipal Advisor Professional Qualification Standards and Requirements

INTRODUCTION

The Municipal Securities Rulemaking Board (MSRB) developed this document to provide guidance to municipal advisors and their associated persons on the classification, qualification and examination requirements under MSRB Rule G-2 on Standards of Professional Qualification and MSRB Rule G-3 on Professional Qualification Requirements.¹ The MSRB may update this document periodically. In each update, the questions and answers added after the previous publication of this document will be marked as “new.”

MSRB Rule G-2 requires, in part, that no municipal advisor shall engage in municipal advisory activities, unless the municipal advisor and every natural person associated with the municipal advisor is qualified in accordance with the rules of the MSRB. MSRB Rule G-3, in part, added two new registration classifications for certain associated persons of municipal advisors: (1) municipal advisor representative and (2) municipal advisor principal. Municipal advisor representatives and principals are required to pass the MSRB’s Municipal Advisor Representative Qualification Examination (Series 50). In addition, as required by amended MSRB Rule G-3, each municipal advisor must designate at least one individual as a municipal advisor principal.

FREQUENTLY ASKED QUESTIONS

Classifications

1. Who must qualify by examination as a municipal advisor representative?

A natural person associated with a municipal advisor who engages in municipal advisory activities² on the municipal advisor’s behalf, other than a person performing only clerical, administrative, support or similar functions, must qualify by examination as a municipal advisor representative.

2. Who must qualify by examination as a municipal advisor principal?

A municipal advisor principal is a natural person associated with a municipal advisor who is qualified by examination as a municipal advisor representative and is directly engaged in the management, direction or supervision of the municipal advisory activities of the municipal advisor and that of its associated persons.³

3. If I am designated as the municipal advisor principal at my firm, am I required to take and pass the Municipal Advisor Representative Qualification Examination (Series 50) or will I only need to take a principal-level examination?

In accordance with MSRB Rule G-3, the designated municipal advisor principal(s) is required to take and pass the Series 50 as a prerequisite to qualification as a municipal advisor principal. In addition, designated

¹ The overview and brief summaries of MSRB Rules G-2 and G-3, as well as other rules contained in this document, do not describe all provisions in their entirety of the referenced rules. The MSRB may, from time to time, amend any such rules or interpretations or may adopt additional rules or interpretations. Please refer to the MSRB’s website for the complete text of specific rules and interpretations at <http://www.msrb.org/Rules-and-Interpretations.aspx>.

² See MSRB Rule D-13 (Municipal Advisory Activities); see also Section 15B(e)(4)(A) (i) and (ii) of the Securities Exchange Act. Municipal advisory activities include (i) “... advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities, including advice with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues; or (ii) who undertakes a solicitation of a municipal entity; see also Registration of Municipal Advisors Frequently Asked Questions, (May 19, 2014).

³ See MSRB Rule G-3(e)(i). see also Section 15B(e)(7) of the Act, which defines the term “person associated with a municipal advisor” to mean (A) any partner, officer, director, or branch manager of such municipal advisor (or any person occupying a similar status or performing similar functions); (B) any other employee of such municipal advisor who is engaged in the management, direction, supervision, or performance of any activities relating to the provision of advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities; and (C) any person directly or indirectly controlling, controlled by, or under common control with such municipal advisor.

municipal advisor principals must possess sufficient knowledge, experience and training to understand and discharge their responsibilities.

4. Does the MSRB anticipate that a principal-level examination will be created for designated municipal advisor principals who have qualified by examination (i.e., taken and passed the Series 50) to act in a principal capacity?

The MSRB deemed it important to develop and introduce the representative-level examination prior to a principal-level examination. The development and introduction of a principal-level examination will occur in the future. Until such time that a principal-level examination is in place, the Series 50 is the only required examination for municipal advisor principals. However, municipal advisor principals will be required to take any future municipal advisor principal-level qualification examination in addition to the Series 50.

5. When designating an associated person as the municipal advisor principal of the advisor, should the municipal advisor update its written supervisory policies and procedures with such information?

Yes. Municipal advisors should update the advisor's written supervisory policies and procedures to include the designation of the municipal advisor principal(s). The supervisory principal(s) must be vested with the authority to carry out the supervision for which they are responsible and have sufficient knowledge, experience and training to understand and effectively discharge their responsibilities. They also must have the authority to implement the established written supervisory procedures and take any other action necessary to fulfill their responsibilities. Even if not so designated, whether a person has responsibility for supervision under this rule depends on whether, under the facts and circumstances of a particular case, that person has the requisite degree of responsibility, ability or authority to affect the conduct of the employee whose behavior is at issue.

Qualifications

6. Does an entity have to be registered with the Securities and Exchange Commission as a municipal advisor before an associated person of the municipal advisor can take the Series 50?

Yes. A municipal advisor must register with the SEC by completing its Form MA and then become registered with the MSRB by completing Form A-12 before an associated person of the municipal advisor can take the Series 50.

7. Are municipal advisor professionals who are not employed by or associated with a FINRA-member firm required to take the Series 50?

Yes. Municipal advisor professionals employed by or associated with non-dealer municipal advisors are also required to pass the Series 50.

8. Is the chief executive officer (CEO) or chief compliance officer (CCO) of a municipal advisor required to take and pass the Series 50?

The designation of CEO or CCO of a municipal advisor does not itself trigger the requirement to take the Series 50. Whether a CEO or CCO is required to take the exam is a functional analysis based on whether the individual is engaging in the management, direction or supervision of the municipal advisory activities of the municipal advisor even if the CEO or CCO was not specifically designated as a municipal advisor principal in accordance with MSRB Rule G-3. For example, a CEO (or an equivalent officer) of a small municipal advisor is most likely to be engaged in the management of the municipal advisor's activity, and thus functioning as a municipal advisor principal. Therefore, whether a CEO or CCO is required to take the Series 50 is a facts-and-circumstances analysis.

9. Are affiliates and consultants employed by a municipal advisor required to take and pass the Series 50?

If an affiliate or consultant engages in municipal advisory activities on the municipal advisor's behalf or supervises the municipal advisory activities of the municipal advisor and that of its associated persons, then such affiliate or consultant would be deemed to be an associated person of the municipal advisor and must take and pass the Series 50. A municipal advisor should consult Section 15B(e)(7) of the Securities Exchange Act in determining whether an individual is an associated person of a municipal advisor.⁴

10. Would the branch manager of an office of a dealer-municipal advisor have to qualify as a municipal advisor principal if he or she does not supervise municipal advisory activities as defined under Section 15B(e)(4)(A) (i) and (ii) of the Securities Exchange Act?

If the branch manager does not have responsibility for supervising the municipal advisory activities of the municipal advisor or that of its associated persons, and the branch manager is not directly engaged in the management or direction of the municipal advisory

⁴ The term associated person of an advisor means "...any person directly or indirectly controlling, controlled by, or under common control with such municipal advisor."

activities or that of the municipal advisor's associated persons, then the branch manager would not be required to qualify as a municipal advisor principal. Municipal advisors are reminded that an individual with supervisory responsibilities must be vested with the authority to carry out the supervision for which he or she is responsible and have sufficient knowledge, experience and training to understand and effectively discharge their responsibilities, as specified under MSRB Rule G-44 on Supervisory and Compliance Obligations of Municipal Advisors.

11. Must a person engaged only in solicitation of municipal advisory activities on behalf of a municipal advisor take the Series 50?

Pursuant to Section 15B (e)(4)(A)(i) and (ii) of the Securities Exchange Act, municipal advisory activities include the solicitation of a municipal entity. MSRB Rule G-3 requires associated persons of a municipal advisor who engage in municipal advisory activities on the municipal advisor's behalf, other than clerical or ministerial functions, to take the Series 50.

12. If I am a registered general securities representative offering only 529 college savings plans, am I required to take the Series 50?

In the event that the associated person of a dealer is only offering 529 college savings plans and is not engaged in municipal advisory activities on behalf of a municipal advisor as described in Section 15B(e)(4)(A)(i) and (ii) of the Securities Exchange Act, then the associated person is not required to take the Series 50.

13. If I am employed by a FINRA-member firm that is registered as a municipal advisor, but I am not engaged in municipal advisory activities on behalf of the advisor, am I required to take and pass the Series 50?

No. Only associated persons engaging in municipal advisory activities on behalf of the municipal advisor are required to take and pass the Series 50.

14. Can the Series 50 be taken by an individual who does not intend to engage in municipal advisory activities, but would like to take the exam only for educational purposes?

A municipal advisor representative is defined as an associated person with a municipal advisor who engages in municipal advisory activities on the municipal advisor's behalf, other than a person performing only clerical,

administrative, support or similar functions.⁵ In addition, municipal advisors that are dealers are reminded that maintaining a registration for an associated person that is not engaged in the securities business may be a violation of FINRA rules.⁶

15. If an associated person leaves his or her dealer-municipal advisor and joins a non-dealer municipal advisor, will other qualifying registrations that the person maintains, such as the Series 7, 24, 52 or 53, transfer with him or her?

No. The registration required of an associated person who engages in municipal advisory activities on a municipal advisor's behalf will transfer with him or her to the non-dealer municipal advisor. However, other qualifying registrations, such as the Series 7, 24, 52 or 53, will not transfer to a non-dealer municipal advisor.⁷

16. If an associated person leaves his or her non-dealer municipal advisor to go to a dealer-municipal advisor, will the registration as a Municipal Advisor Representative transfer?

Yes. The registration for the municipal advisor representative will transfer to the dealer-municipal advisor subject to the municipal advisor representative continuing to conduct municipal advisory activities.

17. If a municipal advisor professional holds other MSRB registrations (e.g., Series 52 or Series 53), can those registrations be "parked" with a dealer-municipal advisor, if the individual is moving to a non-dealer municipal advisor?

No. Pursuant to subsections (a)(ii)(C) and (b)(ii)(C) of MSRB Rule G-3, respectively, any person who ceases to be associated with a dealer whether as a municipal securities representative or ceases to act as a municipal securities principal for two or more years at any time after having qualified as such, is required to re- take and pass the respective qualification examination.

⁵ See e.g., Interpretive Letter to the MSRB, Clerical or Ministerial Duties, (July 24, 1979)

⁶ See FINRA Rule 1031 (Registration Requirements)

⁷ If a person does not re-associate with a FINRA member firm within two years, then registrations, such as the Series 7, 24, 52 or 53, will lapse. See FINRA Rule 1021(c); See also FINRA Rule 1031(c). Once a person's employment ends with his or her dealer-municipal advisor and Form U5 (Uniform Termination Notice for Securities Industry Registration) is filed with FINRA, the two-year clock starts.

18. Will the MSRB grandfather municipal advisor professionals who have passed other MSRB examinations or MSRB-recognized examinations (e.g., the Series 52 or Series 7) or obtained designations (e.g., CFA or CPA)?

The MSRB carefully reviewed comments received in the development of the Series 50, including those related to grandfathering individuals who have passed MSRB or MSRB-recognized examinations or hold the Chartered Financial Analyst (CFA) or other designations. The MSRB determined that, in order to ensure all municipal advisor professionals are sufficiently qualified to perform or supervise municipal advisory activities, there will be no grandfathering based on MSRB or MSRB-recognized examinations or the holding of other professional designations. All municipal advisor representatives would need to qualify by taking and passing the Series 50.

Municipal Advisor Representative Qualification Examination Preparation

19. Does the MSRB publish sample exam questions in addition to the content outline?

The Series 50 Content Outline, which can serve as a study guide in preparing for the examination, contains sample exam questions.

20. Is the Series 50 customized to the particular specialized business areas of municipal advisor professionals (e.g., advice on swaps or investments only)?

The Series 50 is designed to test broad-based knowledge of the business and all of the rules and regulations governing associated persons who engage in municipal advisory activities. The examination is not designed to specifically test each specialized functional role or service that may be provided on behalf of a municipal advisor as defined in Section 15B of the Securities Exchange Act.

Passing the Municipal Advisor Representative Qualification Examination

21. How many times can a candidate take and fail the permanent Series 50 before having to wait six months?

As provided for in MSRB Rule G-3(g) and consistent with other MSRB examinations, candidates who fail to pass the Series 50 are permitted to take the examination again after a period of 30 days has elapsed from the date of the prior examination. Any person, however, who fails to pass the Series 50 three or more times in succession is

prohibited from taking the Series 50 again until six months have elapsed from the date the candidate last failed the examination.

22. How will advisory clients and potential employers be able to verify an individual's successful passage of the Series 50?

The MSRB intends to publish the names of individuals who pass the Series 50 on its website at MSRB.org.

Grace Period

23. Will the MSRB provide a grace period for individuals to take and pass the Series 50?

A one-year grace period starts from the effective date of the permanent Series 50. The MSRB will announce the effective date of the permanent exam once the passing score for the qualification examination is established.⁸

The MSRB expects to announce the effective date of the permanent Series 50 in a notice published on MSRB.org no later than August 2016.

24. Can an associated person of a municipal advisor continue to engage in or supervise the municipal advisory activities of the municipal advisor and that of its associated persons during the one-year grace period?

Yes. The one-year grace period is designed to give municipal advisor representatives and principals time to take and pass the Series 50. However, during the grace period, municipal advisor representatives and principals may continue to engage in or supervise municipal advisory activities of the municipal advisor and that of its associated persons.

25. After the one-year grace period, how long will newly associated persons of a municipal advisor have to take and pass the Series 50?

For associated persons hired after the one-year grace period sunsets, associated persons of the municipal advisor may not engage in or supervise municipal advisory activities of the municipal advisor until such person has passed the Series 50.

⁸ The pilot examination will provide the means for establishing the passing score for the permanent Series 50.

26. If a municipal advisor representative or principal candidate does not successfully pass the qualification examination after three attempts and must wait six months to retake the qualification examination, are there any restrictions on the advisory activities that can be performed?

After the one-year grace period has concluded, an associated person may not engage in municipal advisor activities on behalf of a municipal advisor until such time as that individual has passed the Series 50.

Continuing Education

27. Are there continuing education requirements for municipal advisor professionals akin to the current continuing education requirements for municipal securities dealers?

While the MSRB intends to establish continuing education standards for municipal advisor representatives and municipal advisor principals, there are not specific continuing education requirements at this time.

ADDITIONAL RESOURCES

Below is a list of additional resources available to municipal advisors and their associated persons on registering for the Series 50.

- Testing Centers and Appointments: apps.finra.org/TestCenter/1/locations.aspx
 - ▶ Pearson VUE Test Centers: www.pearsonvue.com/finra
 - ▶ Prometric Test Centers: www.prometric.com/finra
- [Guidance on the MSRB Municipal Advisor Registration Process](#)
Provides information to assist municipal advisors with understanding the MSRB's registration process.
- [The Municipal Advisor's Introduction to MSRB Rules](#)
Explains the rulemaking process, as well as the structure and format of MSRB rules.