

Proposed Rule Change by Municipal Securities Rulemaking Board  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

<b>Initial</b> <input checked="" type="checkbox"/>	<b>Amendment</b> <input type="checkbox"/>	<b>Withdrawal</b> <input type="checkbox"/>	<b>Section 19(b)(2)</b> <input type="checkbox"/>	<b>Section 19(b)(3)(A)</b> <input checked="" type="checkbox"/>	<b>Section 19(b)(3)(B)</b> <input type="checkbox"/>
			<b>Rule</b>		
			<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)	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input checked="" type="checkbox"/>
--	---

**Description**  
Provide a brief description of the proposed rule change (limit 250 characters).

Revisions to the study outline and selection specifications for the Municipal Securities Principal Qualification Examination (Test Series 53) program.

**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 proposed rule change.

First Name	<input type="text" value="Loretta"/>	Last Name	<input type="text" value="Jones"/>
Title	<input type="text" value="Director, Professional Qualifications"/>		
E-mail	<input type="text" value="ljones@msrb.org"/>		
Telephone	<input type="text" value="(703) 797-6600"/>	Fax	<input type="text" value="(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.

Date

By

(Name) (Title)

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.

Ronald Smith, rsmith@msrb.org

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

**Form 19b-4 Information**

[Add](#) [Remove](#) [View](#)

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change**

[Add](#) [Remove](#) [View](#)

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

[Add](#) [Remove](#) [View](#)

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**

[Add](#) [Remove](#) [View](#)

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**

[Add](#) [Remove](#) [View](#)

The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

[Add](#) [Remove](#) [View](#)

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

[Add](#) [Remove](#) [View](#)

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 Proposed Rule Change**

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> the Municipal Securities Rulemaking Board (“Board” or “MSRB”) is filing with the Securities and Exchange Commission (“Commission” or “SEC”) revisions to the study outline and selection specifications for the Municipal Securities Principal Qualification Examination (Series 53) program.<sup>2</sup> The proposed revisions update the material to reflect changes to the rules and regulations covered in the examination, as well as modify the content of the examination program to track more closely the job responsibilities of a municipal securities principal. The MSRB is not proposing any textual changes to its rules.

The revised study outline is attached. However, the MSRB has omitted the Series 53 selection specifications from this filing and has submitted the specifications under separate cover to the Commission with a request for confidential treatment pursuant to Rule 24b-2 under the Act.<sup>3</sup>

(b) Not applicable.

(c) Not applicable.

## **2. Procedures of the Self-Regulatory Organization**

At its meeting on May 11-12, 2006, the Board authorized modifications to the Series 53 examination program, including the study outline, examination specifications, and question bank. As further discussed below, the MSRB is filing the proposed rule change for immediate effectiveness. The MSRB proposes to implement the revised Series 53 examination program on August 1, 2006. Questions concerning this filing may be directed to Ronald W. Smith, Senior Legal Associate, at (703) 797-6600.

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

---

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

<sup>2</sup> The MSRB is also proposing corresponding revisions to the Series 53 question bank, but based upon instructions from the Commission staff, the MSRB is submitting SR-MSRB-2006-05 for immediate effectiveness pursuant to Section 19(b)(3)(A)(i) of the Act and Rule 19b-4(f)(1) thereunder, and is not filing the question bank 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. The question bank is available for Commission review.

<sup>3</sup> 17 CFR 240.24b-2.

(a) Purpose

Section 15B(b)(2)(A) of the Act,<sup>4</sup> authorizes the MSRB to prescribe standards of training, experience, competence, and such other qualifications as the Board finds necessary or appropriate in the public interest or for the protection of investors. 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 have attained specified levels of competence and knowledge. The MSRB periodically reviews the content of the examinations to determine whether revisions are necessary or appropriate in view of changes pertaining to the subject matter covered by the examinations.

MSRB Rule G-3(b) states that a municipal securities principal has responsibility to oversee the municipal securities activities of a broker, dealer or municipal securities dealer. In this capacity, a municipal securities principal manages, directs or supervises one or more of the following activities associated with the conduct of municipal securities business: underwriting; trading; buying or selling municipal securities to or from customers; rendering financial advisory or consultant services to issuers of municipal securities; communications to customers about any municipal securities activities; processing, clearing, and (in the case of securities firms) safekeeping of municipal securities; and training of principals and representatives. The only examination that qualifies a municipal securities principal is the Municipal Securities Principal Qualification Examination (Series 53).

A committee of industry members and MSRB staff recently completed a review of the job requirements for a municipal securities principal and the Series 53 examination program. As a result of this review, the MSRB is updating the content of the examination to cover certain rules or provisions of rules that were promulgated since the last revision of the outline. Areas added to the study outline include:

- Definition of municipal fund security
- Qualification and numerical requirements for municipal fund securities limited principals
- Records concerning compliance with Rule G-20, on gifts, gratuities and non-cash compensation
- SEC requirements for retention of information on associated persons
- New Rule G-38, on solicitation of municipal securities business
- Requirements regarding municipal fund securities advertisements
- Remarketing activities under Rule G-23, on activities of financial advisors
- Definitions regarding the Real-Time Transaction Reporting System
- Minimum denominations
- Forwarding official communications

---

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

The MSRB has deleted from the study outline rules or rule provisions that are obsolete or do not have direct impact on the daily work of a municipal securities principal. These deletions include:

- Rule G-35, on arbitration
- Requirements regarding the retaking of qualification examinations and the waiver of qualification requirements
- Old Rule G-38, on consultants
- References to the scope and notice of Rule G-12(a)
- SEC requirements regarding lost and stolen securities

Technical changes have been made to correct the citations for various rules that have been amended. In addition, as part of an ongoing effort to align the examination more closely to the supervisory duties of a municipal securities principal, the MSRB is modifying the content of the examination to track the functional workflow of a municipal securities principal.

As a result of the revisions noted above, the MSRB is modifying the number of questions on each section of the Series 53 study outline as follows: Part One—Federal Regulations, four questions; Part Two—General Supervision, 21 questions; Part Three—Sales Supervision, 29 questions; Part Four—Origination and Syndication, 22 questions; and Part Six—Operations, 16 questions. Coverage on Part Five—Trading remains unchanged with eight questions. The revised examination continues to cover areas of knowledge required for effective supervision of municipal securities activities.

The MSRB is proposing these changes to the entire content of the Series 53 examination, including the selection specifications and question bank. The number of questions on the Series 53 examination will remain at 100, and candidates will continue to be allowed three and one-half hours for each testing session. Also, each question will continue to count one point, and each candidate must correctly answer 70 percent of the questions in order to receive a passing grade.

(b) Statutory Basis

The MSRB believes that the proposed revisions to the Series 53 examination program are consistent with the provisions of Section 15B(b)(2)(A) of the Act, which authorizes the MSRB to prescribe standards of training, experience, competence, and such other qualifications as the Board finds necessary or appropriate in the public interest or for the protection of investors. Section 15B(b)(2)(A) of the Act also provides that the Board may appropriately classify municipal securities brokers and municipal securities dealers and their associated personnel and require persons in any such class to pass tests prescribed by the Board.

**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, as amended.

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

Written comments were neither solicited nor received on the proposed rule change.

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

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

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

The proposed rule change is effective upon filing pursuant to Section 19(b)(3)(A)(i) of the Act<sup>5</sup> and Rule 19b-4(f)(1) thereunder,<sup>6</sup> in that the proposed rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the MSRB. The MSRB proposes to implement the revised Series 53 examination program on August 1, 2006.

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

Not applicable.

**9. Exhibits**

Exhibit 1. Federal Register Notice.

Exhibit 3a. Revised Study Outline for the Series 53 Examination.

Exhibit 3b. Revised Selection Specifications for the Series 53 Examination.

The MSRB has requested confidential treatment for the Series 53 revised selection specifications, and thus the specifications are omitted from this filing. The Series 53 revised selection specifications have been filed separately with the Commission pursuant to Rule 24b-2 under the Act.<sup>7</sup>

---

<sup>5</sup> 15 U.S.C. 78s(b)(3)(A)(i).

<sup>6</sup> 17 CFR 240.19b-4(f)(1).

<sup>7</sup> 17 CFR 240.24b-2.

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

**EXHIBIT 1**

**SECURITIES AND EXCHANGE COMMISSION**

(Release No. 34- ; File No. SR-MSRB-2006-05)

**SELF-REGULATORY ORGANIZATIONS**

Proposed Rule Change by the Municipal Securities Rulemaking Board  
Relating to Revisions to the Series 53 Examination Program

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 June 19, 2006, the Municipal Securities Rulemaking Board (“MSRB” or “Board”) filed with the Securities and Exchange Commission (“Commission” or “SEC”) a proposed rule change (File No. SR-MSRB-2006-05) (“the proposed rule change”) as described in Items I, II, and III below, which Items have been prepared by the MSRB. The MSRB has designated the proposed rule change as constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the self-regulatory organization pursuant to Section 19(b)(3)(A)(i) <sup>3</sup> of the Act and Rule 19b-4(f)(1) thereunder, <sup>4</sup> which renders the proposal effective upon receipt of this filing by the Commission. 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**

---

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

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

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

<sup>4</sup> 17 CFR 240.19b-4(f)(1).

The MSRB is filing with the Commission revisions to the study outline and selection specifications for the Municipal Securities Principal Qualification Examination (Series 53) program.<sup>5</sup> The proposed revisions update the material to reflect changes to the rules and regulations covered in the examination, as well as modify the content of the examination program to track more closely the job responsibilities of a municipal securities principal. The MSRB is not proposing any textual changes to the rules of the MSRB.

The revised study outline is available on the MSRB's Web site (<http://www.msrb.org>), at the MSRB's principal office, and at the Commission's Public Reference Room. The MSRB omitted the Series 53 selection specifications from this filing and submitted the specifications under separate cover to the Commission with a request for confidential treatment pursuant to Rule 24b-2 under the Act.<sup>6</sup>

**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.

---

<sup>5</sup> The MSRB is also proposing corresponding revisions to the Series 53 question bank, but based upon instructions from the Commission staff, the MSRB is submitting SR-MSRB-2006-05 for immediate effectiveness pursuant to Section 19(b)(3)(A)(i) of the Act and Rule 19b-4(f)(1) thereunder, and is not filing the question bank 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. The question bank is available for Commission review.

<sup>6</sup> 17 CFR 240.24b-2.

**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>7</sup> authorizes the MSRB to prescribe standards of training, experience, competence, and such other qualifications as the Board finds necessary or appropriate in the public interest or for the protection of investors. 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 have attained specified levels of competence and knowledge. The MSRB periodically reviews the content of the examinations to determine whether revisions are necessary or appropriate in view of changes pertaining to the subject matter covered by the examinations.

MSRB Rule G-3(b) states that a municipal securities principal has responsibility to oversee the municipal securities activities of a broker, dealer or municipal securities dealer. In this capacity, a municipal securities principal manages, directs or supervises one or more of the following activities associated with the conduct of municipal securities business: underwriting; trading; buying or selling municipal securities to or from customers; rendering financial advisory or consultant services to issuers of municipal securities; communications to customers about any municipal securities activities; processing, clearing, and (in the case of securities firms) safekeeping of municipal securities; and training of principals and representatives. The only

---

<sup>7</sup> 15 U.S.C. 78o-4(b)(2)(A).

examination that qualifies a municipal securities principal is the Municipal Securities Principal Qualification Examination (Series 53).

A committee of industry members and MSRB staff recently completed a review of the job requirements for a municipal securities principal and the Series 53 examination program. As a result of this review, the MSRB is updating the content of the examination to cover certain rules or provisions of rules that were promulgated since the last revision of the outline. Areas added to the study outline include:

- Definition of municipal fund security
- Qualification and numerical requirements for municipal fund securities limited principals
- Records concerning compliance with Rule G-20, on gifts, gratuities and non-cash compensation
- SEC requirements for retention of information on associated persons
- New Rule G-38, on solicitation of municipal securities business
- Requirements regarding municipal fund securities advertisements
- Remarketing activities under Rule G-23, on activities of financial advisors
- Definitions regarding the Real-Time Transaction Reporting System
- Minimum denominations
- Forwarding official communications

The MSRB has deleted from the study outline rules or rule provisions that are obsolete or do not have direct impact on the daily work of a municipal securities principal. These deletions include:

- Rule G-35, on arbitration

- Requirements regarding the retaking of qualification examinations and the waiver of qualification requirements
- Old Rule G-38, on consultants
- References to the scope and notice of Rule G-12(a)
- SEC requirements regarding lost and stolen securities

Technical changes have been made to correct the citations for various rules that have been amended. In addition, as part of an ongoing effort to align the examination more closely to the supervisory duties of a municipal securities principal, the MSRB is modifying the content of the examination to track the functional workflow of a municipal securities principal.

As a result of the revisions noted above, the MSRB is modifying the number of questions on each section of the Series 53 study outline as follows: Part One—Federal Regulations, four questions; Part Two—General Supervision, 21 questions; Part Three—Sales Supervision, 29 questions; Part Four—Origination and Syndication, 22 questions; and Part Six—Operations, 16 questions. Coverage on Part Five—Trading remains unchanged with eight questions. The revised examination continues to cover areas of knowledge required for effective supervision of municipal securities activities.

The MSRB is proposing these changes to the entire content of the Series 53 examination, including the selection specifications and question bank. The number of questions on the Series 53 examination will remain at 100, and candidates will continue to be allowed three and one-half hours for each testing session. Also, each question will continue to count one point, and each candidate must correctly answer 70 percent of the questions in order to receive a passing grade.

## **2. Statutory Basis**

The MSRB believes that the proposed revisions to the Series 53 examination program are consistent with the provisions of Section 15B(b)(2)(A) of the Act, which authorizes the MSRB to prescribe standards of training, experience, competence, and such other qualifications as the Board finds necessary or appropriate in the public interest or for the protection of investors. Section 15B(b)(2)(A) of the Act also provides that the Board may appropriately classify municipal securities brokers and municipal securities dealers and their associated personnel and require persons in any such class to pass tests prescribed by the Board.

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

The MSRB does not believe the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

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

Written comments were neither solicited nor received.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(i) of the Act<sup>8</sup> and Rule 19b-4(f)(i) thereunder,<sup>9</sup> in that the proposed rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the self-regulatory organization.

---

<sup>8</sup> 15 U.S.C. 78s(b)(3)(A)(i).

<sup>9</sup> 17 CFR 240.19b-4(f)(1).

MSRB proposes to implement the revised Series 53 examination program on August 1, 2006. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate 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 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-2006-05 on the subject line.

##### Paper comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-MSRB-2006-05. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent

amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such 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-2006-05 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>10</sup>

Nancy M. Morris  
Secretary

---

<sup>10</sup> 17 CFR 200.30-3(a)(12).



---

**S T U D Y O U T L I N E**

---

**MUNICIPAL SECURITIES PRINCIPAL QUALIFICATION  
EXAMINATION  
2006**

## **Introduction**

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 Board has urged the enforcement agencies to look at a dealer's supervisors to ensure that compliance procedures are established and enforced. Moreover, the Board has taken the position that violations of Board 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 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 Board's qualification standards for municipal securities principals. To do this, the examination measures a candidate's knowledge of Board 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.

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

Federal Regulations	4%
General Supervision	21%
Sales Supervision	29%
Origination and Syndication	22%
Trading	8%
Operations	16%

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>1</sup>

The questions used in the examination are reviewed and updated on a regular basis. Questions which 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 Board 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 Board 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 Board 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 Board’s copyright but would be a violation of Board rules for the candidate.<sup>2</sup>

---

1 The examination is administered by the NASD on the PROCTOR system. For further information on application and administration procedures for MSRB examinations, please contact NASD at (301) 590-6500, or refer to the NASD website at [www.nasd.com](http://www.nasd.com).

2 Rule G-3(e) on “Confidentiality of Qualification Examinations” states that No associated person of a broker, dealer, or municipal securities dealer shall:

## THE STUDY OUTLINE

This study outline serves as a guide to the subject matter tested by the Municipal Securities Principal Qualification Examination (Test 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>3</sup> Not only are questions in the examination based on these federal regulations and Board rules, but are also based on the interpretations which follow each Board rule.

- 
- (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.

3 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.

## Part One

### Federal Regulations (4%)

*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 A. Securities Exchange Act of 1934

- |         |    |   |   |
|---------|----|---|---|
| 1.1.1   | ▪  | Antifraud provisions applicable to all persons, including municipal issuers, dealers and municipal securities dealers | '34 Act<br>Sect. 10(b);<br>Sect. 15(c)                                      |
| 1.1.2   | ▪  | Regulatory framework for the municipal securities industry  |   |
| 1.1.2.1 | -- | Rulemaking process  | MSRB Manual<br>Par. 103   |
|         |    | Enforcement agencies  | '34 Act<br>Sect. 15B(c)(5);<br>Sect. 15A(b)(2);<br>and<br>Sect. 3(a)(34)(A) |
|         |    | Compliance examinations   | '34 Act<br>Sect. 15B(c)(7)(A);<br>and<br>G-16 <sup>1</sup>                  |

---

<sup>1</sup> All references in the study outline, unless otherwise noted, are to MSRB rules (e.g., A-14, D-8 or G-16).

**Part One-B:  
Federal Regulations; Rules of the SEC**

**1.2 B. Rules of the Securities and Exchange Commission**

- Employment of manipulative and deceptive devices
  - By brokers, dealers, or municipal securities dealers SEC rule 10b-3
  - By any person, including municipal issuers, brokers, dealers and municipal securities dealers SEC rule 10b-5

**1.3 C. Securities Investor Protection Corporation (SIPC) SIPA<sup>1</sup> Sect. 5 and Sect. 9**

- 1.3.1** ▪ Purpose of SIPC
- 1.3.2** ▪ Coverage limitations

---

<sup>1</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 Two General Supervision (21%)

*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 A. Definitional Rules**

2.1.1	▪ “Bank dealer”	D-8
2.1.2	▪ “Customer”	SEC rule 15c1-1; D-9
2.1.3	▪ “Discretionary account”	D-10
2.1.4	▪ Municipal fund security	D-12

**2.2 B. Qualification and Registration**

2.2.1	▪ Broker/dealer	
2.2.1.1	-- SEC registration requirements	‘34 Act Sects. 15(a) and 15B(a)
2.2.1.2	-- Registration with the MSRB and payment of initial fee	A-12
2.2.1.3	-- MSRB annual fee	A-14

**Part Two-B:  
General Supervision; Qualification and Registration - (cont'd)**

2.2.1.4	-- Electronic mail contacts	G-40
2.2.1.5	-- Notification to the MSRB of change in status	A-15
2.2.1.6	-- Separately identifiable department or division of a bank (definition of municipal securities dealer activities)	G-1
2.2.1.7	-- Standards of professional qualification	G-2
2.2.1.8	-- Minimum requirements to have a certain number of principals	G-3(b)(iii) and (iv)(D); G-3(d)(iii)
2.2.2.1	▪ Associated persons	
2.2.2.1	-- Definition of associated person	G-7(a); D-11
2.2.2.2	-- Information to be compiled on each associated person	G-7(b)
2.2.2.3	-- Verification, maintenance and filing of such information	G-7(c) through G-7(h); G-9; SEC 17a-4
2.2.2.4	▪ Classification of principals and representatives and qualification requirements:	
2.2.2.4.1	municipal securities representatives	G-3(a)(i) and (ii)
2.2.2.4.2	municipal securities principals	G-3(b)(i) and (ii)
2.2.2.4.3	municipal fund securities limited principals	G-3(b)(iv)(A)and(B)
2.2.2.4.4	municipal securities sales principals	G-3(c)
2.2.2.4.5	financial and operations principals	G-3(d)(i) and (ii)

**Part Two-B:  
General Supervision; Qualification and Registration - (cont'd)**

2.2.2.5	-- Continuing education requirements	G-3(h)
2.2.2.6	-- Confidentiality of qualification examinations	G-3(e)
2.2.2.7	-- Apprenticeship requirement	G-3(a)(iii) <sup>1</sup>
2.2.3	<ul style="list-style-type: none"> <li>▪ Disqualification</li> </ul>	
	-- Statutory disqualifications	G-4
	-- Disciplinary actions by appropriate regulatory agencies	G-5(a)
	-- Remedial notices by registered securities associations	G-5(b)
2.3	<b>C. Supervisory Responsibilities</b>	
2.3.1	<ul style="list-style-type: none"> <li>▪ Dealer's obligation to supervise</li> </ul>	G-27(a)
2.3.2	<ul style="list-style-type: none"> <li>▪ Designation of principals</li> </ul>	
	-- Responsibility for municipal securities business and activities of associated persons	G-27(b)(i)
	-- Written record of designations	G-27(b)(ii) G-8(a)(xiv)
	-- Appropriate principal	G-27(b)(iii)
2.3.3	<ul style="list-style-type: none"> <li>▪ Written supervisory procedures<sup>2</sup></li> </ul>	G-27(c)

---

<sup>1</sup> Restrictions concerning apprentices communicating with customers are found on page 8.

<sup>2</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.

**Part Two-C:  
General Supervision; Supervisory Responsibilities - (cont'd)**

2.3.4	▪ Duty to update and review written procedures	G-27(e)
2.3.5	▪ Availability of Board rules	G-29
2.3.6	▪ Anti-money laundering compliance program	G-41
2.4	<b>D. Conduct of Business</b>	
2.4.1	▪ Fair practice	
2.4.1.1	-- “Fair dealing” rule	G-17
2.4.1.2	-- Use of ownership information obtained in a fiduciary or agency capacity	G-24
2.4.1.3	-- Improper use of assets	G-25(a)
2.4.2	▪ Prices and commissions	
2.4.2.1	-- Principal transactions	G-30(a)
2.4.2.2	-- Agency transactions	G-30(b)
2.4.3	▪ Control relationships	
2.4.3.1	-- Definition	G-22(a)
2.4.3.2	-- Disclosure to customers	G-22(c)
2.4.4	▪ Gifts and gratuities	
2.4.4.1	-- General limitation on value of gifts and gratuities	G-20(a)
2.4.4.2	-- Normal business dealings and compensation for services	G-20(b) and (c)
2.4.4.3	-- Non-cash compensation in connection with primary offerings	G-20(d)

**Part Two-D:  
General Supervision; Conduct of Business - (cont'd)**

2.4.4.4	-- Definitions	G-20(e)
2.4.4.5	-- Records concerning compliance with Rule G-20	G-8(a)(xvii)
2.4.5	▪ Prohibition from engaging in municipal securities business	
2.4.5.1	-- Definitions	G-37(g)
2.4.5.2	-- Period of prohibition; <i>De minimis</i> exemption	G-37(b)
2.4.5.3	-- Disclosure to Board and records concerning political contributions and and prohibitions on municipal securities business	G-37(e), (f); G-8(a)(xvi)
2.4.6	▪ Solicitation of municipal securities business	
2.4.6.1	-- Definitions	G-38(b)
2.4.6.2	-- Prohibited payments	G-38(a)
2.4.6.3	-- Transitional payments	G-38(c)
2.4.7	▪ Advertising	
2.4.7.1	-- Definition	G-21(a)
2.4.7.2	-- Professional advertisements	G-21(b)
2.4.7.3	-- Product advertisements	G-21(c)
2.4.7.4	-- Advertisements for municipal fund securities (including 529 college savings plans)	G-21(e)
2.4.7.5	-- Approval by a principal	G-21(f)

**2.5 E. Any Recently Enacted Rules Governing General Supervision**

## **Part Three**

### **Sales Supervision (29%)**

*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.

#### **3.1 A. Opening Customer Accounts**

- |              |   |                        |
|--------------|---|------------------------|
| <b>3.1.1</b> | ▪ Requirement to obtain customer account information        | G-19(a)                |
| <b>3.1.2</b> | ▪ Review and approval by a principal                        | G-27(c)(iii) and (vii) |
| <b>3.1.3</b> | ▪ Recordkeeping requirement                                 | G-8(a)(xi)             |
| <b>3.1.4</b> | ▪ Transactions with employees and partners of other dealers |                        |
|              | -- Account instructions                                     | G-28(a)                |
|              | -- Account transactions                                     | G-28(b)                |

#### **3.2 B. Communications with Customers**

- |              |  |                  |
|--------------|--|------------------|
| <b>3.2.1</b> | ▪ Restrictions on apprentices            | G-3(a)(iii)(A)   |
| <b>3.2.2</b> | ▪ Review and retention of correspondence | G-27(d)(i)-(iii) |
| <b>3.2.3</b> | ▪ Telemarketing                          | G-39             |

**Part Three-C:  
Sales Supervision; Suitability**

3.3	<b>C.</b>	<b>Suitability</b>	
3.3.1	▪	Knowledge of customer	G-19(b)
3.3.2	▪	Suitability of recommendations	G-19(c)
3.4	<b>D.</b>	<b>Improper Activities</b>	
3.4.1	▪	Churning	G-19(e)
3.4.2	▪	Guarantees against loss	G-25(b)
3.4.3	▪	Sharing in profits or losses	G-25(c)
3.4.4	▪	Prohibition against soliciting and coordinating political contributions	G-37(c) and (d)
3.4.5	▪	Prohibition against reciprocal dealings with municipal securities investment companies	G-31
3.5	<b>E.</b>	<b>Discretionary Accounts</b>	
3.5.1	▪	Suitability	G-19(d)
3.5.2	▪	Control relationships	G-22(b)
3.5.3	▪	Written supervisory procedures	G-27(c)(vii)(B)
3.6	<b>F.</b>	<b>Customer Complaints</b>	
3.6.1	▪	Review by a principal	G-27(c)(ii)
3.6.2	▪	Recordkeeping requirement	G-8(a)(xii)
3.6.3	▪	Delivery of investor brochure	G-10
3.7	<b>G.</b>	<b>Any Recently Enacted Rules Governing Sales Supervision</b>	

## **Part Four**

### **Origination and Syndication (18%)**

*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.

#### **4.1 A. Financial Advisors**

- |              |  |                 |
|--------------|--|-----------------|
| <b>4.1.1</b> | ▪ Purpose of financial advisory rule and applicability of state or local law | G-23(a),(i)     |
| <b>4.1.2</b> | ▪ Financial advisory relationship  | G-23(b)         |
| <b>4.1.3</b> | ▪ Basis of compensation  | G-23(c)         |
| <b>4.1.4</b> | ▪ Underwriting activities  | G-23(d)         |
| <b>4.1.5</b> | ▪ Remarketing activities   | G-23(e)         |
| <b>4.1.6</b> | ▪ Disclosures to customers   | G-23(h)         |
| <b>4.1.7</b> | ▪ Disclosures to issuer of corporate affiliation                             | G-23(f)         |
| <b>4.1.8</b> | ▪ Records concerning activities of financial advisors                        | G-23(g);<br>G-9 |
| <b>4.1.9</b> | ▪ Responsibility to make official statement available                        | G-32(c)(ii)     |

**Part Four-B:  
Origination and Syndication; New Issue Syndicate Practices**

**4.2 B. New Issue Syndicate Practices**

- |                |  |  |
|----------------|--|--|
| <b>4.2.1</b>   | <ul style="list-style-type: none"> <li>▪ Obligations of municipal underwriters under SEC rules           <ul style="list-style-type: none"> <li>-- “Reasonable basis” interpretation</li> <li>-- Availability and review of official statements</li> </ul> </li> </ul> | <p>SEC Release<br/>No. 34-26100<br/>Part III</p> <p>SEC rule 15c2-12</p> |
| <b>4.2.2</b>   | <ul style="list-style-type: none"> <li>▪ New issue syndicate practices</li> </ul>  |  |
| <b>4.2.2.1</b> | <ul style="list-style-type: none"> <li>-- Definitions</li> </ul>   | G-11(a)  |
| <b>4.2.2.2</b> | <ul style="list-style-type: none"> <li>-- Disclosure of capacity</li> </ul>  | G-11(b)  |
| <b>4.2.2.3</b> | <ul style="list-style-type: none"> <li>-- Confirmations of sale</li> </ul>   | G-11(c)  |
| <b>4.2.2.4</b> | <ul style="list-style-type: none"> <li>-- Disclosure of group orders</li> </ul>  | G-11(d)  |
| <b>4.2.2.5</b> | <ul style="list-style-type: none"> <li>-- Priority provisions</li> </ul>   | G-11(e)  |
| <b>4.2.2.6</b> | <ul style="list-style-type: none"> <li>-- Communications relating to issuer syndicate requirements, priority provisions and order period</li> </ul>  | G-11(f)  |
| <b>4.2.2.7</b> | <ul style="list-style-type: none"> <li>-- Designations and allocation of securities</li> </ul>   | G-11(g)  |
| <b>4.2.2.8</b> | <ul style="list-style-type: none"> <li>-- Disclosure of syndicate expenses and other information</li> </ul>  | G-11(h)  |
| <b>4.2.3</b>   | <ul style="list-style-type: none"> <li>▪ Disclosures in connection with new issues</li> </ul>  |  |
| <b>4.2.3.1</b> | <ul style="list-style-type: none"> <li>-- Customer disclosure requirements</li> </ul>  | G-32(a)  |
| <b>4.2.3.2</b> | <ul style="list-style-type: none"> <li>-- Responsibility of managing underwriters and sole underwriters</li> </ul>   | G-32(c)(i)   |

**Part Four-B:  
Origination and Syndication; New Issue Syndicate Practices - (cont'd)**

4.2.3.3	-- Definitions	G-32(d)
4.2.4	▪ New issue advertisements	G-21(d)
4.2.5	▪ CUSIP numbers and new issue requirements	
4.2.5.1	-- New issue securities	G-34(a)
4.2.5.2	-- Exemptions	G-34(c)
4.2.6	▪ Syndicate administration	
4.2.6.1	-- Underwriting assessments	A-13(a), (b)
4.2.6.2	-- Prohibition on charging fees to issuers	A-13(e)
4.2.6.3	-- Definitions	A-13(f)
4.2.6.4	-- Delivery of official statements, advance refunding documents, and Forms G-36 (OS) and G-36 (ARD) to the Board or its designee	G-36
4.2.6.5	-- Records of syndicate transactions	G-8(a)(viii)
4.2.6.6	-- Records concerning deliveries of official statements	G-8(a)(xiii)
4.2.6.7	-- Records concerning delivery of official statements, advance refunding documents and Forms G-36 (OS) and G-36(ARD) to the Board or its designee	G-8(a)(xv)
4.2.6.8	-- Good faith deposits	G-12(i)
4.2.6.9	-- Settlement of syndicate or similar account	G-12(j)
4.2.6.10	-- Payment of designated credit	G-12(k)

**4.3 C. Any Recently Enacted Rules Governing Origination and Syndication**

## Part Five Trading (8%)

*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.

**5.1 A. Quotations**

- |              |   |   |         |
|--------------|---|---|---------|
| <b>5.1.1</b> | ▪ | Applicability of the rule and definition of quotation | G-13(a) |
| <b>5.1.2</b> | ▪ | Bona fide quotations                                  | G-13(b) |
| <b>5.1.3</b> | ▪ | Multiple markets in the same securities               | G-13(c) |

**5.2 B. Execution of Transactions** G-18

**5.3 C. Reports of Sales or Purchases**

- |              |   |  |         |
|--------------|---|--|---------|
| <b>5.3.1</b> | ▪ | Prohibition against dissemination of false trade reports | G-14(a) |
| <b>5.3.2</b> | ▪ | Transaction reporting requirements and RTRS procedures   | G-14(b) |
| <b>5.3.3</b> | ▪ | Definitions  | G-14(d) |
| <b>5.3.4</b> | ▪ | Transaction assessments                                  | A-13(c) |

**Part Five-D:  
Trading; Secondary Market Securities**

- 5.4 D. Secondary market securities** G-34(b)
  
- 5.5 E. Recordkeeping Responsibilities**

  - 5.5.1**     ▪     Records for agency transactions G-8(a)(vi)
  - 5.5.2**     ▪     Records for transactions as principal G-8(a)(vii)

  
- 5.6 F. Any Recently Enacted Rules Governing Trading**

## Part Six Operations (16%)

*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	A.	<b>Confirmation, Clearance, Settlement and Other Uniform Practice Requirements with Respect to Transactions with Customers</b>	
6.1.1	▪	Confirmation requirements	
6.1.1.1	--	Customer confirmations	G-15(a)
6.1.1.2	--	Interdealer confirmations	G-12(c)
6.1.1.3	--	Comparison and verification of interdealer confirmations; unrecognized transactions	G-12(d)
6.1.2	▪	Settlement dates	G-15(b) and G-12(b)
6.1.3	▪	Delivery of securities	
6.1.3.1	--	Deliveries to customers	G-15(c)
6.1.3.2	--	Customer DVP/RVP transactions	G-15(d)
6.1.3.3	--	Interdealer deliveries	G-12(e)

**Part Six-A:  
Operations; Confirmation, Clearance, Settlement and Other Uniform Practice  
Requirements with Respect to Transactions with Customers - (cont'd)**

6.1.3.4	--	Minimum denominations	G-15(f)
6.1.3.5	--	Forwarding official communications	G-15(g)
6.1.4	▪	Transaction reporting	
6.1.4.1	--	Use of automated comparison, clearance and settlement systems	G-12(f)
6.1.4.2	--	Transaction reporting procedures	G-14(b)
6.1.5	▪	Interest payment claims	
6.1.5.1	--	Customer claims	G-15(e)
6.1.5.2	--	Interdealer claims	G-12(l)
6.1.6	▪	Rejections and reclamations	G-12(g)
6.1.7	▪	Close-outs	G-12(h)
<b>6.2</b>	<b>B.</b>	<b>Books and Records</b>	
6.2.1	▪	Books and records required to be made <sup>1</sup>	
6.2.1.1	--	Records of original entry	G-8(a)(i)
6.2.1.2	--	Account records	G-8(a)(ii)
6.2.1.3	--	Securities records	G-8(a)(iii)
6.2.1.4	--	Subsidiary records	G-8(a)(iv)

---

<sup>1</sup> Other required books and records are listed under specific topics.

**Part Six-B:  
Operations; Books and Records - (cont'd)**

6.2.1.5	-- Records of put options and repurchase agreements	G-8(a)(v)
6.2.1.6	-- Copies of confirmations and certain other notices to customers	G-8(a)(ix)
6.2.1.7	-- Records concerning consultants	G-8(a)(xviii)
6.2.1.8	-- Financial records specified by SEC rules	G-8(a)(x)
6.2.2	▪ Manner in which books and records are to be maintained	G-8(b)
6.2.3	▪ Non-clearing brokers and dealers	G-8(c)
6.2.4	▪ Introducing brokers and dealers	G-8(d)
6.2.5	▪ Definition of customer	G-8(e)
6.2.6	▪ Compliance with SEC rules	
6.2.7	-- Records to be made	G-8(f)
	▪ Preservation of records	
	-- Period of time records must be preserved	G-9(a) through G-9(c)
	-- Accessibility and availability	G-9(d)
	-- Method of record retention	G-9(e)
	-- Effect of lapse in dealer's registration	G-9(f)
	-- Requirements of SEC rules	G-9(g)
6.3	<b>C. Customer Account Transfers</b>	G-26

**Part Six-D:  
Operations; Calculations**

**6.4 D. Calculations (General Knowledge) G-33**

**6.5 E. Any Recently Enacted Rules Governing Operations**

## 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. A municipal securities dealer must send a copy of the final official statement to a customer who purchased new-issue securities during the new issue disclosure period only if
  - (A) the issuer prepares an official statement for the new issue
  - (B) the issue is a refunding issue
  - (C) the securities are rated at less than investment grade by the rating agencies
  - (D) the SEC has denied registration of the new issue for any reason
  
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

**Answer Key**

1.....A                    3.....C  
2.....B                    4.....D



DIVISION OF  
MARKET REGULATION

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

July 24, 2000

Ms. Diane G. Klinke  
General Counsel of the Board  
Municipal Securities Rulemaking Board  
1150 18th Street, N.W.  
Suite 400  
Washington, D.C. 20036

Re: Procedure for Filings Relating to Qualification Examinations

Dear Ms. <sup>Diane</sup>Klinke:

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  
Page 2

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,



Belinda Blaine  
Associate Director