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Stakeholders
Municipal Securities
Dealers

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Announcement

Effective Date
January 1, 2015

Category
Professional
Qualification

Affected Rules
[Rule G-3](#)

SEC Approves Amendments to MSRB Rule G-3 regarding Continuing Education

Overview

The Municipal Securities Rulemaking Board (MSRB) received approval from the Securities and Exchange Commission (SEC) on October 15, 2014 to amend MSRB Rule G-3, on professional qualification requirements, to require certain persons registered with brokers, dealers and municipal securities dealers (collectively, dealers) to participate in annual firm training on municipal securities matters.¹

The rule amendments provide greater specificity regarding the MSRB's Firm Element continuing education requirements by requiring dealers to conduct annual municipal securities training for registered persons who regularly engage in or supervise municipal securities activities. The rule specifically requires dealers to train certain individuals annually on municipal securities issues. Dealers have the flexibility to determine which of their registered representatives regularly engage in, and which of their registered principals regularly supervise, municipal securities activities. The methodology for determining who should be trained must be documented in the annual written training plan, so it may be reviewed by the appropriate examining authority.

The rule amendments become effective on January 1, 2015, and dealers must complete the training by December 31, 2015 and each year thereafter. Questions about this notice may be directed to Lawrence P. Sandor, Deputy General Counsel, or Michael Cowart, Assistant General Counsel, at 703-797-6600.



Receive emails about MSRB regulatory notices.

¹ See Exchange Act Release No. 73368 (Oct. 15, 2014), File No. SR-MSRB-2014-05 (Jul. 22, 2014)

Summary of Amendments

Annual Training Requirement

The rule amendments require dealers to conduct annual municipal securities training for registered representatives who regularly engage in, and registered principals who regularly supervise, municipal securities activities. The changes will ensure the delivery of municipal securities content to those individuals who are active in the municipal securities market, while allowing dealers sufficient flexibility in delivering annual training. The amendments allow dealers to determine the nature of the training and provide dealers with discretion as to the content based on the specific type of municipal securities activities conducted by the firm and the individual registered person.

Expanded Definition of Covered Registered Person

In addition to mandating annual training, the amendments expand the definition of covered registered persons who are required to participate in Firm Element continuing education to include registered persons who engage in a variety of municipal securities activities, regardless of whether such activities involve direct contact with customers. Prior to these amendments, only registered persons who had direct contact with customers in securities sales, trading and investment banking activities and their immediate supervisors were required to participate in Firm Element continuing education. The amendments now require certain registered persons to participate in Firm Element continuing education regardless of whether they have direct contact with customers.

Flexibility to Determine Who is Regularly Engaged in Municipal Securities Activities

Dealers are required to train only those registered persons who regularly engage in or supervise municipal securities activities. The amendments do not require all registered persons to participate in a dealer's Firm Element continuing education. Dealers may determine who is subject to this requirement, and they are not required to provide training for those individuals who engage in municipal securities activities on an infrequent or *de minimis* basis. The amendments require dealers to document, as part of their needs analysis and written training plan, their method for determining who must be trained.

Technical Amendments

Finally, the rule change includes certain technical amendments to conform other portions of Rule G-3 to the proposed rule change.

Effective Date

To provide dealers with adequate time to comply with the rule amendments, the effective date is January 1, 2015 but dealers will be in compliance with the rule by completing their Firm Element continuing education by December 31, 2015 and annually thereafter.

October 17, 2014

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Text of Amendments²**Rule G-3: Professional Qualification Requirements**

No broker, dealer or municipal securities dealer or person who is a municipal securities representative, municipal securities sales limited representative, limited representative - investment company and variable contracts products, municipal securities principal, municipal fund securities limited principal, or municipal securities sales principal (as hereafter defined) shall be qualified for purposes of Rule G-2 unless such broker, dealer or municipal securities dealer or person meets the requirements of this rule.

(a) – (g) No change

(h) *Continuing Education Requirements.*

This section (h) prescribes requirements regarding the continuing education of certain registered persons subsequent to their initial qualification and registration with a registered securities association with respect to a person associated with a member of such association, or the appropriate regulatory agency as defined in section 3(a)(34) of the Act with respect to a person associated with any other broker, dealer or municipal securities dealer ("the appropriate enforcement authority"). The requirements shall consist of a Regulatory Element and a Firm Element as set forth below.

- (i) No change.
- (ii) *Firm Element*

(A) Persons Subject to the Firm Element—The requirements of this section shall apply to any person registered with a broker, dealer or municipal securities dealer and qualified as a representative or principal in accordance with this rule or as a general securities principal and who regularly engages in or supervises municipal securities activities ~~who has direct contact with customers in the conduct of the broker, dealer or municipal securities dealer's securities sales, trading and investment banking activities, and to the immediate supervisors of such persons (collectively, "covered registered persons"). "Customer" shall mean any natural person and any organization, other than another broker, dealer or municipal securities dealer, executing securities~~

² Underlining indicates new language; strikethrough denotes deletions.

~~transactions with or through or receiving investment banking services from a broker, dealer or municipal securities dealer.~~

(B) Standards for the Firm Element

(1) Each broker, dealer and municipal securities dealer must maintain a continuing and current education program for its covered registered persons to enhance their securities knowledge, skill, and professionalism. At a minimum, each broker, dealer and municipal securities dealer shall at least annually evaluate and prioritize its training needs, ~~and~~ develop a written training plan, and conduct training annually on municipal securities for covered registered persons. The plan must take into consideration the broker, dealer and municipal securities dealer's size, organizational structure, and scope of business activities, as well as regulatory developments and the performance of covered registered persons in the Regulatory Element. ~~If a broker, dealer or municipal securities dealer's analysis determines a need for supervisory training for persons with supervisory responsibility, such training must be included in the broker, dealer or municipal securities dealer's training plan.~~

(2) Minimum Standards for Training Programs—Programs used to implement a broker, dealer or municipal securities dealer's training plan must be appropriate for the business of the broker, dealer or municipal securities dealer and, at a minimum must cover the following matters concerning municipal securities products, services and strategies offered by the broker, dealer or municipal securities dealer:

(a) – (c) No change.

(3) No change.

(C) Participation in the Firm Element—Covered registered persons included in a broker, dealer or municipal securities dealer's plan must ~~take all appropriate and reasonable steps to~~ participate in continuing education programs as required by the broker, dealer or municipal securities dealer.

(D) No change.

Supplementary Material: No change.