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[Rule G-3](#)

MSRB Amends its Continuing Education Requirements to Facilitate Web-based Delivery of Regulatory Element Training

Overview

The Municipal Securities Rulemaking Board (MSRB) filed with the Securities and Exchange Commission (SEC) on September 29, 2015 for immediate effectiveness amendments to MSRB Rule G-3(i)(i), Regulatory Element of Continuing Education (“CE”) requirements, to facilitate the Web-based delivery method for meeting the requirements of the Regulatory Element.¹

Previously, the MSRB had established a professional qualifications program that sets competency standards for municipal securities brokers and municipal securities dealers (collectively, “dealers”) and their associated persons. The purpose of CE is to keep registered persons of dealers informed of issues that affect their job responsibilities and of product and regulatory developments. MSRB Rule G-3(i) sets forth a two-pronged approach for CE requirements consisting of a Regulatory Element and a Firm Element; the proposed rule change only amends the Regulatory Element.

Proposal

On June 11, 2015 the Financial Industry Regulatory Authority (FINRA) proposed changes to its CE requirements under FINRA Rule 1250(a)(6) to permit the Regulatory Element program to be administered through Web-based delivery or such other technological manner and format as specified by FINRA and to eliminate the requirements for in-firm and test center delivery of the Regulatory Element.² The amendments filed by the MSRB will

¹ See [File No. SR-MSRB-2015-11](#).

² See Securities Exchange Act Release No. 75154 (June 11, 2015), 80 FR 34777 (June 17, 2015) (File No. SR-FINRA-2015-015).



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harmonize the MSRB CE requirements with FINRA's rule proposal amending FINRA Rule 1250 (Continuing Education Requirements) to provide a Web-based delivery method for completing the Regulatory Element of the CE Requirements, which was approved by the SEC on July 31, 2015.³

The requirements for compliance with the Regulatory Element component of the MSRB's CE requirements are identical to the requirements for the Regulatory Element component of FINRA's CE requirements. Both the MSRB and FINRA require certain registered persons,⁴ subsequent to their initial qualification and registration with a registered securities association, to complete a periodic computer-based training program within 120 days of the second anniversary of their registration approval dates and every three years thereafter. The computer-based training program is developed by the Securities Industry Regulatory Council on Continuing Education ("CE Council"), of which both the MSRB and FINRA are members.⁵ The training developed by the CE Council is focused on compliance, regulatory, ethical and sales practice standards. The Regulatory Element's content is derived from industry rules and regulations, as well as widely accepted standards and practices within the industry. Although the specific requirements of certain rules may differ slightly among the various self-regulatory organizations ("SROs"), the programs are based on standards and principles applicable to all.⁶ Currently, the Regulatory Element computer-based training may be delivered in a test center or in-firm subject to specified procedures.

The advances in Web-based delivery of continuing education will provide registered persons the flexibility to meet the Regulatory Element

³ See Securities Exchange Act Release No. 75581 (July 31, 2015), 80 FR 47018 (August 6, 2015) (File No. SR-FINRA-2015-015).

⁴ The MSRB defines a registered person as any individual associated with a dealer maintaining a registration category pursuant to MSRB Rule G-3.

⁵ The CE Council is composed of up to 20 industry members from broker-dealers, representing a broad cross section of industry firms, and representatives from the MSRB and other SROs as well as liaisons from the SEC and the North American Securities Administrators Association. See <http://www.cecouncil.com>

⁶ There are currently four different Regulatory Element Programs developed by the CE Council, the Supervisor Program for Registered Principals and Supervisors (S201), the Series 6 Program for Investment Company Products/Variable Contracts Representatives (S106), the General Program for Series 7 Registered Persons and all other registrations (S101), and the Operations Professional Program For Series 99 Registered Persons. See <http://www.cecouncil.com/regulatory-element/>

requirement of MSRB Rule G-3(i)(i) at a location of their choosing, including their private residence, at any time during their 120-day window for completion of the Regulatory Element.⁷ The MSRB believes that the same time constraints and rigorous security measures taken at the testing centers, while appropriate for qualification examinations, are not warranted for the completion of the Regulatory Element.

The amendments to the Regulatory Element will remove burdens associated with the test center delivery method (*e.g.*, the time spent traveling to a test center and the cost for time spent at a test center). The Web-based format of the Regulatory Element program, which will be administered by FINRA, is designed with safeguards to authenticate the identities of the CE candidates. For instance, prior to commencing a Web-based session, the candidate will be asked to provide a portion of their Social Security number (either first five or last four digits) and their date of birth. This information will only be used by FINRA for matching data in the CRD system for authentication purposes and the Web CE system will discard this information after the matching process.

Phased Implementation

In its rule filing, FINRA outlined a timeline for phasing in Web-based delivery and guidance for any firms that currently utilize in-firm delivery for CE delivery. After the SEC's approval of FINRA's rule change, FINRA announced that it will launch the first phase of the Web-based delivery of Regulatory Element ("CE Online"), which will include the S106, S201 and S901 Regulatory Element programs, on October 1, 2015 and will launch the second phase of CE Online, which will include the S101 Regulatory Element program, on January 4, 2016.⁸ Before commencing a Web-based session, each candidate will be required to agree to the Rules of Conduct for Web-based delivery. Among other things, the Rules of Conduct will require each candidate to attest that he or she is in fact the person who is taking the Web-based session and attest to compliance with the Rules of Conduct. The Rules of Conduct further require that each participant agree that the Regulatory

⁷ Although the proposed rule change provides for flexibility, firms may impose additional conditions upon registered persons based on the firm's supervisory obligations and compliance controls.

⁸ See [Continuing Education, SEC Approves Amendments Relating to Web-based Delivery of the Regulatory Element](#), FINRA Regulatory Notice 15-28 (August 2015). S106 is for Investment Company and Variable Contracts Representatives, the S201 is for registered principals and supervisors, and the S101 is for all other registration categories.

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In accordance with FINRA's rule proposal, delivery of the Regulatory Element at a test center will be phased out by no later than six months after January 4, 2016. Registered persons will continue to have the option of completing the Regulatory Element in a test center until the phase out of the test center delivery method, but they will be required to use the Web-based system after that date. Firms will not be able to establish new in-firm delivery programs after October 1, 2015. Moreover, firms that have pre-existing in-firm delivery programs established prior to October 1, 2015 will not be able to use that delivery method for the S106, S201 and S901 Regulatory Element programs after October 1, 2015, which is the anticipated launch date of the Web-based delivery for these programs. However, firms may continue to use their pre-existing in-firm delivery programs for the S101 Regulatory Element program until January 4, 2016, which is the anticipated launch date of Web-based delivery for the S101 program. The MSRB endorses FINRA's timeline for phasing in the new Web-based delivery method and phasing-out the in-firm delivery of the Regulatory Element. The amendments to the Regulatory Element CE Requirements pursuant to Rule G-3(i)(i) will become operative on October 1, 2015 to coincide with the launch of the first Web-based modules for the Regulatory Element.

Questions about this notice may be directed to Gail Marshall, Associate General Counsel, or Michael Cowart, Assistant General Counsel, at 703-797-6600.

September 30, 2015

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Text of Amendments⁹

Rule G-3: Professional Qualification Requirements

(a) – (h) No Change.

(i) *Continuing Education Requirements*

⁹ Underlining indicates new language; strikethrough denotes deletions.

No Change.

(i) *Regulatory Element*

(A) – (F) No Change.

(G) ~~In-Firm Delivery of the Regulatory Element. Brokers, dealers and municipal securities dealers~~ The continuing education Regulatory Element program will be permitted to administered the continuing education Regulatory Element program to their registered persons by instituting an in-firm program acceptable to through Web-based delivery or such other technological manner and format as specified by the Board. The following procedures are required:

~~(1) *Principal In-Charge.* The broker, dealer or municipal securities dealer has designated a municipal securities principal or a general securities principal to be responsible for the in-firm delivery of the Regulatory Element.~~

~~(2) *Site Requirements.*~~

~~(a) The location of all delivery sites will be under the control of the broker, dealer or municipal securities dealer.~~

~~(b) Delivery of Regulatory Element continuing education will take place in an environment conducive to training. (Examples: a training facility, conference room or other area dedicated to this purpose would be appropriate. Inappropriate locations would include a personal office or any location that is not or cannot be secured from traffic and interruptions).~~

~~(c) Where multiple delivery terminals are placed in a room, adequate separation between terminals will be maintained.~~

~~(3) *Technology Requirements.* The communication links and firm delivery computer hardware must comply with standards defined by the Board or its designated vendor.~~

~~(4) *Supervision*~~

~~(a) The broker, dealer or municipal securities dealer's written supervisory procedures must contain the procedures implemented to comply with the requirements of in-firm delivery of the Regulatory Element continuing education.~~

~~(b) The broker, dealer or municipal securities dealer's written supervisory procedures must identify the municipal securities principal or general securities principal designated pursuant to section (h)(i)(G)(1) of this rule and~~

~~contain a list of individuals authorized by the broker, dealer or municipal securities dealer to serve as proctors.~~

~~(c) Firm locations for delivery of the Regulatory Element continuing education will be specifically listed in the broker, dealer or municipal securities dealer's written supervisory procedures.~~

~~(5) Proctors~~

~~(a) All sessions will be proctored by an authorized person during the entire Regulatory Element session. Proctors must be present in the session room or must be able to view the person(s) sitting for Regulatory Element continuing education through a window or by video monitor.~~

~~(b) The individual responsible for proctoring at each administration will sign a certification that required procedures have been followed, that no material from Regulatory Element continuing education has been reproduced, and that no candidate received any assistance to complete the session. Such certification may be part of the sign in log required under section (h)(i)(G)(6)(c) of this rule.~~

~~(c) Individuals serving as proctors must be persons registered with a self-regulatory organization and supervised by the designated principal for purposes of in firm delivery of the Regulatory Element continuing education.~~

~~(d) Proctors will check and verify the identification of all individuals taking Regulatory Element continuing education.~~

~~(6) Administration.~~

~~(a) All appointments will be scheduled in advance using the procedures and software specified by the Board to communicate with the Board's system and designated vendor.~~

~~(b) The broker, dealer or municipal securities dealer and its proctor will conduct each session in accordance with the administrative appointment scheduling procedures established by the Board or its designated vendor.~~

~~(c) A sign in log will be maintained at the delivery facility. Logs will contain the date of each session, the name and social security number of the individual taking the session, the fact that required identification was checked, the sign in time, the sign out time, and the name of the individual proctoring the session. Such logs are required to be retained pursuant to rules G-8 and G-9.~~

~~(d) No material will be permitted to be utilized for the session nor may any session-related material be removed.~~

~~(e) Delivery sites will be made available for inspection by the appropriate enforcement authority.~~

~~(f) Before commencing the in-firm delivery of the Regulatory Element continuing education, brokers, dealers and municipal securities dealers are required to file with the Board a letter of attestation (as specified below) signed by a municipal securities principal or general securities principal attesting to the establishment of required procedures addressing principal in-charge, supervision, site, technology, proctors, and administrative requirements. Letters filed with the Board should be sent to the Municipal Securities Rulemaking Board, Professional Qualifications Department, 1900 Duke Street, Suite 600, Alexandria, Virginia, 22314.~~

Letter of Attestation for In-Firm Delivery of Regulatory Element Continuing Education

~~{Name of broker, dealer or municipal securities dealer} has established procedures for delivering Regulatory Element continuing education on its premises. I have determined that these procedures are reasonably designed to comply with SRO requirements pertaining to in-firm delivery of Regulatory Element continuing education, including that such procedures have been implemented to comply with principal in-charge, supervision, site, technology, proctors, and administrative requirements.~~

 Signature

 Printed name

 Title (Must be signed by a municipal securities principal or general securities principal of the broker, dealer or municipal securities dealer)

 Date

(ii) No Change.