

VIA ELECTRONIC MAIL

January 13, 2014

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street
Suite 600
Alexandria, VA 22314

Re: Regulatory Notice 2013-22: MSRB Proposed Changes to Continuing Education Program

Dear Mr. Smith:

On November 25, 2013, the Municipal Securities Rulemaking Board (MSRB) released a request for comments on proposed amendments to Rule G-3 (Proposed Changes) to require all associated persons primarily engaged in municipal securities activities to participate in a minimum of one hour of Firm Element continuing education on municipal securities topics annually. The MSRB is also proposing to eliminate requirements under Rule G-3(d) for certain firms to appoint at least one Financial and Operations Principal, and modifying the scope of permissible activities for a Limited Representative – Investment Company and Variable Contracts Product.

The Financial Services Institute¹ (FSI) appreciates the opportunity to provide comment on this important proposal. Based upon our members' interpretation of the purpose and impact of the Proposed Changes with regard to continuing education requirements, FSI supports the Proposed Changes. FSI believes that the MSRB's proposed rule language is successfully tailored to capture securities professionals primarily engaged in municipal securities activities while not imposing additional continuing education requirements on associated persons of a broker-dealer firms for whom this additional training would be unnecessary.

Background on FSI Members

The independent broker-dealer (IBD) community has been an important and active part of the lives of American investors for more than 30 years. The IBD business model focuses on comprehensive financial planning services and unbiased investment advice. IBD firms also share a number of other similar business characteristics. They generally clear their securities business on a fully disclosed basis; primarily engage in the sale of packaged products, such as mutual funds and variable insurance products; take a comprehensive approach to their clients' financial goals and objectives; and provide investment advisory services through either affiliated registered investment adviser firms or such firms owned by their

¹ The Financial Services Institute, Voice of Independent Broker-Dealers and Independent Financial Advisors, was formed on January 1, 2004. Our members are broker-dealers, often dually registered as federal investment advisers, and their independent contractor registered representatives. FSI has 100 Broker-Dealer member firms that have more than 138,000 affiliated registered representatives serving more than 14 million American households. FSI also has more than 35,000 Financial Advisor members.

registered representatives. Due to their unique business model, IBDs and their affiliated financial advisers are especially well positioned to provide middle-class Americans with the financial advice, products, and services necessary to achieve their financial goals and objectives.

In the U.S., approximately 201,000 independent financial advisers – or approximately 64 percent of all practicing registered representatives – operate in the IBD channel.² These financial advisers are self-employed independent contractors, rather than employees of the IBD firms. These financial advisers provide comprehensive and affordable financial services that help millions of individuals, families, small businesses, associations, organizations, and retirement plans with financial education, planning, implementation, and investment monitoring. Clients of independent financial advisers are typically “main street America” – it is, in fact, almost part of the “charter” of the independent channel. The core market of advisers affiliated with IBDs is comprised of clients who have tens and hundreds of thousands as opposed to millions of dollars to invest. Independent financial advisers are entrepreneurial business owners who typically have strong ties, visibility, and individual name recognition within their communities and client base. Most of their new clients come through referrals from existing clients or other centers of influence.³ Independent financial advisers get to know their clients personally and provide them investment advice in face-to-face meetings. Due to their close ties to the communities in which they operate their small businesses, we believe these financial advisers have a strong incentive to make the achievement of their clients’ investment objectives their primary goal.

FSI is the advocacy organization for IBDs and independent financial advisers. Member firms formed FSI to improve their compliance efforts and promote the IBD business model. FSI is committed to preserving the valuable role that IBDs and independent advisers play in helping Americans plan for and achieve their financial goals. FSI’s primary goal is to ensure our members operate in a regulatory environment that is fair and balanced. FSI’s advocacy efforts on behalf of our members include industry surveys, research, and outreach to legislators, regulators, and policymakers. FSI also provides our members with an appropriate forum to share best practices in an effort to improve their compliance, operations, and marketing efforts.

Comments

FSI appreciates the opportunity to provide a response to the Proposed Changes. FSI supports efforts by the MSRB and other regulators that seek to increase efficiency and eliminate duplicative regulatory requirements. FSI and its members have reviewed the Proposed Changes and believe that it provides a measured and balanced approach to achieving MSRB’s goals to increase municipal securities training while ensuring that unnecessary additional regulatory requirements are avoided. While the proposal broadens the scope of Firm Element continuing education requirements to all associated persons, it simultaneously narrows this requirement to only those covered persons that are primarily engaged in municipal securities activities. This is a sound and tailored approach that FSI supports.

The Regulatory Notice also requests comments on several other areas related to continuing education requirements outside of the substance of the Proposed Changes. Specifically with regard to technology’s role in delivering Firm Element training, many firms have experienced a less costly and more effective

² Cerulli Associates at <http://www.cerulli.com/>.

³ These “centers of influence” may include lawyers, accountants, human resources managers, or other trusted advisers.

experience. The leveraging of technology has allowed firms to tailor in-house training to specific associated persons as well as for vendors to provide solutions that cater to the needs of specific firms. In addition to being more efficient from a resource perspective, technology has allowed for greater scalability in delivering training throughout firms and broker-dealer networks. We encourage MSRB and other regulators to continue to provide firms with the flexibility to utilize technology as it reduces costs and increases effectiveness with regard to regulatory requirements.

Conclusion

We are committed to constructive engagement in the regulatory process and, therefore, welcome the opportunity to work with MSRB on this and other important regulatory efforts.

Thank you for your consideration of our comments. Should you have any questions, please contact me at (202) 803-6061.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "D. T. Bellaire". The signature is fluid and cursive, with a large initial "D" and "T" followed by "Bellaire".

David T. Bellaire, Esq.
Executive Vice President & General Counsel