

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-77051; File No. SR-MSRB-2016-02)

February 4, 2016

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the Content Outline for the Series 9/10 Examination Program

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act” or “Exchange Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on January 22, 2016, the Municipal Securities Rulemaking Board (the “MSRB” or “Board”) filed with the Securities and Exchange Commission (“Commission”) 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” under Section 19(b)(3)(A)(i) of the Act<sup>3</sup> 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

The MSRB filed with the Commission proposed revisions to the content outline for the Municipal Securities Sales Principal (Series 9/10) examination program (the “proposed rule change”). The MSRB proposes to implement the revised Series 9/10 examination program on

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<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).

March 7, 2016. The proposed revisions update the material to reflect changes to the laws, rules and regulations covered by the examination and to incorporate the functions and associated tasks currently performed by a Municipal Securities Sales Principal. In addition, the Board is proposing to make changes to the format of the content outline. The MSRB is not proposing in this filing any textual change to its rules.<sup>5</sup>

The text of the proposed rule change is available on the MSRB's website at [www.msrb.org/Rules-and-Interpretations/SEC-Filings/2016-Filings.aspx](http://www.msrb.org/Rules-and-Interpretations/SEC-Filings/2016-Filings.aspx), at the MSRB's principal office, and at the Commission's Public Reference Room.

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.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Background

The MSRB has established a professional qualifications program that prescribes standards of training, experience, and competency for brokers, dealers and municipal securities dealers (collectively, "dealers") and their associated persons. Section 15B(b)(2)(A) of the Act

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<sup>5</sup> The Financial Industry Regulatory Authority ("FINRA") filed changes to the Series 9/10 question bank and selection specifications with the SEC on December 23, 2015. See Release No. 34-76812 (December 31, 2015), 81 FR 834 (January 7, 2016) (File No. SR-FINRA-2015-058).

requires associated persons of dealers to meet such standards of training, experience, competence, and such other qualifications as the MSRB finds necessary or appropriate in the public interest or for the protection of investors and municipal entities or obligated persons.<sup>6</sup> The MSRB has developed examinations that are designed to establish that persons associated with dealers that effect transactions in municipal securities and municipal advisors who engage in municipal advisory activities have attained specified levels of competence and knowledge. The content outline for each examination serves as a guide to the subject matter tested on the examination and provides learning objectives associated with each subject matter to assist candidates in preparing for each examination. Each content outline also provides sample questions similar to the type of questions that may be found on the examination. The arrangement of the subject matter in the content outline reflects the various job functions typically performed within a dealer by an individual with that qualification. The MSRB periodically reviews the content outline for each examination to determine whether revisions are necessary or appropriate in view of changes pertaining to the subject matter covered by the examination.<sup>7</sup>

MSRB Rule G-3(c) defines an individual associated with a dealer whose supervisory activities with respect to municipal securities are limited exclusively to supervising sales to and purchases from customers of municipal securities as a Municipal Securities Sales Principal. Pursuant to MSRB Rule G-3(c), every Municipal Securities Sales Principal is required to take

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<sup>6</sup> Section 15B(b)(2)(A)(iii) of the Act, 15 U.S.C. 78o-4(b)(2)(A)(iii).

<sup>7</sup> On occasion, this review may be conducted in coordination with FINRA or other self-regulatory organizations.

and pass the General Securities Sales Supervisor Qualification Examination prior to acting in such capacity.<sup>8</sup>

In consultation with a committee of industry representatives and FINRA, the MSRB participated in a review of the Series 9/10 examination program. As a result of this review, the MSRB is proposing to make revisions to the content outline to reflect changes to the laws, rules and regulations covered by the examination and to incorporate the functions and associated tasks performed by a Municipal Securities Sales Principal.

#### Current Content Outline

The current content outline is divided into six sections. The following are the six sections and the number of questions associated with each of the sections, denoted Section 1 through Section 6:

1. Hiring, Qualifications, and Continuing Education, 9 questions;
2. Supervision of Accounts and Sales Activities, 94 questions;
3. Conduct of Associated Persons, 14 questions;
4. Recordkeeping Requirements, 8 questions;
5. Municipal Securities Regulation, 20 questions;
6. Options Regulation, 55 questions.

Each section also includes the applicable laws, rules and regulations associated with that section. The current content outline also includes a preface (addressing, among other things, the purpose, administration and scoring of the examination), sample questions and reference materials.

#### Proposed Revisions

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<sup>8</sup> The General Securities Sales Principal is defined in NASD Rule 1022(g).

The MSRB is proposing to divide the content outline into two parts with eight major job functions that are performed by a Municipal Securities Sales Principal. The following are the two parts, each with four major job functions, denoted as Parts 1 and 2 with Function 1 through Function 4, respectively, with the associated number of questions:

Part 1:

Function 1: Supervise Associated Persons and Personnel Management Activities, 28 questions;

Function 2: Supervise the Opening and Maintenance of Customer Accounts, 49 questions;

Function 3: Supervise Sales Practices and General Trading Activities, 52 questions;

Function 4: Supervise Communications with the Public, 16 questions.

Part 2:

Function 1: Supervise the Opening and Maintenance of Customer Options Accounts, 18 questions;

Function 2: Supervise Sales Practices and General Options Trading Activities, 19 questions;

Function 3: Supervise Options Communications, 5 questions;

Function 4: Supervise Associated Persons and Personnel Management Activities, 13 questions.

The MSRB is proposing to adjust the number of questions assigned to each major job function to ensure that the overall examination better reflects the key tasks performed by a Municipal Securities Sales Principal. The allocation of questions on the revised Series 9/10

examination will place greater emphasis on key tasks such as supervision of registered persons, sales practices and compliance. Each function also includes specific tasks describing activities associated with performing that function. In Part 1, there are five tasks (1.1 – 1.5) associated with Function 1; four tasks (2.1 – 2.4) associated with Function 2; five tasks (3.1 – 3.5) associated with Function 3; and four tasks (4.1 – 4.4) associated with Function 4. In Part 2, there are three tasks (1.1 – 1.3) associated with Function 1; four tasks (2.1 – 2.4) associated with Function 2; three tasks (3.1 – 3.3) associated with Function 3; and one task (4.1) associated with Function 4. Further, the content outline lists the knowledge required to perform each function and associated tasks (e.g., types of retail communications, required approvals). In addition, where applicable, the content outline lists the laws, rules and regulations a candidate is expected to know to perform each function and associated tasks. These include the applicable MSRB Rules (e.g., MSRB Rule G-27(e)). A job analysis study was conducted of General Securities Sales Supervisors that are qualified with the 9/10 examination, which included the use of a survey, in developing each function and associated tasks typically performed in the conduct of their activity and, as a result, updating the required knowledge set forth in the revised content outline. The functions and associated tasks, which appear in the revised content outline for the first time, reflect the day-to-day activities of a General Securities Sales Supervisor.

The MSRB is also proposing to revise the content outline to reflect changes to the laws, rules and regulations covered by the examination. Among other revisions, certain revisions are being made to reflect the adoption of rules in the consolidated FINRA rulebook (e.g., NASD Rule 2310 (Recommendations to Customers (Suitability)), NASD Rule 2212 (Telemarketing) and NASD Rule 3110 (Books and Records) were adopted as FINRA Rule 2111 (Suitability), FINRA

Rule 3230 (Telemarketing) and FINRA Rule 4510 Series (Books and Records Requirements), respectively).

Finally, the MSRB is proposing to make changes to the format of the content outline, including the preface, sample questions and reference materials. Proposed changes include: (1) adding a table of contents; (2) providing more details regarding the purpose of the examination; (3) providing more details on the application procedures; (4) providing more details on the development and maintenance of the content outline and examination; (5) explaining that the passing scores are established by FINRA staff, in consultation with a committee of industry representatives, using a standard setting procedure, and that a statistical adjustment process known as equating is used in scoring exams; and (6) noting that each candidate will receive a report at the end of the test session that will indicate a pass or fail status and include a score profile listing the candidate's performance on each major content area covered on the examination. The number of questions on the Series 9/10 examination will remain at 200 multiple-choice questions (55 on the Series 9 and 145 on the Series 10). Candidates will continue to have 90 minutes to complete the Series 9 examination and 240 minutes to complete the Series 10 examination. The passing score for the Series 9 is 70 percent and the passing score for the Series 10 is 70 percent. These are unchanged.

#### Availability of the Content Outline

The revised Series 9/10 content outline will replace the current content outline on FINRA's website.<sup>9</sup>

## 2. Statutory Basis

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<sup>9</sup> See [www.finra.org/brokerqualifications/exams](http://www.finra.org/brokerqualifications/exams).

The MSRB believes that the proposed rule change is consistent with the provisions of Section 15B(b)(2)(A) of the Act,<sup>10</sup> which authorizes the MSRB, in part, to prescribe for associated persons of dealers “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 and municipal entities or obligated persons.”

The MSRB believes that the proposed rule change is consistent with the provisions of Section 15(B)(b)(2)(A) of the Act<sup>11</sup> in that the revisions will ensure that certain key concepts and rules are tested on the Series 9/10 in order to test the competency of individuals seeking to qualify as Municipal Securities Sales Principals with respect to their knowledge of MSRB rules and the municipal securities market.

B. 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. The updated Series 9/10 content outline aligns with the functions and associated tasks currently performed by a Municipal Securities Sales Principal and tests knowledge of the most current laws, rules, and regulations and skills relevant to those functions and associated tasks. As such, the proposed rule change would make the examinations more efficient and effective.

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 on the proposed rule change.

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

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<sup>10</sup> 15 U.S.C. 78o-4(b)(2)(A).

<sup>11</sup> Id.



The foregoing proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>12</sup> and paragraph (f)(1) of Rule 19b-4 thereunder.<sup>13</sup> At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend 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-2016-02 on the subject line.

##### Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

All submissions should refer to File Number SR-MSRB-2016-02. 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 website (<http://www.sec.gov/rules/sro.shtml>). Copies of

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<sup>12</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>13</sup> 17 CFR 240.19b-4(f)(1).

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 website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 am and 3:00 pm. Copies of the 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-2016-02 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, pursuant to delegated authority.<sup>14</sup>

Robert W. Errett  
Deputy Secretary

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<sup>14</sup> 17 CFR 200.30-3(a)(12).