



SECURITIES AND EXCHANGE COMMISSION
[Release No. 34-83572; File No. SR-MSRB-2018-05]

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Revise the Content Outline and Selection Specifications for the Series 52 Examination and to Revise the Content Outlines for the Series 50, Series 51 and Series 53 Examinations

June 29, 2018.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act” or “Exchange Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on June 25, 2018 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 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 (i) revisions to the content outline and selection specifications for the Municipal Securities Representative Qualification Examination (“Series 52 exam”)³ to remove general securities knowledge content as part of modifications to

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The Series 52 exam selection specifications have been submitted to the Commission under a separate cover with a request for confidential treatment pursuant to SEC Rule 24b-2. The MSRB also is proposing corresponding revisions to the bank of examination questions for the Series 52 exam. The MSRB is submitting this filing for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(1) thereunder and, based on established instructions from the Commission staff, is not filing the Series 52 exam question bank for Commission review. See Letter to Diane G. Klinke, General Counsel, MSRB, from Belinda Blaine, Associate Director, Division of Market

the MSRB’s qualification examination program;⁴ (ii) revisions to the content outline for the Municipal Fund Securities Limited Principal Qualification Examination (“Series 51 exam”) to reflect changes to laws, rules and regulations covered by the examination⁵ in response to amendments to the tax code following the enactment of the Jobs Act;⁶ and (iii) revisions to the content outlines for the Municipal Securities Principal Qualification Examination (“Series 53 exam”) and Municipal Advisor Representative Qualification Examination (“Series 50 exam”)⁷ to delete or update subject matter topics to reflect current references and nomenclatures and to update current rule citations as part of the MSRB’s periodic review of its content outlines

Regulation, SEC, dated July 24, 2000. The question bank is otherwise available for Commission review.

⁴ On June 8, 2018, the MSRB filed amendments to MSRB Rule G-3, on professional qualification requirements, to modify the MSRB’s qualification examination program by, among other things, accepting the Financial Industry Regulatory Authority’s (FINRA) Securities Industry Essentials Examination (“SIE exam”) as a prerequisite to qualification as a municipal securities representative and further tailor the Series 52 exam as a specialized knowledge exam. The SIE exam, a general knowledge exam, will test fundamental securities-related knowledge, including knowledge of basic products, the structure and function of the securities industry, the regulatory agencies and their functions. See Exchange Act Release No. 83483 (June 20, 2018) (Notice of Filing and Immediate Effectiveness) (SR-MSRB-2018-04).

⁵ MSRB staff reviewed the Series 51 exam bank and removed or updated the impacted questions relating to 529 plans and municipal fund securities to align with the Tax Cuts and Jobs Act of 2017 (“Jobs Act”) effective date of January 1, 2018. Thus, because of the changes to the affected examination items, revisions to the Series 51 exam content outline are required. For example, deleting the term “college” from the phrase “529 college savings plans” to reflect that the tax code now allows for money saved in a 529 plan to be used for qualified K-12 education expenses.

⁶ Public Law 115-97, 131 Stat. 2054 (2017).

⁷ In addition to these examinations, the MSRB is in the process of developing another professional qualification examination, the Municipal Advisor Principal Qualification Examination (Series 54 exam). The MSRB anticipates filing a proposed rule change regarding the development of the Series 54 exam, including a proposed content outline, in August 2018.

(collectively, the “proposed revisions to the content outlines”). The MSRB is not proposing any textual changes to its rules.

The proposed revisions to the content outlines have been filed for immediate effectiveness pursuant to Section 19(b)(3)(A) of the Act⁸ and Rule 19b-4(f)(1) thereunder.⁹ The implementation date for the revised Series 52 exam content outline and selection specifications will be October 1, 2018, to coincide with the modifications to the MSRB’s qualification examination program and launch of the SIE exam, while the technical amendments to the content outlines for the Series 50 exam, Series 51 exam and Series 53 exam will be announced by the MSRB and implemented no sooner than 30 days after filing with the SEC.

The text of the proposed rule change is available on the MSRB’s website at www.msrb.org/Rules-and-Interpretations/SEC-Filings/2018-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.

⁸ 15 U.S.C. 78s(b)(3)(A).

⁹ 17 CFR 240.19b-4(f)(1).

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

1. Purpose

The MSRB is charged with setting professional qualification standards for brokers, dealers, and municipal securities dealers (collectively, “dealers”), and municipal advisors. Specifically, Section 15B(b)(2)(A) of the Act 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 and municipal entities or obligated persons.”¹⁰ A professional qualification examination is intended to determine whether an individual meets the MSRB’s required qualification standards. More specifically, the MSRB has developed professional qualification examinations that are designed to establish that persons associated with a dealer who engage in municipal securities activities and persons associated with a municipal advisor who engage in municipal advisory activities have demonstrated minimum levels of competence and knowledge of the municipal market activities they engage in, as well as the regulatory requirements applicable to a particular qualification category.

The content outline for each MSRB examination serves as a guide to the subject matter tested on the examination and prescribes the baseline knowledge required in each functional area that is specific to the role and responsibilities of associated persons. In addition, the MSRB provides sample questions in the content outlines that are similar to the type of questions that may be found on an examination. The MSRB periodically reviews the content outline for each examination to determine whether revisions are necessary or appropriate in light of changes to rules or rule interpretations, or subject matter covered by the examinations.

¹⁰ 15 U.S.C. 78o-4(b)(2)(A).

The MSRB is proposing to standardize certain information that appears across the content outlines for the Series 50 exam, Series 51 exam, Series 52 exam and Series 53 exam as well as to make technical changes to the format of each of the exam content outlines. Specifically, the proposed revisions applicable to each content outline are as follows: (i) update the introductory statement to clarify the intended goal of the content outline; (ii) streamline details regarding the purpose of the examination and the review process of the examination question bank; (iii) provide information on the intention of pretesting questions; (iv) retire old sample questions and provide a new set of sample questions for each exam; and (v) replace the current list of reference materials with a list of government and self-regulatory organization websites.

A more detailed summary of changes to the content outline for each examination is outlined below.

REVISIONS TO THE CURRENT SERIES 52 CONTENT OUTLINE

With the recently filed rule change to modify the MSRB's professional qualification examination program,¹¹ as of October 1, 2018, the new, restructured examination format for the Series 52 exam will require individuals to take and pass the SIE exam¹² and the revised Series 52 exam to be qualified as a municipal securities representative pursuant to Rule G-3.¹³ The MSRB's Series 52/53 Subcommittee of the Professional Qualification Advisory Committee has worked to revise the Series 52 exam question bank and content outline to reduce areas of

¹¹ See supra note 4.

¹² FINRA filed the content outline for the SIE exam earlier this year. See Exchange Act Release No. 82578 (January 24, 2018), 83 FR 4375 (January 30, 2018) (SR-FINRA-2018-002).

¹³ An individual does not have to take the SIE exam before taking the revised Series 52 exam, but an individual will not be qualified as a municipal securities representative until passing both the SIE exam and the revised Series 52 exam.

duplication with the content to be tested on the SIE exam. Upon the filing of the proposed revisions to the content outlines, the MSRB will make available on its website, in addition to the current Series 52 exam content outline, the revised Series 52 exam content outline that will apply to the revised Series 52 exam effective October 1, 2018. Individuals who open an exam enrollment window prior to October 1, 2018 will be enrolling to take the current Series 52 exam, whereas individuals who open an exam enrollment window on or after October 1, 2018 will be enrolling to take the revised Series 52 exam as well as the SIE exam.

The number of scored questions on the revised Series 52 exam will be reduced from 115 multiple-choice questions to 75 multiple-choice questions. Additionally, the test time, which is the amount of time individuals would have to complete the examination questions, will be reduced from three and one-half hours to two and one-half hours. As currently is the case, each multiple-choice question would be worth one point and the passing score will remain 70%.

Below is a summary of the proposed revisions to the Series 52 exam content outline, which removes duplicative general knowledge content that will appear on the SIE exam, and updates or deletes reference information appearing on the outline to provide greater clarity on topic areas covered on the exam. As previously referenced, the selection specifications for the Series 52 exam submitted to the Commission under a separate cover describe additional confidential information regarding the Series 52 exam.

Contents Page

- Subtopics area being removed under each topic header.
- Part 2 on “U.S. Government, Federal Agency and Other Financial Instruments” is being removed; the other parts are being renumbered accordingly.¹⁴
- The following attachments: “Attachment A: Contents of a Typical Notice of Bond Sale” and “Attachment B: Outline of a Typical Official Statement” are being removed in addition to references to the attachments within the outline.
- “Reference Material” is being revised to “References.”

Introduction

The Examination

- The percentages assigned to each topic on the Series 52 exam are being adjusted due to the deletion of the topic “U.S. Government, Federal Agency and Other Financial Instruments” with the (4%) weighting for that topic reallocated to other topic areas; the revised percentages for each topic area will be: Municipal Securities – (60%); Economic Activity, Government Policy and the Behavior of Interest Rates – (14%); and Securities Laws and Regulations – (26%).
- The reference to the number of questions on the Series 52 exam is being revised to update the number from 115 to 75 multiple-choice questions and the time to complete the exam adjusted from “three and one-half hours” to “two and one-half hours.”

¹⁴ The subject matter “U.S. Government, Federal Agency and Other Financial Instruments” is proposed for deletion from the Series 52 exam to avoid duplication of subject matter that will be covered on the SIE exam. See supra note_13.

Part 1: Municipal Securities

- The parenthetical to the topic header is being revised from 57% to 60%.
- The following subtopics are being revised:
 - 1.2.1.1 on “method of quotations” is being revised to add “bid/ask spread;”
 - 1.3.1.2.4 the acronym “EMMA” is being revised to “Electronic Municipal Market Access website;”
 - 1.3.1.2.5 on “new issue wires” is being revised to “new issue/commitment wires;”
 - 1.3.2.2 on “information sources” is being revised to remove the phrase “alternative trading systems (ATS)” and the phrase is being added to 1.3.2.3 on the subtopic of “market participants;”
 - 1.3.2.4.1 on “kinds of transactions” is being revised to add “riskless principal;” and
 - 1.3.3.1 on “published indices” is being revised to add the abbreviation for “ICE” to the parenthetical for “London Interbank Offered Rate.”
- Subtopic headers 1.5.2 on “relationship of bond prices to change in maturity” and 1.5.9 on “day-count basis of computations of dollar price and accrued interest” are being removed; and the section renumbered accordingly.

Part 2: Economic Activity, Government Policy And The Behavior of Interest Rates

- The parenthetical to the topic header is being revised from 13% to 14%.
- Topic headers and subtopics are being renumbered in their entirety from part 3 to part 2.

- Under the topic header “monetary policy” the subtopics on “objectives of Federal Reserve monetary policy;” “operating tools of the Federal Reserve;” and “operations of the Federal Reserve” are being removed.

Part 3: Securities Laws and Regulations

- Topic headers and subtopics are being renumbered in their entirety from part 4 to part 3.
- Topic headers on 4.2 – 4.2.2 on “SIPC” are being removed.
- The following subtopics are being revised:
 - 4.3.4 on “delivery of investor brochure” is being revised to “investor and municipal advisory client education and protection;”
 - 4.3.7 on “quotations and sales reports” is being revised to “quotations and reports of sales or purchases (transaction reporting);”
 - 4.3.8 on “confirmation, clearance, settlement and other uniform practice requirements” is being revised to add the parenthetical “minimum denominations;” and 4.3.10 on “best execution” is being revised to add the parenthetical “execution quality.”
- Topic headers 4.3.25 on “calculations;” 4.3.29 on “telemarketing;” and 4.3.30 on “anti-money laundering compliance program” are being removed.

REVISIONS TO OTHER MSRB CONTENT OUTLINES

Below is a summary of the proposed revisions to the content outlines for the Series 50 exam, Series 51 exam and Series 53 exam as part of the MSRB’s periodic review of the content outlines for its examinations. The proposed revisions to the content outlines are technical in nature to delete or update topics to reflect current references and nomenclatures and to update current rule requirements and citations where identified. The proposed revisions to the content

outlines for the Series 50 exam, Series 51 exam and Series 53 exam do not alter the content, specifications or scoring of these examinations.

Municipal Fund Securities Representative Examination – Series 51

Introduction

- Footnote 1 referencing Rule D-12 is being removed.

Part 2: Product Knowledge

- Subtopic header 2.3.2 on “529 college savings plans” is being revised to “529 savings plans.”
- Under the subtopic header 2.3.2.1 on “federal tax law issues” the term “higher” is being removed as part of the explanatory description.
- Under the subtopic header 2.3.3 on “education savings alternatives” the term “UGMA” is being removed as part of the explanatory description.

Part 3: General Supervision

- Topic header 3.2 on “availability of MSRB rules” is being revised to “availability of Board rules.”

Part 4: Fair Practice and Conflicts of Interest

- Subtopic header 4.3.1 on “fair dealing” is being revised to “conduct of municipal securities and municipal advisory activities.”

Part 5: Sales Supervision

- Subtopic header 5.5.3 on “delivery of MSRB investor brochure” is being revised to “investor and municipal advisory client education and protection.”

Part 7: Operations

- The following subtopics are being revised:

- 7.1 on “confirmation of transactions” is being revised to “confirmation, clearance, settlement and other uniform practice requirements with respect to transactions with customers;” and
- 7.3 on “books and records” is being revised to “books and records to be made by brokers, dealers, and municipal securities dealers and municipal advisors.”

Municipal Securities Principal Examination – Series 53

Introduction

- Footnote 1 on referenced MSRB rules is being removed and all other footnotes renumbered.

Part 2: General Supervision

- The following subtopics are being revised:
 - 2.2.1.5. on “classification of principals and representatives and qualification requirements” is being revised to “professional qualification requirements;”
 - 2.4.1.1 on “fair dealing rule” is being revised to “conduct of municipal securities and municipal advisory activities;”
 - 2.4.3 on “gifts and gratuities” is being revised to “gifts, gratuities, non-cash compensation and expenses of issuance;” and
 - 2.4.4 on “political contributions and prohibition from engaging in municipal securities business” is being revised to “political contributions and prohibitions on municipal securities business.”
- Under the subtopic header 2.4.6.4 on “product advertisements for municipal fund securities” the term “college” is being removed from the parenthetical phrase “including 529 college savings plans.”

Part 3: Sales Supervision

- The following subtopics are being revised:
 - 3.3.4 on “sophisticated municipal market professionals (SMMP)” is being revised to “transactions with sophisticated municipal market professionals (SMMP);”
 - 3.4.5 on “prohibition against reciprocal dealings with municipal securities investment companies” is being revised to “reciprocal dealings with municipal securities investment companies;” and
 - 3.6.3 on “delivery of investor brochure” is being revised to “investor and municipal advisory client education and protection.”

Part 4: Origination and Syndication

- The following subtopics are being revised:
 - 4.1 on “financial advisors” is being revised to “activities of financial advisors;”
 - 4.2. on “new issue syndicate practices” is being revised to “primary offering practices;”
 - 4.2.3 on “disclosures in connection with new issues” is being revised to “disclosures in connection with primary offerings;” and
 - 4.2.3.2 on “underwriter submissions to EMMA” is revised to spell out “EMMA” as “Electronic Municipal Market Access.”

Part 5: Trading

- The subtopic header 5.5 on “recordkeeping responsibilities” is being revised to “books and records to be made by brokers, dealers, municipal securities dealers and municipal advisors.”

Municipal Advisor Representative Examination – Series 50

- Section headers revised from “function” to “part;” references to “college” removed from “529 savings plans.”

Eligibility Requirements

- The sentence, “In order to register for the Series 50 examination, a candidate must be associated with a municipal advisor firm that is registered with both the Securities and Exchange Commission and the MSRB” is being removed to reflect changes in processes post-September 12, 2017.

More specifically, the above referenced sentence refers to the eligibility requirement that was put into place during the period in which persons were able to engage in municipal advisory activities on behalf of a municipal advisor prior to being qualified as a municipal advisor representative. Currently, an individual must take and pass the Series 50 exam prior to engaging in municipal advisory activities on behalf of a municipal advisor.¹⁵

As noted above, the MSRB has designated the proposed revisions to the content outlines for immediate effectiveness. The implementation date for the revised Series 52 exam content outline and selection specifications will be October 1, 2018, to coincide with the modifications to the MSRB’s qualification examination program, while the technical amendments to the content outlines for the Series 50 exam, Series 51 exam and Series 53 exam will be announced by the MSRB and implemented no sooner than 30 days after filing with the SEC.

¹⁵ See FAQs on Municipal Advisor Professional Qualification and Examination Requirements (May 2018).

2. Statutory Basis

The MSRB believes that the proposed revisions to the content outlines are consistent with Section 15B(b)(2)(A) of the Act,¹⁶ 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 and municipal entities or obligated persons” and Section 15B(b)(2)(C) of the Act,¹⁷ which requires, among other things, that MSRB rules “be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, ... and, in general, to protect investors, municipal entities, obligated persons, and the public interest...” Section 15B(b)(2)(A) of the Act¹⁸ provides the MSRB with authority to establish standards of competence. The MSRB’s professional qualification examinations are designed to measure knowledge of the business activities and the regulatory requirements, including MSRB rules, rule interpretations and federal law, applicable to a particular qualification category.

The proposed revisions to the Series 52 exam content outline and selection specifications are consistent with Section 15B(b)(2)(A) of the Act¹⁹ because ensuring the Series 52 exam is uniquely tailored to the relevant laws, rules and regulations of the municipal securities market ensures that municipal securities representatives attain a specified level of competence that would be appropriate and in furtherance of the public interest. Additionally, removal of the

¹⁶ 15 U.S.C. 78o-4(b)(2)(A).

¹⁷ 15 U.S.C. 78o-4(b)(2)(C).

¹⁸ 15 U.S.C. 78o-4(b)(2)(A).

¹⁹ Id.

general securities knowledge content currently on the Series 52 exam would provide the MSRB with greater flexibility to adapt the Series 52 exam to more specifically address municipal securities knowledge and, in doing so, deepening municipal professionals' knowledge base in the interest of investor protection. Also, proposed revisions to the content outlines for MSRB-owned examinations (the Series 50 exam, Series 51 exam and Series 53 exam) to reflect current references and nomenclatures and to update current rule requirements and citations where identified are likewise consistent with the purpose of Section 15B(b)(2)(A) of the Act²⁰ because providing individuals with a current guide to the subject matter covered on the examinations can aid individuals' preparation for such professional qualification examinations and facilitates standards of competence in furtherance of the public interest.

The proposed revisions to the Series 52 exam content outline together with the MSRB's larger effort to modify its current qualification program are designed to achieve the stated objective of Section 15B(b)(2)(C) of the Act²¹ to foster the prevention of fraudulent practices by enhancing the overall professional qualification program and establishing standards for professionals in the municipal securities market. Additionally, ensuring municipal securities professionals are familiar with the rules and regulations that would be applicable to their role and responsibilities in the municipal securities market is in furtherance of and consistent with Section 15B(b)(2)(C) of the Act²² to facilitate the prevention of fraudulent practices.

²⁰ Id.

²¹ 15 U.S.C. 78o-4(b)(2)(C).

²² Id.

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

The MSRB does not believe that the proposed revisions to the content outlines will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed revisions to the Series 52 exam content outline and changes to the selection specifications for the Series 52 exam to reflect a more tailored Series 52 exam would ensure the standard for qualification remains robust to maintain an efficient and effective qualification examination program. Additionally, the proposed revisions to the content outlines for the Series 50 exam, Series 51 exam and Series 53 exam remain in alignment with the functions and associated tasks currently performed by municipal securities representatives, municipal fund securities limited principals, municipal securities principals and municipal advisor representatives as well as serve as a guide to the subject matter tested on the examinations with respect to the relevant laws, rules and regulations. Additionally, the proposed revisions to the content outlines for the Series 50 exam, Series 51 exam and Series 53 exam do not alter the content, specifications or scoring of these examinations.

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 proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act²³ and paragraph (f)(1) of Rule 19b-4 thereunder.²⁴ 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

²³ 15 U.S.C. 78s(b)(3)(A).

²⁴ 17 CFR 240.19b-4(f)(1).

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. Please include File Number SR-MSRB-2018-05 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-2018-05. 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 website (<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 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. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-MSRB-2018-05 and should be submitted on or before **[INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

For the Commission, pursuant to delegated authority.²⁵

Eduardo A. Aleman,
Assistant Secretary.

²⁵ 17 CFR 200.30-3(a)(12).

