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Dealers to MSRB: Reconsider Continuing Education Proposal.

WASHINGTON — Dealer groups are warning the Municipal Securities Rulemaking Board that its proposal to require at least an hour of annual municipal securities training for their staffs could actually result in less efficient training and could be confusing, in addition to raising compliance burdens.

The MSRB proposal would alter the continuing education requirements laid out in the board's Rule G-3 on classification of principals and representatives to require a minimum of one hour of training focused on municipal securities for professionals whose jobs primarily focus on munis. Firms are already required to offer continuing education to their staffs, but are not required to provide training specifically targeted to work in the municipal market. Comments on the proposal were due Monday.

Mike Nicholas, president and chief executive officer of Bond Dealers of America, warned in his letter that the one-hour training requirement could end up backfiring despite the good intentions of the MSRB. "While the MRSB does not want this one-hour requirement to be seen as the sole training criteria for 'covered persons' as defined in the proposed rule, this may well be an unintended result," Nicholas wrote.

Instead, the BDA letter suggests the MSRB consider publishing an annual list of training topics based on current market issues, and require firms to incorporate at least one into their training programs.

The rule proposal would require such training of dealer firm employees engaged in muni business regardless of whether or not they have contact with customers, and Nicholas added that providing evidence of training completion for an expanded group of professionals could prove onerous.

"Additional recordkeeping is likely to be required possibly in the form of a certificate for each professional who has completed the continuing education requirement," he wrote. "The BDA would suggest the MSRB consider how to minimize the effects of demonstrating compliance with new continuing education requirements."

The Securities Industry and Financial Markets Association commented that the MSRB is essentially seeking to de-harmonize its rule with a similar Financial Industry Regulatory Authority rule without offering an adequate explanation.

Further, wrote SIFMA managing director and associate general counsel David Cohen, the MSRB offers no good reason to expand training to "back office" personnel with no customer contact. The MSRB should be focusing its efforts on establishing a "minimum threshold" of training for newly-regulated non-dealer municipal advisors, he said.

Tamara Salmon, senior associate counsel for the Investment Company Institute, also commented that the proposal is inconsistent with FINRA's rule. In addition, Salmon wrote, the proposal offers no

guidance on how firms should determine which of their employees would be covered by the rule and offers no economic justification for the proposed changes, which she suggested is a violation of MSRB's new economic analysis policy.

Firms were supportive of MSRB's proposal to no longer require them to designate a "financial and operations principal" since it is a requirement imposed on dealers by other regulators and therefore duplicative.

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