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SEC Approves MSRB Classification Changes.

WASHINGTON — The Securities and Exchange Commission has approved the Municipal Securities Rulemaking Board's proposal that would simplify its rules on professional designations by limiting the activities of some dealer representatives and eliminating one of its professional designations.

Approved Aug. 1 and effective Sept. 30, the changes alter the MSRB's Rule G-3, on classification of principals and representatives, and makes corresponding changes to Rules G-7 on information concerning associated persons and G-27 on supervision.

The non-controversial changes were supported by dealers, who said MSRB's rules will now be more harmonized with the Financial Industry Regulatory Authority's rules. The Securities Industry and Financial Markets Association was the only group to file comments about the proposed changes with the SEC and they were favorable.

Under G-3, limited representatives are individuals whose activities, with respect to municipal fund securities, may include: underwriting or sales; research or investment advice with regard to underwriting or sales; or any other activities that involve communication, with public investors with regard to underwriting or sales. The newly-approved change restricts the activities of limited representatives exclusively to sales to, and purchases from, customers of municipal fund securities. The MSRB has said this approach is consistent with the approach taken by FINRA. The revised rule also defines the term "sales" to include the solicitation of sales of municipal securities.

The amended rules eliminate the designation of "financial operations principal" under G-3, because FINRA has overlapping FINOP designation requirements, including an exam. The section of G-7 that defines "associated person" has been amended to include limited representatives and to replace the term FINOP with "general securities principal." References to FINOP have been removed from amended rules G-7 and G-27.

THE BOND BUYER
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AUG 5, 2014 11:14am ET