

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

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## **MSRB Municipal Advisor Review - Winter 2014.**

### **Registration: What Every Municipal Advisor Needs to Know**

While there has been considerable focus on initially registering as a municipal advisor, that is really just the first step in an on-going process. To remain in compliance with MSRB rules, all regulated entities must update their registration information with the MSRB as changes arise and also participate in an annual registration review and affirmation process. In 2014, municipal advisors had extra registration steps to complete as the Securities and Exchange Commission (SEC) transitioned from its temporary to permanent registration process. Below is a list of key steps that currently registered municipal advisors need to take.

#### **Step One: SEC Permanent Registration**

In order to continue conducting municipal advisory activities lawfully, municipal advisors are required to register with the SEC under the [SEC's final municipal advisor registration rule](#). All temporary registrations with the SEC are slated to expire on or before December 31, 2014. To request permanent registration, municipal advisors must submit SEC Form MA for the firm and a separate SEC Form MA-I for each natural person associated with the firm who is engaged in municipal advisory activities, as well as additional required documents, to the SEC's EDGAR system. The SEC will issue a file number that begins with an 867-prefix for all permanently registered municipal advisor firms.

More information about the SEC's municipal advisor registration requirements may be found [here](#). Questions regarding registration with the SEC should be directed to the SEC's Office of Municipal Securities at 202-551-5680.

#### **Step Two: Update Registration with the MSRB**

Once a municipal advisor receives a permanent SEC registration number with an 867-prefix, the municipal advisor is required to replace its temporary SEC registration number on file with the MSRB within 30 days, as with any change of information on the form. To replace the registration number or make other updates to MSRB registration information, municipal advisors must log into MSRB Gateway and amend their electronic MSRB Form A-12. The [MSRB registration manual](#) includes instructions for amending Form A-12. Questions regarding MSRB registration should be directed to MSRB Support at 703-797-6668.

#### **Step Three: Municipal Advisor Professional and Annual Fee**

[MSRB Rule A-11](#) establishes a municipal advisor professional fee equal to \$300 annually for each Form MA-I on file with the SEC. Any municipal advisor that was temporarily or permanently registered with the SEC on or before September 30, 2014 is required to pay the MSRB a transitional professional fee within 10 business days of acceptance of their permanent registration by the SEC. [Read more about the transitional fee here.](#)

Beginning in 2015, the MSRB professional fee for municipal advisors will be due by April 30 of each year. Municipal advisors will receive an invoice from the MSRB for the total amount due based on the number of Form(s) MA-I on file with the SEC as of January 31 of each year. Rule A-11 also establishes an annual registration fee of \$500 for all regulated entities, including municipal advisors. This fee is due to the MSRB by October 31 each year.

#### **Step Four: Annual Affirmation**

Registered firms are required each January to log into MSRB Gateway to affirm or correct their registration information in MSRB Form A-12. The annual affirmation window opens January 1 and concludes January 27. The MSRB will email the primary and optional regulatory contacts at each firm to remind them of the affirmation period.

#### **Upcoming Events**

The MSRB will host a free educational webinar on the supervision and compliance obligations of municipal advisors under new MSRB Rule G-44 on Thursday, March 19, 2015 at 3:00 p.m. ET.

[Register for the webinar.](#)

#### **Did You Know?**

Municipal advisors can watch a recording of the [2014 Compliance Outreach Program](#) for Municipal Advisors on the SEC website. The joint program of the SEC, the Financial Industry Regulatory Authority and MSRB addressed current issues in compliance and regulation and provided municipal advisor professionals a forum for discussions with regulators about risk management, regulatory issues and compliance practices.

#### **Professional Qualification Update**

In November 2014, the MSRB filed a [proposed rule change with the SEC to create baseline standards of professional qualification for municipal advisors](#). The creation of uniform standards of competency will help ensure municipal advisors engaged in advisory work are qualified in their duties. The proposed amendments to the MSRB's existing Rule G-3 would establish two classifications of municipal advisor professionals – representative and principal. The proposed rule change also will require each municipal advisor representative and principal to take and pass a qualification test.

To inform the development of this test, the MSRB conducted an electronic survey of the business activities of registered municipal advisors. In early 2015, the MSRB plans to approve and file with the SEC a final content outline for the exam and administer a pilot exam shortly thereafter.

#### **Status of Municipal Advisor Rulemaking**

As the MSRB's regulatory initiatives for municipal advisors move from draft to final form, the MSRB will continue to provide information on their status. The information below is current as of December 5, 2014.

- Comments on [draft amendments to MSRB Rule G-20 on gifts and gratuities](#) are due to the MSRB no later than December 8, 2014.
- The MSRB [filed amendments to its Rule G-3 on professional qualifications](#) with the SEC in November 2014.
- MSRB [Rule G-44 on supervision and compliance obligations](#) was approved by the SEC and takes

effect April 23, 2015.

- A revised version of proposed MSRB Rule G-42 on core standards of conduct for municipal advisors is expected to be filed with the SEC in early 2015.
- Proposed amendments to MSRB Rule G-37 on pay-to-play practices are expected to be filed with the SEC in early 2015.