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SIFMA, ICI Urge SEC Not to Approve MSRB Test Proposal.

WASHINGTON - Dealers want the Securities and Exchange Commission to direct the Municipal Securities Rulemaking Board to use a single qualifications exam for all muni professionals, while the Investment Company Institute wants separate municipal advisor exams tailored to the type of MA work being done.

The Securities Industry and Financial Markets Association as well as ICI made their arguments in [recent written comments](#) to the SEC, which is considering whether to approve the MSRB's proposal to create baseline standards of professional qualification for MAs and require them to pass a test.

The proposal, which the MSRB released last March and filed with the SEC on Dec. 1, would establish two classifications of municipal advisor professionals, representative and principal. It would require firms to designate at least one principal to oversee the firm's MA activities. It also would require each MA representative and principal to take and pass a qualifications test that the MSRB is currently developing.

SIFMA believes that dealer representatives who have already taken and passed the necessary Financial Industry Regulatory Authority exams to become muni securities dealers are already qualified to be MAs, wrote Leslie Norwood, managing director, associate general counsel, and co-head of municipals at SIFMA.

"Persons currently qualified to perform municipal securities activities should also be qualified to perform municipal advisor activities, if they so choose," Norwood told the commission. "The Series 52 qualification examination should be sufficient for municipal securities representatives and municipal advisor representatives alike."

Dealers voiced that position when the MSRB floated its proposal last year, but the version sent to the SEC did not differ significantly from the initial proposal.

"The MSRB summarily dismissed the vast majority of the comments received on this point, including SIFMA's," Norwood wrote.

If the MSRB does move forward with separate tests for MAs, Norwood continued, qualified dealer representatives should be grandfathered in.

The ICI told the SEC that managers of municipal fund securities should have their own test.

"We are concerned that, by using one examination, the MSRB will be unable to tailor the examination to the type of advice the representative will render, a result that is not in the interests of municipal advisers' clients," wrote Tamara Salmon, senior associate counsel at ICI. "We recommend instead that the MSRB utilize at least two examinations - one for representatives of a municipal advisor whose advisory activities are limited to municipal fund securities and one for representatives whose advice is limited to municipal securities other than municipal fund securities."

Salmon said the knowledge required to perform different MA services can vary, and providing only one test could be contrary to the interests of an MA's clients.

"For example, providing advice on municipal securities likely requires a representative to be knowledgeable about issues such as negotiated prices, debt limits and ratios, underwriting periods, agreements, par values, etc.," Salmon wrote. "None of these topics would be relevant for a municipal advisor whose advisory business is limited to providing advice relating to a municipal fund security such as an interest in a 529 education savings plan."

The SEC could require changes to the MSRB proposal, or could approve it as is.

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