

VIA ELECTRONIC MAIL

November 14, 2016

Ronald W. Smith
Municipal Securities Rulemaking Board
1300 I Street NW
Washington, D.C. 20005

Re: MSRB Regulatory Notice 2016-24, Draft Provisions to MSRB Rule G-3 to Establish a Continuing Education Requirement for Municipal Advisors

Dear Mr. Smith:

On September 30, 2016, the Municipal Securities Rulemaking Board (MSRB) published its request for public comment on Regulatory Notice 2016-24, proposed recommendations to the Draft Provisions to MSRB Rule G-3 to establish a Continuing Education (CE) Requirement for Municipal Advisors (Draft Provisions).¹ The Draft Provisions would require municipal advisors and those who regularly supervise municipal advisors to develop a CE program.

The Financial Services Institute² (FSI) appreciates the opportunity to comment on this important proposal. FSI supports the Draft Provisions, as we believe they establish a flexible, principles-based rule that is harmonized with current FINRA CE requirements.

Background on FSI Members

The independent financial services community has been an important and active part of the lives of American investors for more than 40 years. In the US, there are approximately 167,000 independent financial advisors, which account for approximately 64.5% percent of all producing registered representatives.³ These financial advisors are self-employed independent contractors, rather than employees of the Independent Broker-Dealers (IBD).

FSI's IBD member firms provide business support to independent financial advisors in addition to supervising their business practices and arranging for the execution and clearing of

¹ See Regulatory Notice available at <http://www.msrb.org/~media/Files/Regulatory-Notices/RFCs/2016-24.ashx?la=en>.

² The Financial Services Institute (FSI) is an advocacy association comprised of members from the independent financial services industry, and is the only organization advocating solely on behalf of independent financial advisors and independent financial services firms. Since 2004, through advocacy, education and public awareness, FSI has been working to create a healthier regulatory environment for these members so they can provide affordable, objective financial advice to hard-working Main Street Americans.

³ The use of the term "financial advisor" or "advisor" in this letter is a reference to an individual who is a registered representative of a broker-dealer, an investment adviser representative of a registered investment adviser firm, or a dual registrant. The use of the term "investment adviser" or "advisor" in this letter is a reference to a firm or individual registered with the SEC or state securities division as an investment adviser.

customer transactions. Independent financial advisors are small-business owners with strong ties to their communities and know their clients personally. These financial advisors provide comprehensive and affordable financial services that help millions of individuals, families, small businesses, associations, organizations, and retirement plans. Their services include financial education, planning, implementation, and investment monitoring. Due to their unique business model, FSI member firms and their affiliated financial advisors are especially well positioned to provide Main Street Americans with the financial advice, products, and services necessary to achieve their investment goals.

FSI members make substantial contributions to our nation's economy. According to Oxford Economics, FSI members nationwide generate \$48.3 billion of economic activity. This activity, in turn, supports 482,100 jobs including direct employees, those employed in the FSI supply chain, and those supported in the broader economy. In addition, FSI members contribute nearly \$6.8 billion annually to federal, state, and local government taxes. FSI members account for approximately 8.4% of the total financial services industry contribution to U.S. economic activity.⁴

Discussion

FSI appreciates the opportunity to comment on the Draft Provisions. FSI fully supports MSRB's goal to ensure that certain professionals, including middle and back-office personnel, understand their responsibilities and the applicable regulations related to municipal securities activities and are subject to periodic testing to ensure they remain knowledgeable. Additionally, educating those who are in a position to identify and escalate indications of wrongdoing is immensely important. In 2014, when MSRB Rule G-3 was adopted, FSI requested clarification on the application of the rule, as FSI members were confused about which individuals would be subject to the Firm Element training. Since then, MSRB has offered clarity through their Response Letter⁵ and has offered webinars⁶ to assist with compliance. Given the essential nature of continuing education and MSRB's willingness to provide important guidance, FSI supports the current Draft Provisions. Our support is discussed in greater detail below.

I. FSI applauds the MSRB in their effort to create a principals-based Continuing Education program for Municipal Advisors

Through the rule making process⁷ and discussion with FSI members and MSRB staff, we know the Draft Provisions would mainly impact FSI members who are Series 24 Registered Principals who authorize municipal trades (mainly 529 Plans). Because of the nature of the Independent Business model, FSI members have provided us feedback that it will not be onerous for them to determine which Registered Principals are "regularly engaged" in the supervision of

⁴ Oxford Economics for the Financial Services Institute, The Economic Impact of FSI's Members (2016).

⁵ See MSRB Response Letter available at, <https://www.sec.gov/comments/sr-msrb-2014-05/msrb201405-5.pdf>

⁶ See MSRB Webinars, available at, <http://www.msrb.org/Regulated-Entities/Webinars.aspx>

⁷ On August 26, 2014 FSI submitted a comment letter expressing concern that the MSRB's Continuing Education proposal included rule text that deviated from the language in MSRB's initial Request for Comment. Notably, MSRB's original proposed rule text expanded annual municipal securities training to associated persons who "primarily engage" in municipal securities activities, while the language in MSRB's Proposed Rule Change applies to registered persons who "regularly engage" in municipal securities activities. For this, and several other reasons, FSI could not support the Proposed Rule Change in its form. The MSRB filed a response to FSI's concerns, where they stated that the new phrasing "provides dealers with the flexibility to determine who must participate in the Firm Element continuing education program, so long as the dealers have a reasonable basis for determining which registered persons regularly engage in or supervise municipal securities activities."

municipal securities. FSI commends MSRB for choosing a flexible and less prescriptive approach to this rule making, and encourages MSRB to continue doing so in future rulemaking. FSI members agree that firms are best suited to evaluate their municipal securities activities to determine who is “regularly engaged” in such activities and appreciate the MSRB providing them that flexibility.

II. FSI applauds the MSRB for harmonizing the Continuing Education Requirements with FINRA Rules

FSI has previously expressed its support for the harmonization of FINRA and MSRB rules and appreciates MSRB’s efforts to continue to pursue harmonization where it makes sense.⁸ Currently, MSRB Rule G-3(h) (ii)(A) is harmonized with FINRA’s Rule 1250(b) Firm Element Continuing Education Requirements. As such, broker-dealers have the necessary clarity to efficiently determine which individuals are subject to both FINRA and MSRB continuing education requirements. This clarity saves firms both time and money that can then be directed toward other important compliance efforts.

Conclusion

We are committed to constructive engagement in the regulatory process and welcome the opportunity to work with MSRB on this and other important regulatory efforts.

Thank you for considering FSI’s comments. Should you have any questions, please contact me at (202) 393-0022.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "D. T. Bellaire". The signature is fluid and cursive, with a large initial "D" and "T" followed by "Bellaire".

David T. Bellaire, Esq.
Executive Vice President & General Counsel

⁸ *Id.*