



August 13, 2014

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

Re: **SR-MSRB-2014-05: Notice of Filing of a Proposed Rule Change Consisting of Proposed Amendments to MSRB Rule G-3, on Professional Qualification Requirements, Regarding Continuing Education Requirements**

Dear Ms. Murphy:

The Securities Industry and Financial Markets Association (“SIFMA”)¹ appreciates the opportunity to comment on the Municipal Securities Rulemaking Board’s (“MSRB”) filing with the Securities and Exchange Commission (“SEC”) on the proposed changes to MSRB Rule G-3 regarding continuing education requirements. While SIFMA and its members appreciate the modifications made in response to various commentors to the continuing education changes originally proposed in MSRB Regulatory Notice 2013-22², we continue to believe that the revised proposal (the “Proposal”) should be further revised to the greatest extent possible to keep MSRB continuing education requirements harmonized with those of the Financial Industry Regulatory Authority (“FINRA”).

I. MSRB should not “de-harmonize” its Continuing Education Requirements from FINRA Rules

As noted by the MSRB, in addition to individual licensing and regulatory continuing education requirements administered by FINRA, “dealers [are required] to establish a formal training program to keep certain registered persons up to date on job and product-related subjects (the “Firm Element”). In planning, developing and implementing the Firm Element program, each MSRB registrant must consider its size, structure, scope of business

¹ SIFMA brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA’s mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA).

² MSRB Notice 2013-22 (December 13, 2013) available at <http://msrb.org/~media/Files/Regulatory-Notices/RFCs/2013-22.ashx?n=1>.

and regulatory concerns. Further, each registrant must administer its Firm Element program in accordance with its annual needs analysis and written training plan, and must maintain records documenting the content of the program and completion of the program by certain registered persons.”

Existing MSRB continuing education requirements are currently harmonized with FINRA’s Rule 1250(b) Firm Element Continuing Education Requirements. The SEC’s 2012 Report on the Municipal Securities Market includes a recommendation for the Commission work with the MSRB to harmonize MSRB rules with similar FINRA rules.³ However, the MSRB appears to disregard this theme by proposing to “de-harmonize” its Firm Element Continuing Education rule from FINRA’s without offering any compelling evidence that this is necessary. De-harmonization creates unnecessary regulatory confusion as well as costs and burdens.

II. MSRB should not expand application of Firm Element Continuing Education to Non-Customer Facing Registered Representatives

This Proposal would expand the individuals required to take firm element continuing education. It would apply to registered representatives and principals who regularly engage in or supervises municipal securities activities, whereas current MSRB and FINRA rules apply to registered individuals with *customer contact* (and also registered operations professionals). The MSRB would uniquely expand the Firm Element to certain middle and back office personnel and perhaps to roles related to finance and accountings that would result in a distinct educational module for personnel without customer contact. However, the MSRB has not demonstrated a compelling need to subject these individuals to additional training and education or that the type of training proposed (e.g. investment features, suitability, sales practices, regulations) would even be relevant to their particular job functions. Individuals engaged in back office operations receive training appropriate to their job function. The administrative costs of having inconsistent regulatory requirements would outweigh the benefits and this proposal is in conflict with stated goals of rule harmonization.

III. Clarification Regarding Effective Date

The MSRB’s filing with the SEC states “[t]he effective date of the proposed rule change will be January 1, 2015”. SIFMA’s members request clarification that the impact of a January 1, 2015 effective means that dealers have until December 1, 2015 to complete the annual training requirements containing in Rule G-3.

³ Report on the Municipal Securities Market, U.S. Securities and Exchange Commission, July 31, 2012, at page 141, available at <http://www.sec.gov/news/studies/2012/munireport073112.pdf>.

IV. Level Regulatory Playing Field with Previously Unregulated Municipal Advisors/Financial Advisors

SIFMA is pleased that the MSRB is moving forward in defining the scope of duties that a municipal advisor owes to its municipal clients⁴. In addition to the concerns raised above, prior to expanding the scope and manner of training of dealer employees, SIFMA believes that efforts to revise the MSRB's continuing education program should instead be focused on newly regulated/previously unregulated financial advisors to establish a minimum threshold of training annually that is appropriate in the public interest and for the protection of investors, municipal entities or obligated persons.

V. Inadequate Economic Analysis

SIFMA and its members believe that evaluating the costs and burdens of new regulation, and weighing those costs against any benefits derived from such new regulation, is critical to ensure efficient regulation. An essential component of this principle is conducting a true, reality-based, (and if possible dollar-specific) cost-benefit analysis of new rule proposals and other initiatives. Fully consider the costs and burdens weighed against potential benefits, which we understand are much more difficult to value, as well as reasonable alternatives. The MSRB notes "it is unable to quantify the economic effects of the proposed rule change because the information necessary to provide reasonable estimates is not available." Once again⁵, SIFMA offers to assist the MSRB gather such data. The MSRB does not cite to any empirical data that current dealer middle or back office personnel do not understand their professional responsibilities and applicable regulations or that current training is insufficient.

⁴ See MSRB Notice 2014-12 (July 23, 2014), available at <http://msrb.org/~media/Files/Regulatory-Notices/RFCs/2014-12.ashx?n=1>.

⁵ See letter from David L. Cohen, SIFMA, to Ronald W. Smith, MSRB, dated March 13, 2014, available at <http://www.sifma.org/issues/item.aspx?id=8589947986>.

VI. Conclusion

SIFMA sincerely appreciates this opportunity to comment upon the Proposal. SIFMA believes that the MSRB's continuing education requirements should continue to be harmonized with those of FINRA. De-harmonization creates unnecessary costs and burdens.

We would be happy to meet with the SEC's Office of Municipal Securities to discuss our comments further. Please do not hesitate to contact me with any questions at (212) 313-1265.

Sincerely yours,

A handwritten signature in blue ink that reads "D.L. Cohen". The signature is fluid and cursive, with the first name "David" and last name "Cohen" clearly legible.

David L. Cohen
Managing Director
Associate General Counsel

cc:

Municipal Securities Rulemaking Board
Lynnette Kelly, Executive Director
Gary L. Goldsholle, General Counsel
Lawrence P. Sandor, Deputy General Counsel