



MSRB NOTICE 2013-19 (AUGUST 19, 2013)

REQUEST FOR COMMENT ON PROPOSED RULE CHANGE TO CONSOLIDATE REGISTRATION REQUIREMENTS

The Municipal Securities Rulemaking Board ("MSRB" or "Board") is seeking comment on proposed rule changes that would set forth in a single rule the requirements to and process by which brokers, dealers and municipal securities dealers ("dealers") and municipal advisors (collectively "regulated entities") register with the MSRB. The substance of the single rule would be similar to that of existing rules, with the exception of new requirements to provide additional contact and firm identification information, as well as data concerning the scope of dealer activities. The proposed changes would consolidate the requirements for new MSRB registrants into MSRB Rule A-12 and would eliminate MSRB Rules A-14, on the Board's annual fee, A-15, on the notification to the Board of a change in status or a change of name or address, and G-40, on electronic mail contacts, and modify MSRB Rule G-14(b)(iv). Additionally, the proposed changes would eliminate two existing MSRB forms, Forms RTRS and G-40, and create a single, consolidated electronic registration form, Form A-12.

Comments should be submitted no later than September 20, 2013, and may be submitted in electronic or paper form. [Comments may be submitted electronically by clicking here.](#) Comments submitted in paper form should be sent to Ronald W. Smith, Corporate Secretary, Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, VA 22314. All comments will be available for public inspection on the MSRB's website.^[1]

Questions about this notice should be directed to Lawrence P. Sandor, Deputy General Counsel, at 703-797-6600.

BACKGROUND

Currently, regulated entities must reference a series of MSRB rules when registering with the MSRB, as there is no single "registration" rule. Prior to engaging in municipal securities or municipal advisory activities, regulated entities must, consistent with Rule A-12, supply basic identifying information to the MSRB and pay an initial fee. Each regulated entity that changes its name or address, or ceases to be engaged in municipal securities business, whether voluntarily or otherwise, must so notify the MSRB, pursuant to Rule A-15. Also, regulated entities must complete Forms RTRS and G-40, which are required by Rules G-14(b)(iv) and G-40, respectively. These rules require registrants to provide the MSRB with an official contact, as well as other business information, and to provide the MSRB with information necessary to process their transactions correctly, such as their trading symbol. Additionally, under Rule A-14, regulated entities must pay an annual fee upon registration and annually thereafter.

The purpose of the proposed registration rule, revised Rule A-12, is to delineate succinctly and clearly in one location the requirements and process for MSRB registration and to resolve certain other regulatory issues discussed below that are not fully addressed by existing MSRB rules. The proposed changes would result in the elimination of three current MSRB rules, Rules A-14, A-15, and G-40, as well as two forms, Forms RTRS and G-40. These forms would be replaced by the single new electronic Form A-12.

The MSRB believes that the proposed changes will clarify and facilitate the registration process for new registrants, who, as noted, currently must follow requirements spread across several rules and forms. The MSRB staff regularly provides guidance to new registrants regarding registration, and the MSRB believes that a streamlined "registration" rule will reduce the necessity for such staff guidance and the use of outside counsel. The MSRB also believes that relief is warranted for new registrants that register in the last month of the MSRB's fiscal year in the form of a waiver of the following year's annual registration fee. This relief is intended to address concerns raised by regulated entities that they must pay two annual fees in a short period of time if they register with the MSRB at the end of a fiscal year. The proposed changes would impose a late fee on those regulated entities that fail to pay certain MSRB fees timely.

SUMMARY OF THE PROPOSAL

Revised Rule A-12 would require regulated entities to register with the Board prior to engaging in any municipal securities or municipal advisory activities. As a precondition to MSRB registration, dealers and municipal advisors would be required to register with the SEC, notify the Financial Industry Regulatory Authority ("FINRA") or the appropriate bank regulator, as applicable, complete Form A-12 and pay the initial and annual registration fees. Necessary information collected previously on Forms RTRS and G-40 would be collected on Form A-12. This includes information regarding a dealer's executing broker symbol assigned by NASDAQ and any participant member identification assigned by the National Securities Clearing Corporation. It also includes other trade reporting information and contact information currently collected on Form RTRS and Form G-40.

Under the proposed changes, rather than provide a primary electronic mail contact, the registrant would provide contact information on Form A-12 for a primary regulatory contact, optional regulatory contact, master account administrator, billing contact, compliance contact, data quality contact, and optional technical contact. For dealers, the primary regulatory contact would be required to be a registered principal. It would be the responsibility of the primary regulatory contact to receive official communications from the MSRB, similar to the role of the primary electronic mail contact under Rule G-40.

Based on questions from regulated entities as to whether they can reference their status as an MSRB registrant in advertising and, if so, how to do so, the rule change provides that, once registered, a regulated entity may use the designation "MSRB registered" in its advertising, including on its website.

The initial and annual fee amounts would remain unchanged, though the MSRB will review its fee structure periodically. The annual fee would continue to be due by October 31 each year, but revised Rule A-12 would provide that a regulated entity that registers in September and pays an annual fee at the time of registration need not pay the annual fee for the following fiscal year. Consistent with the practices of other SROs, the MSRB will institute late fees as a means to encourage timely payment of fees. Any registrant that fails to pay the annual fee or any fee due under Rule A-13 (underwriting, transaction and technology fees) will be assessed a monthly late fee computed based on the overdue balance and the prime rate plus an additional \$25 per month.

The proposal also would provide for an annual affirmation process similar to the current process under Rule G-40, which would require registrants to review, update and affirm the information on Form A-12 during the first seventeen business days of each calendar year. Similar to the current requirement in Rule A-15, registrants would be required to update Form A-12 if any information on the form becomes inaccurate or if the firm ceases to be engaged in municipal securities or municipal advisory activities.

Finally, to have more complete data concerning the scope of activities engaged in by MSRB registrants, regulated entities would be required to inform the MSRB of the types of municipal securities and municipal advisory activities engaged in by such firms.

REQUEST FOR COMMENT

The MSRB is requesting comment from regulated entities and other market participants regarding the proposed changes to Rules A-12 and G-14, the proposed elimination of Rules A-14, A-15, and G-40, and the replacement of Forms RTRS and G-40 with Form A-12. In addition to the substance of the proposed changes, the MSRB requests that commenters address the following questions, and include relevant data wherever possible:

1. Would the proposed changes make it easier for regulated entities to understand and follow the registration requirements of the MSRB? Are there other ways for the MSRB to assist new registrants in meeting their registration requirements?
2. Relative to the process for registration today, do the proposed changes offer any benefits to regulated entities?
3. To the extent the proposed changes would impose any *new* burdens on regulated entities, please describe those burdens in detail and quantify them, to the extent possible.
4. Would the waiver of the following year's annual fee for firms that register in September be appropriate relief for firms that seek to register at the end of a fiscal year?

5. Would the assessment of late fees impose any undue burden on firms that fail to pay the requisite fees in a timely fashion? If so, what alternatives should the MSRB consider as means to promote the payment of fees in a timely manner?
6. Are there any other provisions in MSRB rules that should be consolidated into the proposed new registration rule?

August 19, 2013

TEXT OF PROPOSED AMENDMENTS^[2]

Rule A-12: Registration Initial Fee

(a) Registration Requirements. Each broker, dealer and municipal securities dealer prior to engaging in municipal securities activities must register with the Board, and each municipal advisor prior to engaging in municipal advisory activities must register with the Board. Prior to registration, each broker, dealer, municipal securities dealer and municipal advisor must register as such with the Commission and, as applicable, provide the Board with evidence of notification to a registered securities association or appropriate regulatory agency of its intent to engage in municipal securities and/or municipal advisory activities. Registration will not become effective until the broker, dealer, municipal securities dealer or municipal advisor is notified by the Board that its Form A-12 is complete and its initial registration fee and annual registration fee have been received and processed.

(b) Initial Registration Fee. Each broker, dealer, municipal securities dealer and municipal advisor shall pay to the Board an initial registration fee of \$100, which shall be payable in the manner provided by the MSRB Registration Manual. A firm registering as a broker, dealer or municipal securities dealer and as a municipal advisor need only pay one initial registration fee, so long as such firm remains continuously registered with the Board.

(c) Annual Registration Fee. As part of its initial registration and annually thereafter, based on the fiscal year of the Board, each broker, dealer, municipal securities dealer and municipal advisor shall pay to the Board an annual registration fee of \$500. The annual registration fee shall be payable in the manner provided by the MSRB Registration Manual. Subsequent to initial registration, the annual registration fee is due by October 31 each year. For any broker, dealer, municipal securities dealer or municipal advisor that registers and pays an annual registration fee during the month of September, the annual registration fee for the following fiscal year beginning in October shall be waived.

(d) Late Fees. Any broker, dealer, municipal securities dealer or municipal advisor that fails to pay any fee assessed under this rule or Rule A-13 within 30 days of the invoice date shall pay a monthly late fee of \$25 and a late fee on the overdue balance, computed according to the Prime Rate, as provided for in the MSRB Registration Manual, until paid.

(e) Registration Designation. Any broker, dealer, municipal securities dealer or municipal advisor that is registered with the Board may use the designation "MSRB registered" in its advertising, including on its website.

(f) Designated Contacts. Each broker, dealer, municipal securities dealer and municipal advisor must designate, on Form A-12, a Primary Regulatory Contact, Master Account Administrator, Billing Contact, Compliance Contact, and Data Quality Contact, and may designate an Optional Regulatory Contact and/or Optional Technical Contact, for purposes of communication between the firm and the Board. Each Primary and Optional Regulatory Contact shall, in the case of brokers, dealers, or municipal securities dealers, be a registered municipal securities principal (Series 53 or, in the case of a firm solely engaged in municipal fund securities business, Series 51 or 53) of the broker, dealer or municipal securities dealer. Each Primary and Optional Regulatory Contact shall, in the case of municipal advisors, be a municipal advisory principal who shall be authorized to receive official communications from the Board. It shall be the responsibility of the Billing Contact to receive Board invoices and to respond to any Board inquiries regarding fees.

(g) Trade Reports. Each broker, dealer and municipal securities dealer shall provide to the Board, prior to registering with the Board, the information required by Form A-12 to ensure that its trade reports can be processed correctly, or shall confirm that it qualifies for the exemption for trade reporting pursuant to Rule G-14(b)(vi) and shall update such information promptly to ensure its continued accuracy.

(h) Compliance with Regulatory Requests. Each broker, dealer, municipal securities dealer and municipal advisor shall comply with any request by the Board or the appropriate regulatory agency for required information within 15 days or such longer period as may be agreed to by the Board or the appropriate regulatory agency.

(i) Form A-12 Reporting Requirements. Each broker, dealer, municipal securities dealer and municipal advisor shall provide to the Board, prior to registration with the Board, the information required by Form A-12 in a designated electronic format and in such manner as set forth in the MSRB Registration Manual.

(j) Form A-12 Updates and Withdrawal. A broker, dealer, municipal securities dealer or municipal advisor must update Form A-12 within 30 days, if any information therein becomes inaccurate or if it ceases to be engaged in municipal securities or municipal advisory activities, whether voluntarily or involuntarily through a regulatory or judicial bar, suspension or otherwise.

(k) Form A-12 Annual Affirmation. Each broker, dealer, municipal securities dealer and municipal advisor shall review, update as necessary, and affirm Form A-12 during the Annual Affirmation Period that commences on January 1 of each calendar year and ends 17 business days thereafter. The annual affirmation may be completed by the Primary Regulatory Contact or an Optional Regulatory Contact designated by the firm. Any broker, dealer, municipal securities dealer or municipal advisor that submits its initial Form A-12 during the Annual Affirmation Period need not affirm Form A-12 during that period.

(l) MSRB Registration Manual. The MSRB Registration Manual, as updated or amended from time to time, is comprised of the specifications for the reporting of information required under this rule, the instructions for submitting Form A-12, and other information relevant to payments and reporting under this rule. The MSRB Registration Manual is located at www.msrb.org.

~~Prior to effecting any transaction in or inducing or attempting to induce the purchase or sale of any municipal security, or engaging in municipal advisory activities, a broker, dealer, municipal securities dealer, or municipal advisor shall pay to the Board an initial fee of \$100, accompanied by a written statement setting forth the name, address and Securities and Exchange Commission registration number of the broker, dealer, municipal securities dealer, or municipal advisor on whose behalf such fee is paid. The Commission registration number shall also be set forth on the face of the remittance. Such fee shall be payable at the offices of the Board. In the event any person subject to this rule shall fail to pay the required fee, the Board may recommend to the Commission that the registration of such person with the Commission be suspended or revoked. No municipal advisor shall be in violation of this rule for failure to pay this initial fee in advance of January 1, 2011.~~

Rule G-14: Reports of Sales or Purchases

(a) No change.

(b) *Transaction Reporting Requirements.*

(i) - (iii) No change.

(iv) ~~The provisions of this section (b) shall not apply to a dealer if such dealer does not effect any transactions in municipal securities or if such dealer's transactions in municipal securities are limited exclusively to transactions described in subsection (b)(vi) of this rule and the dealer has confirmed that it is qualified for this exemption as provided in Rule A-12(g). Each dealer shall provide to the Board on Form RTRS information necessary to ensure that its trade reports can be processed correctly. Such information includes the manner in which transactions will be reported, the broker symbol used by the dealer, the identity of and information on any intermediary to be used as a Submitter, information on personnel that can be contacted if there are problems in RTRS submissions, and information necessary for systems testing with RTRS. Information provided on Form RTRS shall be kept current by notifying the MSRB when contact information or other information provided on the form changes.~~

(v) - (vi) No change.

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Rule A-14: Annual Fee

In addition to any other fees prescribed by the rules of the Board, each broker, dealer, municipal securities dealer, and municipal advisor shall pay an annual fee to the Board of \$500, with respect to each fiscal year of the Board in which the broker, dealer, municipal securities dealer, or municipal advisor conducts municipal securities activities or municipal advisory activities. Except as set forth below, such fee must be received at the office of the Board no later than October 31 of the fiscal year for which the fee is paid, accompanied by the invoice sent to the broker, dealer, municipal securities dealer, or municipal advisor by the Board, or a written statement setting forth the name, address and Commission registration number of the broker, dealer, municipal securities dealer, or municipal advisor on whose behalf the fee is paid. No municipal advisor shall be in violation of this rule for failure to pay this annual fee in advance of January 1, 2011.

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Rule A-15: Notification to Board of Change in Status or Change of Name or Address

(a) *Procedure for Notifying Board of Change in Status.* A broker, dealer, municipal securities dealer, or municipal advisor must promptly notify the Board if it ceases to be engaged in municipal securities activities or municipal advisory activities, whether voluntarily or because it has been barred or suspended from engaging in municipal securities activities or municipal advisory activities by the appropriate regulatory agency, judicial authority or otherwise. A broker, dealer, or municipal securities dealer must also notify the Board if it has been expelled or suspended from membership or participation in a national securities exchange or registered securities association. Any notification required by this rule shall be provided in a written statement setting forth such broker's, dealer's, municipal securities dealer's, or municipal advisor's name, address, Commission registration number, and a description of, and the reasons for, its change in status.

(b) *Obligation to Pay Fees.* A broker, dealer, municipal securities dealer, or municipal advisor that files notification with the Board pursuant to section (a) of this rule shall be obligated to pay the fees owed to the Board at the time of filing of such notification.

(c) *Notification of Name or Address Change.* Each broker, dealer, municipal securities dealer, or municipal advisor that has followed the procedure set forth in Board Rule A-12 shall notify the Board promptly of any changes to the information required by Rule A-12.

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Rule G-40: Electronic Mail Contacts

(a)(i) Each broker, dealer, municipal securities dealer, or municipal advisor shall maintain an Internet electronic mail account to permit communication with the MSRB, and shall appoint a Primary Electronic Mail Contact to serve as the official contact person for purposes of electronic mail communication between the broker, dealer, municipal securities dealer, or municipal advisor and the MSRB. Each Primary Electronic Mail Contact of a broker, dealer, or municipal securities dealer shall be a registered municipal securities principal (Series 53 or Series 51) of the broker, dealer or municipal securities dealer.

(ii) Each broker, dealer, municipal securities dealer, or municipal advisor may appoint an Optional Electronic Mail Contact for purposes of electronic mail communication between the broker, dealer, municipal securities dealer, or municipal advisor and the MSRB.

(b)(i) Upon completion of its Rule A-12 submissions and assignment of an MSRB Registration Number, each broker, dealer, municipal securities dealer, or municipal advisor shall electronically submit to the MSRB a completed Form G-40 setting forth, in the prescribed format, the following information:

(A) The name of the broker, dealer, municipal securities dealer, or municipal advisor and the date.

(B) The MSRB Registration Number of the broker, dealer, municipal securities dealer, or municipal advisor, including any separate MSRB Registration Number assigned if registered both as a municipal advisor and a broker, dealer, or municipal securities dealer.

(C) The name of the Primary Electronic Mail Contact, and his/her electronic mail address and telephone number.

(D) The name of the Optional Electronic Mail Contact, if any, and his/her electronic mail address and telephone number.

(E) The name, title and telephone number of the person who prepared the form.

(F) In the case of a municipal advisor, the categories of municipal advisor that describe the municipal advisor as provided on Form G-40.

(ii) A broker, dealer, municipal securities dealer, or municipal advisor may change the information previously provided by electronically submitting to the MSRB an amended Form G-40. In addition, each broker, dealer, municipal securities dealer, or municipal advisor shall update its information promptly, but in any event not later than 30 days following any change in such information.

(c)(i) Each broker, dealer, municipal securities dealer, or municipal advisor shall review and, if necessary, update its information and submit such information electronically to the MSRB within 17 business days after the end of each calendar year.

(ii) Any broker, dealer, municipal securities dealer, or municipal advisor that, during the 17 business-day update period, submits its initial Form G-40 or modifies or affirms its information shall be deemed to be in compliance with the annual update requirement applicable to the year immediately preceding that 17 business-day update period.

(d) Each broker, dealer, municipal securities dealer, or municipal advisor shall promptly comply with any request by the appropriate regulatory agency for required information, but in any event not later than 15 days following any such request, or such longer period that may be agreed to by the appropriate regulatory agency.

(e) No municipal advisor shall be in violation of this rule for failure to complete Form G-40 in advance of January 1, 2011.

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Form A-12

Each broker, dealer, municipal securities dealer and municipal advisor shall, prior to registering with the Board, provide the following information:

(i) Firm Information:

(A) Name of Firm or Individual;

(B) SEC identification number;

(C) FINRA identification (Central Registration Depository) number, if applicable;

(D) Legal entity identifier, if any;

(E) Executing broker symbol(s) (Market Participant Identifier) assigned by NASDAQ, if any; and

(F) Participant member identification number assigned by National Securities Clearing Corporation, if any.

(ii) Applicant's Form of Organization:

(A) Sole Proprietorship (Individual), Limited Liability Company, US Federally Chartered Bank, Partnership, Limited Liability Partnership, Other. Indicate where the entity is incorporated, organized or established.

(iii) Registration Categories:

(A) Broker-Dealer;

(B) Bank Dealer;

(C) Municipal Advisor.

(iv) Type of Business Activity:

(A) Municipal Advisor (Financial Advisor, GIC Broker/Advisor, Investment Advisor/Bonds Proceeds Investment, Placement Agent, Solicitor/Finder, Swap/Derivative Advisor, Tax, Third Party Marketer, Other);

(B) Municipal Fund Securities (529 Plan Primary Distributor, 529 Plan Sales, Local Government Investment Pool Distributor/Sales, Other);

(C) Dealer Activities (Underwriting, Retail Sales, Research, Alternative Trading System, Broker's Broker Activities, Institutional Sales, Online Brokerage, Trading -Proprietary, Trading-Inter-Dealer, Other).

(v) Business Information:

(A) Business address, mailing address, phone number, and fax number;

(B) Website address, if any; and

(C) E-mail address.

(vi) Other Names (d/b/a)

(vii) Contact Information – name, title, address, phone number, fax number and email address for the following:

(A) Primary Regulatory Contact;

(B) Optional Regulatory Contact;

(C) Master Account Administrator;

(D) Billing Contact;

(E) Compliance Contact;

(F) Data Quality Contact; and

(G) Optional Technical Contact.

(viii) Trade Reporting Information:

(A) Method by which dealer will report transactions;

(B) Identity of dealer(s) employed as agent for the purpose of submitting transaction information;

(C) Method by which dealer will review transaction status information;

(D) If method selected is email, email address to which transaction status information should be sent; and

(E) Identity of any executing broker symbol used to report transactions effected when acting as a broker's broker.

[1] Comments are posted on the MSRB website without change. Personal identifying information such as name, address, telephone number, or email address, will not be edited from submissions. Therefore, commenters should only submit information that they wish to make available publicly.

[2] Underlining indicates new language; strikethrough denotes deletions.

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