



July 15, 2014

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

Re: SR-MSRB-2014-04: Notice of Filing of a Proposed Rule Change Consisting of Proposed Amendments to Rule G-3, on Classification of Principals and Representatives, Numerical Requirements, Testing, Continuing Education Requirements; Rule G-7, on Information Concerning Associated Persons; and Rule G-27, on Supervision

Dear Secretary 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) of proposed amendments to Rule G-3, on Classification of Principals and Representatives, Numerical Requirements, Testing, Continuing Education Requirements; Rule G-7, on Information Concerning Associated Persons; and Rule G-27, on Supervision. The proposed rule changes would: (1) amend MSRB Rule G-3(a) to limit the scope of permitted activities of a limited representative - investment company and variable contracts products (“Limited Representative”) to sales to and purchases from customers of municipal fund securities; (2) eliminate the Financial and Operations Principal (“FINOP”) classification, qualification and numerical requirements in MSRB Rule G-3(d); (3) clarify in Supplementary Material .01 to Rule G-3 that references to sales include the solicitation of sales of municipal securities; and (4) make certain technical amendments to (i) re-title Rule G-3 and its subparagraph (a) and define the Limited Representative classification, (ii) reorganize Rules G-3 and G-7(a), and (iii) remove references to the FINOP in Rules G-7 and G-27.

SIFMA supports modifying the scope of permissible activities for a Limited Representative – Investment Company and Variable Contracts Products (Limited Representative) in MSRB Rule G-3(a)(ii)(C), and eliminating the requirement of MSRB

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).

Rule G-3(d) for certain firms to appoint at least one Financial and Operations Principal. In addition to these changes originally proposed in MSRB Notice 2013-22², the MSRB had also proposed changes to continuing education requirements contained in MSRB Rule G-3(h) which would have de-harmonized its continuing education requirements from those of FINRA. SIFMA compliments the MSRB for its careful consideration of the comments submitted and its decision not to propose such changes to the SEC.

I. Financial Operations Principal and Limited Representative – Investment Company and Variable Contracts Products

SIFMA concurs with the MSRB that the scope of permissible activities for a Limited Representative – Investment Company and Variable Contracts Products (Limited Representative) in MSRB Rule G-3(a)(ii)(C) should be modified as proposed and that the requirement of MSRB Rule G-3(d) for certain firms to appoint at least one Financial and Operations Principal should be eliminated.

a. Limited Representative – Investment Company and Variable Contracts Products

SIFMA supports the proposed revisions to Rule G-3(a)(ii)(C) that would limit the activities of persons who are duly qualified as limited representatives. As proposed, such persons' activities would be limited exclusively to the sales and purchases from customers of municipal fund securities. SIFMA supports this revision because it will make the MSRB's rule more consistent with FINRA Rule 1032. We also support the clarification the MSRB made in Supplementary Material .01 to expressly clarify that such limited representatives may also engage in solicitation activities. This further revision was necessary to make the MSRB's rule entirely consistent with FINRA's rule, which permits limited representatives to engage in the "solicitation, purchase, and/or sale of investment company securities."

b. Financial Operations Principal

SIFMA additionally supports the repeal of the provisions in Rule G-3(d) that currently: (1) define the term "financial and operations principal;" (2) impose qualifications requirements on a person acting as a FINOP (*i.e.*, passage of the Series 27 examination, which is administered by FINRA); and (3) require every broker, dealer, or municipal securities dealers to have at least one FINOP unless eligible for a waiver from this requirement. In light of FINRA's similar FINOP requirements and the fact that municipal securities dealers that are FINRA members would be required to comply with FINRA's requirements, the MSRB has proposed to delete its separate FINOP requirements. As explained in the Notice, repeal of this provision "will simplify the qualification rules that dealers must follow and

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

avoid regulatory duplication.” SIFMA agrees and supports this proposed revision. We commend the MSRB for its interest in avoiding unnecessary regulatory costs and duplication and for proposing this amendment in furtherance of such interest.

II. Conclusion

SIFMA sincerely appreciates this opportunity to comment upon the Proposal. SIFMA supports modifying the scope of permissible activities for a Limited Representative – Investment Company and Variable Contracts Products (Limited Representative) in MSRB Rule G-3(a)(ii)(C) and eliminating the requirement of MSRB Rule G-3(d) for certain firms to appoint at least one Financial and Operations Principal.

We would welcome the opportunity to meet with you and the SEC’s staff to discuss our comments further. Please do not hesitate to contact me with any questions at (212) 313-1265.

Sincerely yours,



David L. Cohen
Managing Director
Associate General Counsel

cc:

Municipal Securities Rulemaking Board

Lynnette Kelly, Executive Director
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