

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-54357; File No. SR-MSRB-2006-06)

August 24, 2006

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing and Immediate Effectiveness of Proposed Rule Change Relating to Revisions to the Series 51 Examination Program

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on August 11, 2006, the Municipal Securities Rulemaking Board (“MSRB” or “Board”), filed with the Securities and Exchange Commission (“Commission” or “SEC”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the MSRB. The MSRB has designated the proposed rule change as constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the self-regulatory organization pursuant to Section 19(b)(3)(A)(i) of the Act,³ and Rule 19b-4(f)(1) thereunder,⁴ which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The MSRB is filing with the Commission revisions to the study outline for the Municipal Fund Securities Limited Principal Qualification Examination (Series 51)

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(i).

⁴ 17 CFR 240.19b-4(f)(1).

program.⁵ The proposed revisions update the material to reflect changes to the rules and regulations covered in the examination, and to provide more explicit references to these rules and regulations. The MSRB is not proposing any textual changes to its rules.

The revised study outline is available on the MSRB's Web site (<http://www.msrb.org>), at the MSRB's principal office, and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the MSRB included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The MSRB has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Section 15B(b)(2)(A) of the Act⁶ authorizes the MSRB to prescribe standards of training, experience, competence, and such other qualifications as the Board finds necessary or appropriate in the public interest or for the protection of investors. The

⁵ The MSRB is also proposing corresponding revisions to the Series 51 question bank, but based upon instructions from the Commission staff, the MSRB is submitting SR-MSRB-2006-06 for immediate effectiveness pursuant to Section 19(b)(3)(A)(i) of the Act and Rule 19b-4(f)(1) thereunder, and is not filing the question bank for Commission review. See letter to Diane G. Klinke, General Counsel, MSRB, from Belinda Blaine, Associate Director, Division of Market Regulation, SEC, dated July 24, 2000. The question bank is available for Commission review.

⁶ 15 U.S.C. 78o-4(b)(2)(A).

MSRB has developed examinations that are designed to establish that persons associated with brokers, dealers and municipal securities dealers that effect transactions in municipal securities have attained specified levels of competence and knowledge. The MSRB periodically reviews the content of the examinations to determine whether revisions are necessary or appropriate in view of changes pertaining to the subject matter covered by the examinations.

MSRB Rule G-3(b)(iv) states that the municipal fund securities limited principal has responsibility to oversee the municipal securities activities of a securities firm or bank dealer solely as such activities relate to transactions in municipal fund securities. In this capacity, the municipal fund securities limited principal manages, directs or supervises one or more of the following activities relating to municipal fund securities: underwriting, trading or selling municipal fund securities; rendering financial advisory or consultant services to issuers of municipal fund securities; research or investment advice, or communications with customers, about any of the activities named heretofore; maintaining records on activities in municipal fund securities; processing, clearing, and (in the case of securities firms) safekeeping of municipal fund securities; and training of principals and representatives.⁷ The only examination that qualifies a municipal fund securities limited principal is the Municipal Fund Securities Limited Principal Qualification Examination.

A committee of industry members and MSRB staff recently completed a review of the study outline for the Series 51 examination program. As a result of this review, the MSRB is proposing to update the content of the examination to cover certain rules or

⁷ A municipal securities principal (Series 53) is also qualified to bear these responsibilities.

provisions of rules that were promulgated since the date that the outline was initially published (MSRB Rule G-21 and new Rule G-38 on solicitation of municipal securities business), and to delete coverage of rules or rule provisions that are obsolete (old Rule G-38 on consultants). Technical changes have been made to correct the citations for the rules that have been amended. The number of questions on each section of the examination will not change. The revised examination continues to cover areas of knowledge required for effective supervision of municipal fund securities activities. A summary of the changes to the study outline is provided below.

Part Two—Product Knowledge

- A reference to taxes imposed on withdrawals for non-qualified uses relating to 529 college savings plans was added.
- The description on deductibility of contributions relating to 529 college savings plans was expanded.
- A reference to the federal sunset provisions relating to 529 college savings plans was removed.

Part Three—General Supervision

- A reference to any recently enacted MSRB interpretations was added to the reference to any recently enacted rules governing general supervision.

Part Four—Fair Practice and Conflicts of Interest

- References to old Rule G-38, on consultants, were removed.
- New Rule G-38, on solicitation of municipal securities business, was added.
- A technical change was made to revise the title of Rule G-20.
- A rule cite was revised to Rule G-21(f).

- Rule G-21(e) regarding advertisements for municipal fund securities was added.
- A reference to any recently enacted MSRB interpretations was added to the reference to any recently enacted rules governing fair practice and conflicts of interest.

Part Five—Sales Supervision

- A reference to any recently enacted MSRB interpretations was added to the reference to any recently enacted rules governing sales supervision.

Part Six—Underwriting and Disclosure Obligations

- A reference to any recently enacted MSRB interpretations was added to the reference to any recently enacted rules governing underwriting and disclosure obligations.

Part Seven—Operations

- A reference to any recently enacted MSRB interpretations was added to the reference to any recently enacted rules governing operations.

The examination will continue to consist of 60 multiple-choice questions assigned to the seven areas of the examination as follows:

Regulatory Structure	5%
Product Knowledge	20%
General Supervision	20%
Fair Practice and Conflicts of Interest	15%
Sales Supervision	20%
Underwriting and Disclosure Obligations	10%
Operations	10%

Candidates will continue to be allowed one and one-half hours for each testing session. Each question will continue to count one point, and each candidate must correctly answer 70 percent of the questions in order to receive a passing grade. Also, each candidate must have previously or concurrently qualified as a general securities principal or investment company/variable contracts limited principal in addition to passing the Series 51 Examination in order to gain qualification as a municipal fund securities limited principal.

2. Statutory Basis

The MSRB believes that the proposed revisions to the Series 51 examination program are consistent with the provisions of Section 15B(b)(2)(A) of the Act,⁸ which authorizes the MSRB to prescribe standards of training, experience, competence, and such other qualifications as the Board finds necessary or appropriate in the public interest or for the protection of investors. Section 15B(b)(2)(A) of the Act also provides that the Board may appropriately classify municipal securities brokers and municipal securities dealers and their associated personnel and require persons in any such class to pass tests prescribed by the Board.

B. Self-Regulatory Organization's Statement on Burden on Competition

The MSRB does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

⁸ 15 U.S.C. 78o-4(b)(2)(A).

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The proposed rule change has become effective pursuant to Section 19(b)(3)(A)(i) of the Act⁹ and Rule 19b-4(f)(1) thereunder,¹⁰ in that the proposed rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the self-regulatory organization. MSRB proposes to implement the revised Series 51 examination program on September 15, 2006. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.¹¹

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-MSRB-2006-06 on the subject line.

⁹ 15 U.S.C. 78s(b)(3)(A)(i).

¹⁰ 17 CFR 240.19b-4(f)(1).

¹¹ See Section 19(b)(3)(C) of the Act, 15 U.S.C. 78s(b)(3)(C).

Paper comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-MSRB-2006-06. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing also will be available for inspection and copying at the principal office of the MSRB. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only

information that you wish to make available publicly. All submissions should refer to File Number SR-MSRB-2006-06 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹²

Nancy M. Morris
Secretary

¹² 17 CFR 200.30-3(a)(12).