

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-76146; File No. SR-MSRB-2015-11)

October 14, 2015

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Provide a Web-Based Delivery Method for Completing the Regulatory Element of the Continuing Education Requirements Pursuant to Rule G-3(i)(i)

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act” or “Exchange Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on September 29, 2015, the Municipal Securities Rulemaking Board (the “MSRB” or “Board”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the MSRB. 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 filed with the Commission proposed amendments to Rule G-3(i)(i), Continuing Education Requirements, Regulatory Element, to facilitate the Web-based delivery method for meeting the requirements of Rule G-3(i)(i) (the “proposed rule change”). The proposed rule change, which is based on Financial Industry Regulatory Authority (“FINRA”) Rule 1250, has been filed for immediate effectiveness.³ In order to align the MSRB’s

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 58092 (July 3, 2008), 73 FR 40144 (July 11, 2008): The Commission believes that a proposed rule change appropriately may be filed as an immediately effective rule so long as it is based on and similar to another

implementation for Web-based delivery of the Regulatory Element with FINRA's, which begins on October 1, 2015, the MSRB requests that the Commission waive the 30 day operative requirement under Rule 19b-4(f)(6) and the proposed rule change become operative on October 1, 2015. The proposed rule change is not making any changes to the Firm Element component of the Continuing Education Requirements (Rule G-3(i)(ii)).

The text of the proposed rule change is available on the MSRB's website at www.msrb.org/Rules-and-Interpretations/SEC-Filings/2015-Filings.aspx, 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

Background

The MSRB has established a professional qualifications program that establishes competency standards for municipal securities brokers and municipal securities dealers

SRO's rule and each policy issue raised by the proposed rule (i) has been considered previously by the Commission when the Commission approved another exchange's rule (that was subject to notice and comment), and (ii) the rule change resolves such policy issue in a manner consistent with such prior approval.

(collectively, “dealers”) and their associated persons. Section 15B(b)(2)(A) of the Act provides that the rules of the MSRB shall require associated persons of dealers to meet such standards of training, experience, competence, and such other qualifications as the MSRB finds necessary or appropriate in the public interest or for the protection of investors and municipal entities or obligated persons.⁴ The purpose of the continuing education requirements (“CE requirements”) is to keep registered persons of dealers informed of issues that affect their job responsibilities and of product and regulatory developments. MSRB Rule G-3(i) sets forth a two-pronged approach for CE requirements consisting of a Regulatory Element and a Firm Element; the proposed rule change would amend only the Regulatory Element.

The requirements for compliance with the Regulatory Element component of the MSRB’s CE requirements are identical to the requirements for the Regulatory Element component of FINRA’s CE requirements. Both the MSRB and FINRA require certain registered persons,⁵ subsequent to their initial qualification and registration with a registered securities association, to complete a periodic computer-based training program within 120 days of the second anniversary of their registration approval dates and every three years thereafter. The computer-based training program is developed by the Securities Industry Regulatory Council on Continuing Education (“CE Council”), of which both the MSRB and FINRA are members.⁶ The training developed by the CE Council is focused on compliance, regulatory, ethical and sales

⁴ 15 U.S.C. 78o-4(b)(2)(A).

⁵ The MSRB defines a registered person as any individual associated with a dealer maintaining a registration category pursuant to MSRB Rule G-3.

⁶ The CE Council is composed of up to 20 industry members from broker-dealers, representing a broad cross section of industry firms, and representatives from the MSRB and other SROs as well as liaisons from the SEC and the North American Securities Administrators Association. See <http://www.cecouncil.com>

practice standards. The Regulatory Element’s content is derived from industry rules and regulations, as well as widely accepted standards and practices within the industry. Although the specific requirements of certain rules may differ slightly among the various self-regulatory organizations (“SROs”), the programs are based on standards and principles applicable to all.⁷ Currently, the Regulatory Element computer-based training may be delivered in a test center or in-firm subject to specified procedures.

On June 11, 2015 FINRA proposed changes to its CE requirements under FINRA Rule 1250(a)(6) to permit the Regulatory Element program to be administered through Web-based delivery or such other technological manner and format as specified by FINRA and to eliminate the requirements for in-firm and test center delivery of the Regulatory Element.⁸ After notice and comment, FINRA’s proposed rule was approved by the SEC.⁹

Proposal

The CE Council believes that, with the advances in Web-based technology, in-firm delivery can be stream-lined, making it easier for registered persons to complete the Regulatory Element without having to travel to a testing center. The Board supports the CE Council’s

⁷ There are currently four different Regulatory Element Programs developed by the CE Council, the Supervisor Program for Registered Principals and Supervisors (S201), the Series 6 Program for Investment Company Products/Variable Contracts Representatives (S106), the General Program for Series 7 Registered Persons and all other registrations (S101), and the Operations Professional Program for Series 99 Registered Persons. See <http://www.cecouncil.com/regulatory-element/>

⁸ See FINRA’s rule filing proposing Web-based delivery of the Regulatory Element component of CE filed under Section 19(b)(2) of the Exchange Act. Securities Exchange Act Release No. 75154 (June 11, 2015), 80 FR 34777 (June 17, 2015) (File No. SR-FINRA-2015-015) (“Proposing Release”).

⁹ See Order Approving a Proposed Rule Change to Provide a Web-Based Delivery Method for Completing the Regulatory Element of the Continuing Education Requirements. Securities Exchange Act Release No. 75581 (July 31, 2015), 80 FR 47018 (August 6, 2015) (File No. SR-FINRA-2015-015) (“SEC Approval Order”).

initiative and accordingly approved the proposed rule change. The proposed rule change is wholly consistent with FINRA's rule proposal amending FINRA Rule 1250 (Continuing Education Requirements) to provide a Web-based delivery method for completing the Regulatory Element of the CE Requirements, which was filed with the SEC on June 4, 2015 and approved by the SEC on July 31, 2015.¹⁰

The proposed Web-based delivery method will provide registered persons the flexibility to meet the Regulatory Element requirement of MSRB Rule G-3(i)(i) at a location of their choosing, including their private residence, at any time during their 120-day window for completion of the Regulatory Element.¹¹ The MSRB believes that the same time constraints and rigorous security measures taken at the testing centers, while appropriate for qualification examinations, are not warranted for the completion of the Regulatory Element. The proposed rule change would remove burdens associated with the test center delivery method (e.g., the time spent traveling to a test center and the cost for time spent at a test center). The Web-based format of the Regulatory Element program, which will be administered by FINRA, is designed with safeguards to authenticate the identities of the CE candidates. For instance, prior to commencing a Web-based session, the candidate will be asked to provide a portion of their Social Security number (either first five or last four digits) and their date of birth. This information will only be

¹⁰ See SEC Approval Order. The Commission received four comment letters. All commenters supported FINRA's proposed rule change. In particular, the commenters noted that the proposal would modernize the CE requirements, remove burdens associated with the test center delivery method (e.g., the time spent traveling to a test center), and reduce the fees and other costs associated with the Regulatory Element.

¹¹ Although the proposed rule change provides for flexibility, firms may impose additional conditions upon registered persons based on the firm's supervisory obligations and compliance controls.

used by FINRA for matching data in the CRD system for authentication purposes and the Web CE system will discard this information after the matching process.¹²

In its rule filing, FINRA outlined a timeline for phasing in Web-based delivery and guidance for any firms that currently utilize in-firm delivery for CE delivery.¹³ After the SEC's approval of FINRA's rule change, FINRA announced that it will launch the first phase of the Web-based delivery of Regulatory Element ("CE Online"), which will include the S106, S201 and S901 Regulatory Element programs, on October 1, 2015 and will launch the second phase of CE Online, which will include the S101 Regulatory Element program, on January 4, 2016.¹⁴ Before commencing a Web-based session, each candidate will be required to agree to the Rules of Conduct for Web-based delivery. Among other things, the Rules of Conduct will require each candidate to attest that he or she is in fact the person who is taking the Web-based session and attest to compliance with the Rules of Conduct.

The MSRB endorses FINRA's timeline for phasing in the new Web-based delivery method and phasing-out the in-firm delivery of the Regulatory Element.¹⁵ The Board requests that the proposed rule change to the Regulatory Element CE Requirements pursuant to Rule G-

¹² See Proposing Release.

¹³ Id.

¹⁴ See Continuing Education, SEC Approves Amendments Relating to Web-based Delivery of the Regulatory Element, FINRA Regulatory Notice 15-28 (August 2015). S106 is for Investment Company and Variable Contracts Representatives, the S201 is for registered principals and supervisors, and the S101 is for all other registration categories.

¹⁵ Id. FINRA is proposing to phase out test-center delivery by no later than six months after January 4, 2016. Registered persons will continue to have the option of completing the Regulatory Element in a test center until the phase out of the test center delivery method, but they will be required to use the FINRA CE Online System after that date. Further, FINRA is proposing to phase out the current option for "in-firm delivery on a rolling basis as each Regulatory Element program becomes available for CE Online." FINRA CE Online System is accessible through the internet.

3(i)(i) become operative on October 1, 2015 to coincide with the launch of the first Web-based modules for the Regulatory Element. In accordance with FINRA's rule proposal, delivery of the Regulatory Element at a test center would be phased out by no later than six months after January 4, 2016. Registered persons will continue to have the option of completing the Regulatory Element in a test center until the phase out of the test center delivery method, but they will be required to use the Web-based system after that date. Firms will not be able to establish new in-firm delivery programs after October 1, 2015. Moreover, firms that have pre-existing in-firm delivery programs established prior to October 1, 2015 would not be able to use that delivery method for the S106, S201 and S901 Regulatory Element programs after October 1, 2015, which is the anticipated launch date of the Web-based delivery for these programs. However, firms may continue to use their pre-existing in-firm delivery programs for the S101 Regulatory Element program until January 4, 2016, which is the anticipated launch date of Web-based delivery for the S101 program. The MSRB is not proposing any changes to the Firm Element CE Requirements under MSRB Rule G-3(i)(ii).

2. Statutory Basis

The MSRB believes that the proposed rule change is consistent with the provisions of Section 15B(b)(2)(A) of the Act,¹⁶ which authorizes the MSRB, in part, to prescribe for municipal securities brokers or municipal securities dealers and their associated persons “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 and municipal entities or obligated persons.” Section 15B(b)(2)(A) of the Act¹⁷ also provides, in part, that the

¹⁶ 15 U.S.C. 78o-4(b)(2)(A).

¹⁷ Id.

Board may appropriately classify municipal securities brokers and municipal securities dealers and persons associated with such municipal securities brokers and municipal securities dealers to meet such standards of training, experience, competence, and such other qualifications as the MSRB finds necessary or appropriate in the public interest or for the protection of investors and municipal entities or obligated persons.

The MSRB believes that the proposed rule change will permit registered persons to utilize the time saved attending test centers to focus on the content and learning objectives set forth in the CE modules, potentially leading to a better understanding of the modules and thus enhanced investor protections. The proposed rule change is designed to preserve the integrity of the Regulatory Element of the CE requirements while making compliance with the Regulatory Element less burdensome on firms by giving them and their covered associated persons additional flexibility and, as a result, a reduction in the cost of the Regulatory Element requirement.

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

The MSRB does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The MSRB notes that the proposed rule change is specifically intended to reduce the burden on firms while preserving the integrity of the Regulatory Element program. Web-based delivery will allow registered persons the flexibility to complete the Regulatory Element at any location and at any time during their 120-day window for completion of the Regulatory Element and offers cost savings over test centers.

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

Written comments were neither solicited nor received on the proposed rule change.

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

Pursuant to Section 19(b)(3)(A)¹⁸ of the Act and Rule 19b-4(f)(6)¹⁹ thereunder, the MSRB has designated the proposed rule change as one that affects a change that does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate. A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative until 30 days after the date of filing.²⁰ However, Rule 19b-4(f)(6)(iii) permits the Commission to waive the 30 day operative delay if such action is consistent with the protection of investors and the public interest.²¹ The MSRB has requested that the Commission designate the proposed rule change operative on October 1, 2015, which is less than 30 days after the date of filing of the proposed rule change, as specified in Rule 19b-4(f)(6)(iii).²²

¹⁸ 15 U.S.C. 78s(b)(3)(A).

¹⁹ 17 CFR 240.19b-4(f)(6).

²⁰ Id.

²¹ In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change, along with a brief description and text of such proposed rule change, at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Commission has designated a shorter time for delivery of such written notice.

²² See SR-MSRB-2015-11 (filed with the Commission on September 29, 2015).

The MSRB has provided that the proposed rule change is based on FINRA Rule 1250, which was filed for effectiveness commencing October 1, 2015 and approved by the Commission on July 31, 2015.²³ The MSRB believes that an October 1, 2015 implementation date of the proposed rule change is necessary in order to align the MSRB's implementation for Web-based delivery of the Regulatory Element with FINRA's, which begins on October 1, 2015. The MSRB has stated that the Regulatory Element component of the MSRB's CE requirements is identical to the Regulatory Element component of FINRA's CE requirements and that the proposed rule change will provide registered persons with time and cost savings by eliminating the need to visit test centers to complete the Regulatory Element. The Commission believes that waiving the 30 day operative delay is consistent with the protection of investors and the public interest because it will allow for the consistent implementation of the Regulatory Element of the MSRB's CE requirements with FINRA's and permit persons registered with both the MSRB and FINRA to fulfill their respective CE requirements in a uniform manner. Therefore, the Commission hereby waives the 30 day operative delay and designates the proposed rule change operative on October 1, 2015.²⁴

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend 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.

²³ See supra note 14.

²⁴ For purposes only of waiving the 30-day operative delay for this proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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-2015-11 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

All submissions should refer to File Number SR-MSRB-2015-11. 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 website (<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 website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 am and 3:00 pm. Copies of the 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-2015-11 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, pursuant to delegated authority.²⁵

Robert W. Errett
Deputy Secretary

²⁵ 17 CFR 200.30-3(a)(12).