

**COMMENT LETTER**

January 15, 2002

# **Comment Letter on Proposed Amendments to MSRB Qualification Requirements, January 2002**

January 15, 2002

Ernesto A. Lanza, Esquire  
Senior Associate General Counsel  
Municipal Securities Rulemaking Board  
1900 Duke Street, Suite 600  
Alexandria, Virginia 22314

Re: Proposed Amendments to Rule G-3 Relating to Qualification Requirements

Dear Mr. Lanza:

The Investment Company Institute<sup>[1](#)</sup> appreciates the opportunity to comment on the revisions proposed by the Municipal Securities Rulemaking Board to MSRB Rule G-3, relating to the qualification requirements for municipal principals and representatives.<sup>[2](#)</sup> In particular, the proposed amendments would create a new category of municipal securities principal, a municipal fund securities limited principal (MFSLP), that would be competent to supervise the municipal fund securities activities of a municipal securities dealer. The Institute supports the creation of this new class of limited principal.

As proposed, a person with either a Series 24 or 26 principal registration could qualify as a MFSLP by passing a new examination limited to questions that are relevant to municipal fund securities activities. Passage of this new examination would qualify a person to supervise a firm's municipal fund security activities without having to pass the municipal securities principal examination (Series 53), which is geared toward traditional municipal securities activities.

As stated above, the Institute supports the MSRB's creation of this new class of limited principal. We believe the MSRB's proposal will provide needed relief to those firms whose municipal securities business is limited to municipal fund securities. We commend the MSRB for continuing to tailor its regulatory requirements applicable to municipal fund securities in a manner that recognizes the differences between such securities and traditional municipal securities.

The Institute notes that the MSRB's notice proposing the revisions to Rule G-3 does not discuss when this new qualification examination is expected to be ready to be administered to principal applicants. In view of the fact that the development process may take some time, the Institute recommends that the temporary relief provided to certain principals as set forth in the MSRB's July 2001 notice<sup>3</sup> extend until the new examination is available to be administered. Otherwise, persons who would prefer to qualify as a MFSLP will, instead, have to qualify as a Series 53 municipal securities principal.

The Institute appreciates your consideration of our comments. If you have any questions concerning them, please do not hesitate to contact me at (202) 326-5825.

Sincerely,

Tamara K. Reed  
Associate Counsel

#### **ENDNOTES**

<sup>1</sup> The Investment Company Institute is the national association of the American investment company industry. Its membership includes 9,063 open-end investment companies ("mutual funds"), 485 closed-end investment companies and 6 sponsors of unit investment trusts. Its mutual fund members have assets of about \$6.598 trillion, accounting for approximately 95% of total industry assets, and over 88.6 million individual shareholders. Members of the Institute are engaged in the municipal fund securities business.

<sup>2</sup> See MSRB Notice "Municipal Fund Securities – Request for Comment on Draft Amendment Creating Municipal Fund Securities Limited Principal Category; Interpretive Notice on Commissions and Other Charges, Advertisements and Official Statements" (December 19, 2001)

<sup>3</sup> The MSRB's July 2001 notice set forth a temporary alternative method for qualification of municipal securities principals in connection with municipal fund securities. In particular, until July 31, 2002, if a dealer's municipal securities activities are limited exclusively to municipal fund securities and the dealer has less than 11 associated persons engaged in such activities, it may fulfill its obligation to have a municipal securities principal by designating a general securities or investment company/variable contracts limited principal to act as a limited principal.

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