



## Rule G-3

### Professional Qualification Requirements

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No broker, dealer, municipal securities dealer, municipal advisor or person who is a municipal securities representative, municipal securities sales limited representative, limited representative - investment company and variable contracts products, municipal securities principal, municipal fund securities limited principal, municipal securities sales principal, municipal advisor representative or municipal advisor principal (as hereafter defined) shall be qualified for purposes of Rule G-2 unless such broker, dealer, municipal securities dealer, municipal advisor or person meets the requirements of this rule.

*(a) Municipal Securities Representative, Municipal Securities Sales Limited Representative and Limited Representative - Investment Company and Variable Contracts Products.*

(i) Definitions.

(A) The term "municipal securities representative" means a natural person associated with a broker, dealer or municipal securities dealer, other than a person whose functions are solely clerical or ministerial, whose activities include one or more of the following:

- (1) underwriting, trading or sales of municipal securities;
- (2) financial advisory or consultant services for issuers in connection with the issuance of municipal securities;
- (3) research or investment advice with respect to municipal securities; or
- (4) any other activities which involve communication, directly or indirectly, with public investors in municipal securities;

*provided, however,* that the activities enumerated in subparagraphs (3) and (4) above shall be limited to such activities as they relate to the activities enumerated in subparagraphs (1) and (2) above.

(B) The term "municipal securities sales limited representative" means a municipal securities representative whose activities with respect to municipal securities are limited exclusively to sales to and purchases from customers of municipal securities.

(C) The term "limited representative – investment company and variable contracts products" means a municipal securities representative whose activities with respect to municipal securities are limited exclusively to sales to and purchases from customers of municipal fund securities.

(ii) Qualification Requirements.

(A) Except as otherwise provided in this paragraph (a)(ii), any person seeking to become qualified as a municipal securities representative, in accordance with the requirements under this subparagraph, shall take and pass the Securities Industry Essentials Examination ("SIE") and the Municipal Securities Representative Qualification Examination prior to being qualified as a municipal securities representative.

(B) The requirements of subparagraph (a)(ii)(A) of this rule shall not apply to:

(1) any person who is duly qualified as a general securities representative by reason of having taken and passed the General Securities Registered Representative Examination before November 7, 2011, and

(2) a municipal securities sales limited representative who is duly qualified as a general securities representative by reason of having taken and passed the General Securities Registered Representative Examination.

(3) any person who is duly qualified as a limited representative - investment company and variable contracts products by reason of having taken and passed the Limited Representative - Investment Company and Variable Contracts Products Examination.

(C) Any person who ceases to be associated with a broker, dealer or municipal securities dealer (whether as a municipal securities representative or otherwise) for two or more years at any time after having qualified as a municipal securities representative in accordance with subparagraph (a)(ii)(A) or (B) shall again meet the requirements of subparagraph (a)(ii)(A) or (B) prior to being qualified as a municipal securities representative.

(b) *Municipal Securities Principal; Municipal Fund Securities Limited Principal.*

(i) Definition. The term "municipal securities principal" means a natural person (other than a municipal securities sales principal), associated with a broker, dealer or municipal securities dealer who is directly engaged in the management, direction or supervision of one or more of the following activities:

- (A) underwriting, trading or sales of municipal securities;
- (B) financial advisory or consultant services for issuers in connection with the issuance of municipal securities;
- (C) processing, clearance, and, in the case of brokers, dealers and municipal securities dealers other than bank dealers, safekeeping of municipal securities;
- (D) research or investment advice with respect to municipal securities;
- (E) any other activities which involve communication, directly or indirectly, with public investors in municipal securities;
- (F) maintenance of records with respect to the activities described in subparagraphs (A) through (E); or
- (G) training of municipal securities principals or municipal securities representatives.

*provided, however*, that the activities enumerated in subparagraphs (D) and (E) above shall be limited to such activities as they relate to the activities enumerated in subparagraphs (A) or (B) above.

(ii) Qualification Requirements.

(A) Every municipal securities principal shall take and pass the Municipal Securities Principal Qualification Examination prior to being qualified as a municipal securities principal. The passing grade shall be determined by the Board.

(B) Any person seeking to become qualified as a municipal securities principal in accordance with subparagraph (b)(ii)(A) of this rule must, prior to being qualified as a municipal securities principal:

(1) have been duly qualified as either a municipal securities representative or a general securities representative; *provided, however*, that any person who qualifies as a municipal securities representative solely by reason of subparagraph (a)(ii)(C) shall not be qualified to take the Municipal Securities Principal Qualification Examination on or after October 1, 2002, and any person who qualifies as a municipal securities representative solely by reason of clause (a)(ii)(B)(2) shall not be qualified to take the Municipal Securities Principal Qualification Examination on or after November 7, 2011; or

(2) have taken and passed either the Municipal Securities Representative Qualification Examination or, in the case of persons described in clause (a)(ii)(B)(1), the General Securities Registered Representative Examination.

(C) Any person who ceases to act as a municipal securities principal for two or more years at any time after having qualified as such shall meet the requirements of subparagraphs (b)(ii)(A) and (B) prior to being qualified as a municipal securities principal.

(D) For the first 120 calendar days after becoming a municipal securities principal, the requirements of subparagraph (b)(ii)(A) shall not apply to any person who is qualified as a municipal securities representative or general securities representative, provided that such qualified representative has at least 18 months of experience functioning as a representative within the five-year period immediately preceding the principal designation, or as a general securities principal, *provided, however*, that each such person shall take and pass the Municipal Securities Principal Qualification Examination within that period.

(iii) Numerical Requirements. Every broker, dealer and municipal securities dealer shall have at least two municipal securities principals, except:

(A) every broker, dealer or municipal securities dealer which is a member of a registered securities association and which conducts a general securities business, or

(B) every broker, dealer or municipal securities dealer having fewer than eleven persons associated with it in whatever capacity on a full-time or full-time equivalent basis who are engaged in the performance of its municipal securities activities, or, in the case of a bank dealer, in the performance of its municipal securities dealer activities, shall have at least one municipal securities principal.

(iv) Municipal Fund Securities Limited Principal.

(A) Definition. The term "municipal fund securities limited principal" means a natural person (other than a municipal securities principal or municipal securities sales principal), associated with a broker, dealer or municipal securities dealer that has filed with the Board in compliance with rule A-12, who is directly engaged in the functions of a municipal securities principal as set forth in paragraph (b)(i), but solely as such activities relate to transactions in municipal fund securities.

(B) Qualification Requirements.

(1) Every municipal fund securities limited principal shall take and pass the Municipal Fund Securities Limited Principal Qualification Examination prior to being qualified as a municipal fund securities limited principal. The passing grade shall be determined by the Board.

(2) Any person seeking to become qualified as a municipal fund securities limited principal in accordance with clause (b)(iv)(B)(1) of this rule must, as a condition to being qualified as a municipal fund securities limited principal:

(a) have been duly qualified as either a general securities principal or an investment company/variable contracts limited principal; or

(b) have taken and passed either the General Securities Principal Qualification Examination or the Investment Company and Annuity Principal Qualification Examination.

(3) Any person who ceases to act as a municipal fund securities limited principal for two or more years at any time after having qualified as such shall meet the requirements of clauses (b)(iv)(B)(1) and (2) prior to being qualified as a municipal fund securities limited principal.

(4) For the first 120 calendar days after becoming a municipal fund securities limited principal, the requirements of clauses (b)(iv)(B)(1) and (2) shall not apply to any person who is qualified as a general securities representative or investment company/variable contracts limited representative, provided that such qualified representative has at least 18 months of experience functioning as a representative within the five-year period immediately preceding the principal designation, or as a general securities principal or investment company/variable contracts limited principal, *provided, however*, that each such person shall meet the requirements of clauses (b)(iv)(B)(1) and (2) within that period.

(C) Actions as Municipal Securities Principal. Any municipal fund securities limited principal may undertake all actions required or permitted under any Board rule to be taken by a municipal securities principal, but solely with respect to activities related to municipal fund securities, and shall be subject to all provisions of Board rules applicable to municipal securities principals except to the extent inconsistent with this paragraph (b)(iv).

(D) Numerical Requirements. Any broker, dealer or municipal securities dealer whose municipal securities activities are limited exclusively to municipal fund securities may count any municipal fund securities limited principal toward the numerical requirement for municipal securities principal set forth in paragraph (b)(iii).

(c) *Municipal Securities Sales Principal.*

(i) Definition. The term "municipal securities sales principal" means a natural person (other than a municipal securities principal) associated with a broker, dealer or municipal securities dealer (other than a bank dealer) whose supervisory activities with respect to municipal securities are limited exclusively to supervising sales to and purchases from customers of municipal securities.

(ii) Qualification Requirements.

(A) Every municipal securities sales principal shall take and pass the General Securities Sales Supervisor Qualification Examination prior to acting in such capacity. The passing grade shall be determined by the Board.

(B) Any person seeking to become qualified as a municipal securities sales principal in accordance with subparagraph (c)(ii)(A) of this rule, must, prior to being qualified as a municipal securities sales principal:

(1) have been duly qualified as either a municipal securities representative or a general securities representative; or

(2) have taken and passed either the Municipal Securities Representative Qualification Examination or the General Securities Registered Representative Examination.

(C) Any person who ceases to act as a municipal securities sales principal for two or more years at any time after having qualified as such shall meet the requirements of subparagraphs (c)(ii)(A) and (B) prior to being qualified as a municipal securities sales principal.

(D) For the first 120 calendar days after becoming a municipal securities sales principal, the requirements of subparagraph (c)(ii)(A) shall not apply to any person who is qualified as a municipal securities representative or general securities representative, provided that such qualified representative has at least 18 months of experience functioning as a representative within the five-year period immediately preceding the principal designation, or as a general securities principal, *provided, however*, that each such person shall take and pass the General Securities Sales Supervisory Qualification Examination within that period.

(d) *Municipal Advisor Representative*

(i) Definition.

(A) The term "municipal advisor representative" means a natural person associated with a municipal advisor who engages in municipal advisory activities on the municipal advisor's behalf, other than a person performing only clerical, administrative, support or similar functions.

(ii) Qualification Requirements.

(A) Every municipal advisor representative shall take and pass the Municipal Advisor Representative Qualification Examination prior to being qualified as a municipal advisor representative. The passing grade shall be determined by the Board.

(B) Any person who ceases to be associated with a municipal advisor for two or more years at any time after having qualified as a municipal advisor representative in accordance with subparagraph (d)(ii)(A) shall take and pass the Municipal Advisor Representative Qualification Examination prior to being qualified as a municipal advisor representative, unless a waiver is granted pursuant to subparagraph (h)(ii) of this rule.

(e) *Municipal Advisor Principal*

(i) Definition. The term "municipal advisor principal" means a natural person associated with a municipal advisor who is directly engaged in the management, direction or supervision of the municipal advisory activities of the municipal advisor and its associated persons.

(ii) Qualification Requirements.

(A) To become qualified as a municipal advisor principal a person must:

(1) As a pre-requisite take and pass the Municipal Advisor Representative Qualification Examination; and

(2) Take and pass the Municipal Advisor Principal Qualification Examination.

The passing score shall be determined by the Board.

(B) Any person qualified as a municipal advisor principal who ceases to be associated with a municipal advisor for two or more years at any time after having qualified as a municipal advisor principal in accordance with subparagraph (e)(ii)(A) shall take and pass the Municipal Advisor Representative Qualification Examination and the Municipal Advisor Principal Qualification Examination prior to being qualified as a municipal advisor principal, unless a waiver is granted pursuant to subparagraph (h)(ii) of this rule.

(C) For the first 120 calendar days after becoming a municipal advisor principal, the requirements of subparagraph (e)(ii)(A)(2) shall not apply to any person who is qualified as a municipal advisor representative, *provided, however*, that such person shall take and pass the Municipal Advisor Principal Qualification Examination within that period.

(iii) Numerical Requirements. Every municipal advisor shall have at least one municipal advisor principal.

(f) *Confidentiality of Qualification Examinations.* No associated person of a broker, dealer, municipal securities dealer or municipal advisor shall:

(i) in the course of taking a qualification examination required by this rule receive or give assistance of any nature;

(ii) disclose to any person questions, or answers to any questions, on any qualification examination required by this rule;

(iii) engage in any activity inconsistent with the confidential nature of any qualification examination required by this rule, or with its purpose as a test of the qualification of persons taking such examinations; or

(iv) knowingly sign a false certification concerning any such qualification examination.

(g) *Retaking of Qualification Examinations.* Any associated person of a broker, dealer, municipal securities dealer or municipal advisor who fails to pass a qualification examination prescribed by the Board shall be permitted to take the examination again after a period of 30 days has elapsed from the date of the prior examination, except that any person who fails to pass an examination three or more times in succession within a two-year period shall be prohibited from again taking the examination until a period of 180 calendar days has elapsed from the date of such person's last attempt to pass the examination.



*(h) Waiver of Qualification Requirements.*

(i) The requirements of paragraphs (a)(ii), (a)(iii), (b)(ii), (b)(iv)(B) and (c)(ii) may be waived in extraordinary cases for any associated person of a broker, dealer or municipal securities dealer who demonstrates extensive experience in a field closely related to the municipal securities activities of such broker, dealer or municipal securities dealer or as permitted pursuant to Supplementary Material .04 of this rule. Such waiver may be granted by

(A) a registered securities association with respect to a person associated with a member of such association, or

(B) the appropriate regulatory agency as defined in section 3(a)(34) of the Act with respect to a person associated with any other broker, dealer or municipal securities dealer.

(ii) The requirements of paragraph (d)(ii)(A) and (e)(ii)(A) may be waived by the Board in extraordinary cases for a municipal advisor representative or municipal advisor principal.

*(i) Continuing Education Requirements**(i) Continuing Education Requirements for Brokers, Dealers, and Municipal Securities Dealers—*

This paragraph prescribes requirements regarding the continuing education of certain registered persons subsequent to their initial qualification and registration with a registered securities association with respect to a person associated with a member of such association, or the appropriate regulatory agency as defined in Section 3(a)(34) of the Act with respect to a person associated with any other broker, dealer or municipal securities dealer ("the appropriate enforcement authority"). The requirements shall consist of a Regulatory Element and a Firm Element as set forth below.

*(A) Regulatory Element*

(1) *Requirements*—No broker, dealer or municipal securities dealer shall permit any registered person to continue to, and no registered person shall continue to, perform duties as a registered person, unless such person has complied with the requirements of subparagraph (i)(i)(A) hereof.

Each registered person shall complete the Regulatory Element on the occurrence of their second registration anniversary date and every three years thereafter or as otherwise prescribed by the Board. On each occasion, the Regulatory Element must be completed within 120 days after the person's registration anniversary date. A person's initial registration date, also known as the "base date," shall establish the cycle of anniversary dates for purposes of this subparagraph (i)(i)(A). The content of the Regulatory Element shall be determined by the Board for each registration category of persons subject to the rule.

(2) *Failure to Complete*—Unless otherwise determined by the Board, any registered persons who have not completed the Regulatory Element within the prescribed time frames will have their registrations deemed inactive until such time as the requirements of the program have been satisfied. Any person whose registration has been deemed inactive under this clause (i)(i)(A)(2) shall cease all activities as a registered person and is prohibited from performing any duties and functioning in any capacity requiring registration. Such person may not receive any compensation for transactions in municipal securities, however, such person may receive trails, residual commissions or like compensation resulting from such transactions completed before the person's inactive status, unless the dealer with which the person is associated has a policy prohibiting such trails, residual commissions or like compensation. A registration that is inactive for a period of two years will be administratively terminated. A person whose registration is so terminated may reactivate the registration only by reapplying for registration and meeting the qualification requirements of the applicable provisions of this rule. The appropriate enforcement authority may, upon application and a showing of good cause, allow for additional time for a registered person to satisfy the program requirements.

(3) *Disciplinary Actions*—Unless otherwise determined by the appropriate enforcement authority, a registered person will be required to retake the Regulatory Element and satisfy all of its requirements in the event such person:

(a) becomes subject to any statutory disqualification as defined in Section 3(a)(39) of the Act;

(b) becomes subject to suspension or to the imposition of a fine of \$5,000 or more for violation of any provision of any securities law or regulation, or any agreement with or rule or standard of conduct of any securities governmental agency, securities self-regulatory organization, the appropriate enforcement authority or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding; or

(c) is ordered as a sanction in a disciplinary action to retake the Regulatory Element by any securities governmental agency, the appropriate enforcement authority or securities self-regulatory organization.

The retaking of the Regulatory Element shall commence with participation within 120 days of the registered person becoming subject to the statutory disqualification, in the case of clause (a) above, or the completion of the sanction or the disciplinary action becomes final, in the case of clause (b) or clause (c) above. The date that the disciplinary action becomes final will be deemed the person's new base date for purposes of subparagraph (i)(i)(A).

(4) *Reassociation*—Any registered person who has terminated association with a broker, dealer or municipal securities dealer and who has, within two years of the date of termination, become reassociated in a registered capacity with a broker, dealer or municipal securities dealer shall participate in the Regulatory Element at such intervals that apply (second registration anniversary and every three years thereafter) based on the initial registration anniversary date rather than based on the date of reassociation in a registered capacity.

Any former registered person who becomes reassociated in a registered capacity with a broker, dealer or municipal securities dealer more than two years after termination as such will be required to satisfy the program's requirements in their entirety (second registration anniversary and every three years thereafter), based on the most recent registration date.

(5) *Definition of Registered Person*—For purposes of this subparagraph, the term "registered person" means any person registered with the appropriate enforcement authority as a municipal securities representative, municipal securities principal, municipal securities sales principal or financial and operations principal pursuant to this rule.

(6) *Delivery of the Regulatory Element*—The continuing education Regulatory Element program will be administered through Web-based delivery or such other technological manner and format as specified by the Board.

(B) Firm Element

(1) *Persons Subject to the Firm Element*—The requirements of this subparagraph shall apply to any person registered with a broker, dealer or municipal securities dealer and qualified as a representative or principal in accordance with this rule or as a general securities principal and who regularly engages in or supervises municipal securities activities (collectively, "covered registered persons").

(2) Standards for the Firm Element

(a) Each broker, dealer and municipal securities dealer must maintain a continuing and current education program for its covered registered persons to enhance their securities knowledge, skill, and professionalism. At a minimum, each broker, dealer and municipal securities dealer shall at least annually evaluate and prioritize its training needs, develop a written training plan, and conduct training annually on municipal securities for covered registered persons. The plan must take into consideration the broker, dealer and municipal securities dealer's size, organizational structure, and scope of business activities, as well as regulatory developments and the performance of covered registered persons in the Regulatory Element.

(b) *Minimum Standards for Training Programs*—Programs used to implement a broker, dealer or municipal securities dealer's training plan must be appropriate for the business of the broker, dealer or municipal securities dealer and, at a minimum must cover training in ethics and professional responsibility and the following matters concerning municipal securities products, services and strategies offered by the broker, dealer or municipal securities dealer:

(i) General investment features and associated risk factors;

(ii) Suitability and sales practice considerations;

(iii) Applicable regulatory requirements.

(c) *Administration of Continuing Education Program*—A broker, dealer or municipal securities dealer must administer its continuing education programs in accordance with its annual evaluation and written plan and must maintain records documenting the content of the programs and completion of the programs by covered registered persons.

(3) *Participation in the Firm Element*—Covered registered persons included in a broker, dealer or municipal securities dealer's plan must participate in continuing education programs as required by the broker, dealer or municipal securities dealer.

(4) *Specific Training Requirements*—The appropriate enforcement authority may require a broker, dealer or municipal securities dealer, individually or as part of a larger group, to provide specific training to its covered registered persons in such areas the appropriate enforcement authority deems appropriate. Such a requirement may stipulate the class of covered registered persons for which it is applicable, the time period in which the requirement must be satisfied and, where appropriate, the actual training content.

(ii) Continuing Education Requirements for Municipal Advisors

(A) *Persons Subject to Continuing Education Requirements*—The requirements of this paragraph shall apply to any person qualified as either a municipal advisor representative or a municipal advisor principal with a municipal advisor in accordance with this rule (collectively, "covered persons").

(B) *Standards for a Continuing Education Program*

(1) Each municipal advisor must maintain a continuing and current education program for its covered persons to enhance their municipal advisory knowledge, skill, and professionalism. At a minimum, each municipal advisor shall at least annually evaluate and prioritize its training needs, develop a written training plan, and conduct training annually on municipal advisory activities for covered persons.

The plan must take into consideration the municipal advisor's size, organizational structure, and scope of municipal advisory activities, as well as regulatory developments.

(2) Minimum Standards for Training Programs — Programs used to implement a municipal advisor's training plan must be appropriate for the business of the municipal advisor and, at a minimum must cover the following matters concerning municipal advisory activities, services and strategies offered by the municipal advisor:

(a) Fiduciary duty obligations owed to municipal entity clients; and

(b) Applicable regulatory requirements.

(3) Administration of Continuing Education Program—A municipal advisor must administer its continuing education program in accordance with its annual evaluation and written training plan and must maintain records documenting the content of the programs and completion of the programs by covered persons.

(C) *Participation in the Continuing Education Program*—Covered persons included in a municipal advisor's plan must participate in continuing education programs as required by the municipal advisor.

(D) *Specific Training Requirements*—A registered securities association with respect to a municipal advisor that is a member of such association, or the Commission, or the Commission's designee, with respect to any other municipal advisor ("the appropriate examining authority"), may require a municipal advisor, individually or as part of a larger group, to provide specific training to its covered persons in such areas the appropriate examining authority deems appropriate. Such a requirement may stipulate the class of covered persons for which it is applicable, the time period in which the requirement must be satisfied and, where appropriate, the actual training content.

(E) Each municipal advisor that is also subject to the Standards for the Firm Element as required by Rule G-3(i)(i)(B)(2) is permitted to satisfy the requirements of Rules G-3(i)(i)(B) and G-3(i)(ii), if the municipal advisor:

(1) Develops a single written training plan, if such training plan is consistent with the separate evaluations of the training needs as required under subparagraphs (i)(i)(B)(2)(a) and (i)(ii)(B)(1); and

(2) Conducts annual training for both covered persons and covered registered persons, if such training is consistent with the written training plan(s) and such training meets the minimum standards for training programs required by subparagraphs (i)(i)(B)(2)(b) and (i)(ii)(B)(2).

## Supplementary Material

**.01 Solicitations of Sales to and Purchases from Customers.** In each instance in which the rule references sales of municipal securities or sales to and purchases from customers, such activities may also include the solicitation of sales to and/or purchases from customers.

**.02 Waivers.** The Board will consider waiving the requirement to become qualified as a municipal advisor representative or municipal advisor principal in extraordinary cases where: (1) the applicant participated in the development of the Municipal Advisor Representative Qualification Examination or the Municipal Advisor Principal Qualification Examination, as applicable, as a member of the Board's Professional Qualifications Advisory Committee; or (2) the applicant was previously qualified as a municipal advisor representative by passing the Municipal Advisor Representative Qualification Examination and/or was previously qualified as a municipal advisor principal by passing the Municipal Advisor Representative Qualification Examination and the Municipal Advisor Principal Qualification Examination and such qualification lapsed pursuant to subparagraphs (d)(ii)(B) or (e)(ii)(B) of this rule.

**.03 Permissive Qualification.** A broker, dealer or municipal securities dealer shall be permitted to make application for, or maintain the qualification of, a municipal securities representative, municipal securities principal or municipal fund securities limited principal for any associated person, including, persons whose functions are solely clerical or ministerial or engaged in the investment banking or securities business of a foreign securities affiliate or subsidiary. Any person maintaining a permissive qualification shall be considered a "registered person" for purposes of MSRB rules to the extent relevant to their activities.

**.04 Waiver from Requalification by Examination for Individuals Working for a Financial Services Industry Affiliate of a Broker, Dealer or Municipal Securities Dealer.** The requirement to requalify by examination for a lapsed qualification pursuant to subparagraphs (a)(ii)(C), (b)(ii)(C) and (b)(iv)(B)(3) of this rule shall be waived upon request to the proper registered securities association or the appropriate regulatory agency consistent with paragraph (h) of this rule for an individual if the following conditions are satisfied:

(1) An individual must have been registered with a broker, dealer or municipal securities dealer for a total of five years within the most recent 10-year period, including the most recent year with the broker, dealer or municipal securities dealer having designated the individual as eligible for a waiver by having met the requirement of this subparagraph;

(2) The waiver request is made within seven years of the individual's initial designation.

(3) The individual continuously worked for a financial services industry affiliate(s) of a broker, dealer or municipal securities dealer since terminating association with a broker, dealer or municipal securities dealer;

(4) The individual has completed the Regulatory Element portion of continuing education consistent with the requirements in Rule G-3(i)(i)(A) based on the person's most recent registration status and on the same Regulatory Element cycle had the person remained registered; and

(5) The individual does not have any pending or adverse regulatory matters or terminations and has not otherwise been subject to a statutory disqualification as defined in Section 3(a)(39) of the Exchange Act while the individual was working for a financial services industry affiliate(s) of a broker, dealer or municipal securities dealer.

As used under this Supplementary Material, the term "financial services industry affiliate of a broker, dealer or municipal securities dealer" means any legal entity that controls, is controlled by or is under common control with a broker, dealer or municipal securities dealer and is regulated by the SEC, CFTC, state securities authorities, federal or state banking authorities, state insurance authorities, or substantially equivalent foreign regulatory authorities.

#### **.05 Status of Qualified Persons Serving in the Armed Forces of the United States.**

##### *(a) Inactive Status for Current Associated Persons*

(1) An associated person of a broker, dealer, municipal securities dealer or municipal advisor who volunteers for or is called into active U.S. military service shall be deemed inactive for purposes of qualification for the period that such person is on active U.S. military service. If applicable, such person will not be required to requalify by examination upon such person's return to employment with a broker, dealer, municipal securities dealer or municipal advisor so long as such person returns to employment with a broker, dealer, municipal securities dealer or municipal advisor within 30 calendar days upon the conclusion of such person's active U.S. military service.

(2) An associated person, as identified in subparagraph (a)(1) of this Supplementary Material, shall remain eligible to receive transaction-related compensation, including continuing commissions. The employing broker, dealer, municipal securities dealer or municipal advisor of such associated person may also allow another associated person of the broker, dealer, municipal securities dealer or municipal advisor to enter into an arrangement to take over and service the clients' accounts of such associated person and to share transaction-related compensation based upon the business generated by such accounts with the associated person who is placed on inactive status pursuant to subparagraph (a) of this Supplementary Material.

(3) An associated person who is placed on inactive status pursuant to subparagraph (a) of this Supplementary Material shall not be required to complete continuing education program requirements as set forth in Rule G-3(i) during the pendency of the person's inactive status.

(4) Notice must be provided electronically to the MSRB within 30 calendar days, upon the conclusion of active U.S. military service and such person's return to employment with such broker, dealer, municipal securities dealer or municipal advisor with which the person was associated with during the period of active U.S. military service or employment with another broker, dealer, municipal securities dealer or municipal advisor. The notice required shall be on firm letterhead and include the following information:

- (a) Firm's MSRB ID number;
- (b) Individual's name;
- (c) Individual's CRD number, if applicable;
- (d) Start and end dates of the individual's active U.S. military service; and
- (e) Branch of service.

##### *(b) Inactive Status for Sole Proprietors*

(1) A broker, dealer, municipal securities dealer or municipal advisor that is a sole proprietor who temporarily closes his or her business because of volunteering for or being called into active U.S. military service shall be placed on inactive status after proper notification to the registered securities

association with which the broker, dealer, municipal securities dealer or municipal advisor is registered or the Board with respect to any other broker, dealer, municipal securities dealer or municipal advisor. Such sole proprietor will not be required to requalify by examination upon such person's return to his or her municipal securities or municipal advisory business.

(2) A sole proprietor placed on inactive status as set forth in this paragraph (b) shall not be required to pay fees assessed under Rule A-11 and Rule A-12, as applicable, that accrue during such period of inactive status.

(3) Notice must be provided electronically to the MSRB within 30 calendar days, upon the conclusion of active U.S. military service and such person's return from active U.S. military service to his or her municipal securities or municipal advisory business. The notice required shall be on firm letterhead and include the following information:

- (a) Firm's MSRB ID number;
- (b) Individual's name;
- (c) Individual's CRD number, if applicable;
- (d) Start and end dates of the individual's active U.S. military service; and
- (e) Branch of service.

Absent notice to the MSRB, former associated persons of a broker, dealer, municipal securities dealer or municipal advisor will not have such person's lapse in qualification requirements deferred and such person's period of time while on active U.S. military service will not be tolled.

*(c) Status for Former Associated Persons*

(1) If a person who was formerly associated with a broker, dealer, municipal securities dealer or municipal advisor volunteers for or is called into active U.S. military service at any time within the two-year period after the date such person ceases to be associated with a broker, dealer, municipal securities dealer or municipal advisor, the lapse of such person's representative and principal-level qualifications, pursuant to subparagraphs (a)(ii)(C), (b)(ii)(C) and (b)(iv)(B)(3) of this rule, shall be deferred (*i.e.*, tolling of the two-year expiration period).

(2) The deferral of the lapse in qualification requirements for associated persons of a broker, dealer, municipal securities dealer or municipal advisor would commence on the date the person begins active U.S. military service, provided that notice is provided to the MSRB.

(3) Notice must be provided electronically to the MSRB within 90 calendar days upon such person's completion of active U.S. military service and include the following information:

- (a) Individual's name;
- (b) Individual's CRD number, if applicable;
- (c) Start and end dates of the individual's active U.S. military service; and
- (d) Branch of service.

Absent notice to the MSRB, former associated persons of a dealer or municipal advisor will not have such person's lapse in qualification requirements deferred and such person's period of time while on active U.S. military service will not be tolled.