

Required fields are shown with yellow backgrounds and asterisks.

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. * SR 2021 - * 025

Amendment No. (req. for Amendments *)

Filing by Financial Industry Regulatory Authority

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * ☒ Amendment * ☐ Withdrawal ☐

Section 19(b)(2) * ☐ Section 19(b)(3)(A) * ☒ Section 19(b)(3)(B) * ☐

Pilot ☐ Extension of Time Period for Commission Action * ☐ Date Expires *

Rule

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☒ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☐ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) *

☐

Section 806(e)(2) *

☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) *

☐

Exhibit 2 Sent As Paper Document

☐

Exhibit 3 Sent As Paper Document

☐

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

A proposed rule change to amend Section 4(c) of Schedule A to the FINRA By-Laws to establish an administration and delivery fee for the Municipal Advisor Principal Examination (Series 54 Examination)

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Ilana Last Name * Reid
Title * Assistant General Counsel
E-mail * ilana.reid@finra.org
Telephone * (202) 728-8268 Fax (202) 728-8264

Signature

Pursuant to the requirements of the Securities Exchange of 1934, Financial Industry Regulatory Authority has duty caused this filing to be signed on its behalf by the undersigned thereunto duty authorized.

Date 09/27/2021

(Title *)

By Philip Shaikun

(Name *)

Vice President and Associate General Counsel

Philip Shaikun

Digitally signed by Philip Shaikun
Date: 2021.09.27 13:06:43 -04'00'

NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EDFS website.

Form 19b-4 Information *

Add Remove View

FINRA-2021-025 19b-4.docx

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

Add Remove View

FINRA-2021-025 Exhibit 1 .docx

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2- Notices, Written Comments, Transcripts, Other Communications

Add Remove View

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

☐

Exhibit Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

☐

Exhibit Sent As Paper Document

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

Add Remove View

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ the Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to amend Section 4(c) of Schedule A to the FINRA By-Laws to establish an administration and delivery fee for the new Municipal Advisor Principal Examination (“Series 54 examination”).

Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

* * * * *

SCHEDULE A TO THE BY-LAWS OF THE CORPORATION

* * * * *

Section 4 – Fees²

(a) through (b) No Change.

(c) The following fees shall be assessed to each individual who takes an examination as described below. These fees are in addition to the registration fee described in paragraph (b) and any other fees that the owner of an examination that FINRA administers may assess.

¹ 15 U.S.C. 78s(b)(1).

² Amendments to some Examination Fees in Section 4 of Schedule A to the FINRA By-Laws were approved in SR-FINRA-2020-032 and become effective on January 1, 2022. See Securities Exchange Act Release No. 90176 (October 14, 2020), 85 FR 66592 (October 20, 2020) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2020-032).

Examination Number	Examination Name	Examination Fee
N/A	Securities Industry Essentials (SIE) Examination	\$60
Series 4	Registered Options Principal Examination	\$105
Series 6	Investment Company Products and Variable Contracts Representative Examination	\$40
Series 7	General Securities Representative Examination	\$245
Series 9	General Securities Sales Supervisor Examination — Options Module	\$80
Series 10	General Securities Sales Supervisor Examination — General Module	\$125
Series 14	Compliance Official Examination	\$350
Series 16	Supervisory Analyst Examination	\$240
Series 22	Direct Participation Programs Representative Examination	\$40
Series 23	General Securities Principal Examination — Sales Supervisor Module	\$100
Series 24	General Securities Principal Examination	\$120
Series 26	Investment Company Products and Variable Contracts Principal Examination	\$100
Series 27	Financial and Operations Principal Examination	\$120
Series 28	Introducing Broker-Dealer Financial and Operations Principal Examination	\$100
Series 39	Direct Participation Programs Principal Examination	\$95
Series 50	Municipal Advisor Representative Examination	\$115
Series 51	Municipal Fund Securities Limited Principal Examination	\$105

Series 52	Municipal Securities Representative Examination	\$110
Series 53	Municipal Securities Principal Examination	\$115
<u>Series 54</u>	<u>Municipal Advisor Principal Examination</u>	<u>\$115</u>
Series 57	Securities Trader Examination	\$60
Series 79	Investment Banking Representative Examination	\$245
Series 82	Private Securities Offering Representative Examination	\$40
Series 86	Research Analyst Examination — Analysis	\$185
Series 87	Research Analyst Examination — Regulatory	\$130
Series 99	Operations Professional Examination	\$40

(1) through (4) No Change.

(d) through (i) No Change.

* * * * *

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The FINRA Board of Governors authorized the filing of the proposed rule change with the SEC. No other action by FINRA is necessary for the filing of the proposed rule change.

FINRA has filed the proposed rule change for immediate effectiveness. The effective date and the implementation date will be the date of filing.

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

(a) Purpose

FINRA is proposing amendments to Schedule A to the FINRA By-Laws to establish an administration and delivery fee for the Series 54 examination. The Municipal Securities Rulemaking Board (“MSRB”) has established qualification classifications for municipal advisor professionals. The Commission approved amendments to MSRB Rule G-3 that established two new registration classifications for municipal advisors:³ (1) Municipal advisor representatives (*i.e.*, those individuals who engage in municipal advisory activities); and (2) municipal advisor principals (*i.e.*, those individuals who engage in the management, direction or supervision of the municipal advisory activities of the municipal advisor or its associated persons).⁴ Both municipal advisor representatives and municipal advisor principals are required to pass the

³ The term “municipal advisor” is defined to mean a person that: (i) Provides advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities, including advice with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues; or (ii) undertakes a solicitation of a municipal entity. The definition includes financial advisors, guaranteed investment contract brokers, third-party marketers, placement agents, solicitors, finders, and swap advisors that are engaged in municipal advisory activities, unless they are statutorily excluded. The definition does not include a municipal entity or an employee of a municipal entity. See 15 U.S.C. 78o-4(e)(4).

⁴ See Securities Exchange Act Release No. 74384 (February 26, 2015), 80 FR 11706 (March 4, 2015) (Notice of Filing of Amendment Nos. 1 & 2 and Order Granting Accelerated Approval of File No. SR-MSRB-2014-08).

Municipal Advisor Representative Examination (“Series 50 examination”) to be qualified in accordance with MSRB rules.⁵

MSRB Rule G–3(e)(ii)(A) was amended to establish additional qualification requirements for municipal advisor principals, including the requirement to pass the Series 54 examination.⁶ Under the amended rule, municipal advisor principals are required to pass both the Series 50 examination and the Series 54 examination prior to becoming qualified as a municipal advisor principal.⁷

To provide persons who function as municipal advisor principals with sufficient time to satisfy the requirement to pass the new Series 54 examination, the MSRB initially included a one-year grace period from the effective date of the Series 54 examination, during which a person functioning as a municipal advisor principal would be permitted to continue to engage in the management, direction or supervision of the municipal advisory activities of the municipal advisor and its associated persons so long as such person is qualified with the Series 50 examination.⁸

The date by which individuals are required to become qualified with the Series 54 examination has been extended three times due to impacts related to the pandemic. In April 2020, the MSRB extended the date by which individuals were required to become

⁵ See Securities Exchange Act Release No. 75865 (September 9, 2015), 80 FR 55407 (September 15, 2015) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2015-031).

⁶ See Securities Exchange Act Release No. 84630 (November 20, 2018), 83 FR 60927 (November 27, 2018) (Order Approving File No. SR-MSRB-2018-07).

⁷ Supra note 6.

⁸ Supra note 6.

qualified with the Series 54 examination from November 12, 2020 to March 31, 2021.⁹

In December 2020, the MSRB further extended the time period from March 31, 2021 to November 12, 2021.¹⁰ In September 2021, the MSRB further extended the time period from November 12, 2021 to November 30, 2021.¹¹

FINRA develops, maintains, and delivers all FINRA qualification examinations for individuals who are registered or seeking registration with FINRA. FINRA also administers and delivers examinations developed by the MSRB and other self-regulatory organizations.¹² The SEC has designated FINRA to administer and deliver the Series 54 examination for municipal advisors.¹³

⁹ See Securities Exchange Act Release No. 88694 (April 20, 2020), 85 FR 23088 (April 24, 2020) (Notice of Filing and Immediate Effectiveness of File No. SR-MSRB-2020-01).

¹⁰ See Securities Exchange Act Release No. 90621 (December 9, 2020), 85 FR 81254 (December 15, 2020) (Notice of Filing and Immediate Effectiveness of File No. SR-MSRB-2020-09).

¹¹ See Securities Exchange Act Release No. 92938 (September 10, 2020), 86 FR 51696 (September 16, 2021) (Notice of Filing and Immediate Effectiveness of File No. SR-MSRB-2021-05).

¹² In this regard, the Exchange Act provides that a registered securities association shall administer required qualification examinations for municipal securities brokers and municipal securities dealers who are members of the association. See 15 U.S.C. 78o-4(c)(7)(A)(i).

¹³ See Securities Exchange Act Release No. 75714 (August 17, 2015) 80 FR 50883 (August 21, 2015) (Designation of the Financial Industry Regulatory Authority to Administer Professional Qualification Tests for Associated Persons of Registered Municipal Advisors). Section 15B(c)(7)(A)(iii) of the Exchange Act requires that the SEC or its designee administer qualification examinations for municipal advisors. The SEC previously designated FINRA to examine FINRA members' activities as registered municipal advisors and evaluate compliance by such members with federal securities laws, SEC rules and regulations, and MSRB rules applicable to municipal advisors. See Securities Exchange Act Release No.

FINRA currently administers examinations electronically through the PROCTOR[®] system¹⁴ at testing centers operated by vendors under contract with FINRA.¹⁵ For qualification examinations sponsored by a FINRA client and administered by FINRA, FINRA charges an administration and delivery fee that represents either a portion of or the entire examination fee. Consistent with this practice, FINRA charges an administration and delivery fee of \$115 for the Series 50 examination.¹⁶

The proposed administration and delivery fee for the Series 54 exam is also \$115.¹⁷ The proposed administration and delivery fee will offset FINRA's costs associated with the administration and delivery of the Series 54 examination and, as discussed below, contribute to supporting FINRA's other operations.

70462 (September 20, 2013), 78 FR 67468 (November 12, 2013) (S7-45-10) (Registration of Municipal Advisors).

¹⁴ PROCTOR is a computer system that is specifically designed for the administration and delivery of computer-based testing and training.

¹⁵ The MSRB has temporarily allowed the Series 54 examination to be taken online as an interim accommodation for individuals who need to become appropriately qualified as a municipal advisor principal before the compliance date. See supra note 11.

¹⁶ The administration and delivery fee represents a portion of the entire examination fee when a FINRA client has established an additional fee for an examination that it sponsors. The fee to take the Series 50 examination is \$265. Of this amount, \$115 is the FINRA administration and delivery fee, and \$150 is the development fee determined by the FINRA client, the MSRB. See MSRB Rule A-16. See also supra note 5.

¹⁷ The fee to take the Series 54 examination is \$265. Of this amount, \$115 is the FINRA administration and delivery fee, and \$150 is the development fee determined by the FINRA client, the MSRB. See MSRB Rule A-16. See also Securities Exchange Act Release No. 85135 (February 14, 2019), 84 FR 5513, 5514 n.15 (February 21, 2019) (Notice of Filing and Immediate Effectiveness of File No. SR-MSRB-2019-02).

As noted in Item 2 of this filing, FINRA has filed the proposed rule change for immediate effectiveness. The effective date and the implementation date will be the date of filing.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act,¹⁸ which requires, among other things, that FINRA rules provide for the equitable allocation of reasonable dues, fees and other charges among members and issuers and other persons using any facility or system that FINRA operates or controls.

Reasonableness of the Proposed Fee

FINRA believes that the proposed administration and delivery fee for the Series 54 examination is reasonable. In establishing an administration and delivery fee of \$115 for the Series 54 examination, FINRA applied the same criteria as it does for establishing the fees for other examinations with similar characteristics related to test length and volume. In particular, the Series 54 examination fee is consistent with the fee charged for the Series 50 examination, which has the same number of questions (and thus requires the same testing time).

The proposed administration and delivery fee will be used to cover FINRA's costs associated with the administration and delivery of the Series 54 examination, including the fees that vendors charge FINRA for delivering qualification examinations through their test delivery networks and PROCTOR system maintenance and enhancement expenses. The proposed fee also will contribute to supporting FINRA's other operations.

¹⁸ 15 U.S.C. 78o-3(b)(5).

As FINRA has explained previously, it is not feasible to associate a direct affiliated revenue stream for each of its programs and thus numerous operations and services must be funded by other revenue sources, which include both general regulatory assessments and use-based fees.¹⁹

The Proposed Fee is Equitable and Not Unfairly Discriminatory

FINRA believes that the proposed administration and delivery fee for the Series 54 examination is equitable and not unfairly discriminatory. The proposed fee is a use-based fee and FINRA will charge the fee each time a municipal advisor representative accesses the content. Thus, the exam for municipal advisor principals will be available on the same terms to every municipal advisor representative.

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

FINRA 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. FINRA believes that the establishment of the administration and delivery fee for the Series 54 examination will have a limited economic impact on the industry.

MSRB rules require every municipal advisor to have at least one municipal advisor principal.²⁰ There are approximately 500 registered municipal advisors.²¹ The administration and delivery fees may be paid by the individuals taking the examination or their associated firms.

¹⁹ See supra note 2.

²⁰ MSRB Rule G-3(e)(iii).

²¹ See MSRB-Registered Municipal Advisor Firms with Series-50 Qualified Representatives (Sept. 20, 2021, 2:06 PM), <https://msrb.org/MARegistrants>.

FINRA administers this examination as a service provider to the MSRB as designated by the SEC. In providing this service, FINRA is not exercising regulatory discretion and therefore is not itself imposing burdens on those individuals who may choose to sit for the examination. FINRA does exercise discretion in establishing the administration and delivery fee. Regardless of whether individuals pay the fee or some part of the fee is paid by firms, FINRA believes that the proposal is likely to have minimal effects on firms' costs or liquidity. The proposal will therefore have at most minimal competitive effects.

5. 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.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)

The proposed rule change is effective upon filing pursuant to Section 19(b)(3)(A)(ii) of the Act²² and paragraph (f)(2) of Rule 19b-4 thereunder,²³ in that the proposed rule change is establishing or changing a due, fee, or other charge imposed by the self-regulatory organization on any person, whether or not the person is a member of the self-regulatory organization.

²² 15 U.S.C. 78s(b)(3)(A)(ii).

²³ 17 CFR 240.19b-4(f)(2).

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1. Completed notice of proposed rule change for publication in the Federal Register.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2021-025)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Establish an Administration and Delivery Fee for the Municipal Advisor Principal Examination

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 , the Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as “establishing or changing a due, fee or other charge” under Section 19(b)(3)(A)(ii) of the Act³ and Rule 19b-4(f)(2) thereunder,⁴ which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(ii).

⁴ 17 CFR 240.19b-4(f)(2).

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

FINRA is proposing to amend Section 4(c) of Schedule A to the FINRA By-Laws to establish an administration and delivery fee for the new Municipal Advisor Principal Examination (“Series 54 examination”).

Below is the text of the proposed rule change. Proposed new language is in italics; proposed deletions are in brackets.

* * * * *

SCHEDULE A TO THE BY-LAWS OF THE CORPORATION

* * * * *

Section 4 – Fees⁵

(a) through (b) No Change.

(c) The following fees shall be assessed to each individual who takes an examination as described below. These fees are in addition to the registration fee described in paragraph (b) and any other fees that the owner of an examination that FINRA administers may assess.

Examination Number	Examination Name	Examination Fee
N/A	Securities Industry Essentials (SIE) Examination	\$60
Series 4	Registered Options Principal Examination	\$105

⁵ Amendments to some Examination Fees in Section 4 of Schedule A to the FINRA By-Laws were approved in SR-FINRA-2020-032 and become effective on January 1, 2022. See Securities Exchange Act Release No. 90176 (October 14, 2020), 85 FR 66592 (October 20, 2020) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2020-032).

Series 6	Investment Company Products and Variable Contracts Representative Examination	\$40
Series 7	General Securities Representative Examination	\$245
Series 9	General Securities Sales Supervisor Examination — Options Module	\$80
Series 10	General Securities Sales Supervisor Examination — General Module	\$125
Series 14	Compliance Official Examination	\$350
Series 16	Supervisory Analyst Examination	\$240
Series 22	Direct Participation Programs Representative Examination	\$40
Series 23	General Securities Principal Examination — Sales Supervisor Module	\$100
Series 24	General Securities Principal Examination	\$120
Series 26	Investment Company Products and Variable Contracts Principal Examination	\$100
Series 27	Financial and Operations Principal Examination	\$120
Series 28	Introducing Broker-Dealer Financial and Operations Principal Examination	\$100
Series 39	Direct Participation Programs Principal Examination	\$95
Series 50	Municipal Advisor Representative Examination	\$115
Series 51	Municipal Fund Securities Limited Principal Examination	\$105
Series 52	Municipal Securities Representative Examination	\$110
Series 53	Municipal Securities Principal Examination	\$115
<u>Series 54</u>	<u>Municipal Advisor Principal Examination</u>	<u>\$115</u>
Series 57	Securities Trader Examination	\$60

Series 79	Investment Banking Representative Examination	\$245
Series 82	Private Securities Offering Representative Examination	\$40
Series 86	Research Analyst Examination — Analysis	\$185
Series 87	Research Analyst Examination — Regulatory	\$130
Series 99	Operations Professional Examination	\$40

(1) through (4) No Change.

(d) through (i) No Change.

* * * * *

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

In its filing with the Commission, FINRA 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. FINRA 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

FINRA is proposing amendments to Schedule A to the FINRA By-Laws to establish an administration and delivery fee for the Series 54 examination. The Municipal Securities Rulemaking Board (“MSRB”) has established qualification classifications for municipal advisor professionals. The Commission approved amendments to MSRB Rule G-3 that established two new registration classifications for

municipal advisors:⁶ (1) Municipal advisor representatives (*i.e.*, those individuals who engage in municipal advisory activities); and (2) municipal advisor principals (*i.e.*, those individuals who engage in the management, direction or supervision of the municipal advisory activities of the municipal advisor or its associated persons).⁷ Both municipal advisor representatives and municipal advisor principals are required to pass the Municipal Advisor Representative Examination (“Series 50 examination”) to be qualified in accordance with MSRB rules.⁸

MSRB Rule G–3(e)(ii)(A) was amended to establish additional qualification requirements for municipal advisor principals, including the requirement to pass the Series 54 examination.⁹ Under the amended rule, municipal advisor principals are

⁶ The term “municipal advisor” is defined to mean a person that: (i) Provides advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities, including advice with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues; or (ii) undertakes a solicitation of a municipal entity. The definition includes financial advisors, guaranteed investment contract brokers, third-party marketers, placement agents, solicitors, finders, and swap advisors that are engaged in municipal advisory activities, unless they are statutorily excluded. The definition does not include a municipal entity or an employee of a municipal entity. See 15 U.S.C. 78o-4(e)(4).

⁷ See Securities Exchange Act Release No. 74384 (February 26, 2015), 80 FR 11706 (March 4, 2015) (Notice of Filing of Amendment Nos. 1 & 2 and Order Granting Accelerated Approval of File No. SR-MSRB-2014-08).

⁸ See Securities Exchange Act Release No. 75865 (September 9, 2015), 80 FR 55407 (September 15, 2015) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2015-031).

⁹ See Securities Exchange Act Release No. 84630 (November 20, 2018), 83 FR 60927 (November 27, 2018) (Order Approving File No. SR-MSRB-2018-07).

required to pass both the Series 50 examination and the Series 54 examination prior to becoming qualified as a municipal advisor principal.¹⁰

To provide persons who function as municipal advisor principals with sufficient time to satisfy the requirement to pass the new Series 54 examination, the MSRB initially included a one-year grace period from the effective date of the Series 54 examination, during which a person functioning as a municipal advisor principal would be permitted to continue to engage in the management, direction or supervision of the municipal advisory activities of the municipal advisor and its associated persons so long as such person is qualified with the Series 50 examination.¹¹

The date by which individuals are required to become qualified with the Series 54 examination has been extended three times due to impacts related to the pandemic. In April 2020, the MSRB extended the date by which individuals were required to become qualified with the Series 54 examination from November 12, 2020 to March 31, 2021.¹² In December 2020, the MSRB further extended the time period from March 31, 2021 to November 12, 2021.¹³ In September 2021, the MSRB further extended the time period

¹⁰ Supra note 9.

¹¹ Supra note 9.

¹² See Securities Exchange Act Release No. 88694 (April 20, 2020), 85 FR 23088 (April 24, 2020) (Notice of Filing and Immediate Effectiveness of File No. SR-MSRB-2020-01).

¹³ See Securities Exchange Act Release No. 90621 (December 9, 2020), 85 FR 81254 (December 15, 2020) (Notice of Filing and Immediate Effectiveness of File No. SR-MSRB-2020-09).

from November 12, 2021 to November 30, 2021.¹⁴

FINRA develops, maintains, and delivers all FINRA qualification examinations for individuals who are registered or seeking registration with FINRA. FINRA also administers and delivers examinations developed by the MSRB and other self-regulatory organizations.¹⁵ The SEC has designated FINRA to administer and deliver the Series 54 examination for municipal advisors.¹⁶

FINRA currently administers examinations electronically through the PROCTOR[®] system¹⁷ at testing centers operated by vendors under contract with FINRA.¹⁸ For qualification examinations sponsored by a FINRA client and administered

¹⁴ See Securities Exchange Act Release No. 92938 (September 10, 2020), 86 FR 51696 (September 16, 2021) (Notice of Filing and Immediate Effectiveness of File No. SR-MSRB-2021-05).

¹⁵ In this regard, the Exchange Act provides that a registered securities association shall administer required qualification examinations for municipal securities brokers and municipal securities dealers who are members of the association. See 15 U.S.C. 78o-4(c)(7)(A)(i).

¹⁶ See Securities Exchange Act Release No. 75714 (August 17, 2015) 80 FR 50883 (August 21, 2015) (Designation of the Financial Industry Regulatory Authority to Administer Professional Qualification Tests for Associated Persons of Registered Municipal Advisors). Section 15B(c)(7)(A)(iii) of the Exchange Act requires that the SEC or its designee administer qualification examinations for municipal advisors. The SEC previously designated FINRA to examine FINRA members' activities as registered municipal advisors and evaluate compliance by such members with federal securities laws, SEC rules and regulations, and MSRB rules applicable to municipal advisors. See Securities Exchange Act Release No. 70462 (September 20, 2013), 78 FR 67468 (November 12, 2013) (S7-45-10) (Registration of Municipal Advisors).

¹⁷ PROCTOR is a computer system that is specifically designed for the administration and delivery of computer-based testing and training.

¹⁸ The MSRB has temporarily allowed the Series 54 examination to be taken online as an interim accommodation for individuals who need to become appropriately

by FINRA, FINRA charges an administration and delivery fee that represents either a portion of or the entire examination fee. Consistent with this practice, FINRA charges an administration and delivery fee of \$115 for the Series 50 examination.¹⁹

The proposed administration and delivery fee for the Series 54 exam is also \$115.²⁰ The proposed administration and delivery fee will offset FINRA's costs associated with the administration and delivery of the Series 54 examination and, as discussed below, contribute to supporting FINRA's other operations.

FINRA has filed the proposed rule change for immediate effectiveness. The effective date and the implementation date will be the date of filing.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(5) of the Act,²¹ which requires, among other things, that FINRA rules provide for the equitable allocation of reasonable dues, fees and other charges among

qualified as a municipal advisor principal before the compliance date. See supra note 14.

¹⁹ The administration and delivery fee represents a portion of the entire examination fee when a FINRA client has established an additional fee for an examination that it sponsors. The fee to take the Series 50 examination is \$265. Of this amount, \$115 is the FINRA administration and delivery fee, and \$150 is the development fee determined by the FINRA client, the MSRB. See MSRB Rule A-16. See also supra note 8.

²⁰ The fee to take the Series 54 examination is \$265. Of this amount, \$115 is the FINRA administration and delivery fee, and \$150 is the development fee determined by the FINRA client, the MSRB. See MSRB Rule A-16. See also Securities Exchange Act Release No. 85135 (February 14, 2019), 84 FR 5513, 5514 n.15 (February 21, 2019) (Notice of Filing and Immediate Effectiveness of File No. SR-MSRB-2019-02).

²¹ 15 U.S.C. 78o-3(b)(5).

members and issuers and other persons using any facility or system that FINRA operates or controls.

Reasonableness of the Proposed Fee

FINRA believes that the proposed administration and delivery fee for the Series 54 examination is reasonable. In establishing an administration and delivery fee of \$115 for the Series 54 examination, FINRA applied the same criteria as it does for establishing the fees for other examinations with similar characteristics related to test length and volume. In particular, the Series 54 examination fee is consistent with the fee charged for the Series 50 examination, which has the same number of questions (and thus requires the same testing time).

The proposed administration and delivery fee will be used to cover FINRA's costs associated with the administration and delivery of the Series 54 examination, including the fees that vendors charge FINRA for delivering qualification examinations through their test delivery networks and PROCTOR system maintenance and enhancement expenses. The proposed fee also will contribute to supporting FINRA's other operations. As FINRA has explained previously, it is not feasible to associate a direct affiliated revenue stream for each of its programs and thus numerous operations and services must be funded by other revenue sources, which include both general regulatory assessments and use-based fees.²²

The Proposed Fee is Equitable and Not Unfairly Discriminatory

FINRA believes that the proposed administration and delivery fee for the Series 54 examination is equitable and not unfairly discriminatory. The proposed fee is a use-

²²

See supra note 5.

based fee and FINRA will charge the fee each time a municipal advisor representative accesses the content. Thus, the exam for municipal advisor principals will be available on the same terms to every municipal advisor representative.

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

FINRA 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. FINRA believes that the establishment of the administration and delivery fee for the Series 54 examination will have a limited economic impact on the industry.

MSRB rules require every municipal advisor to have at least one municipal advisor principal.²³ There are approximately 500 registered municipal advisors.²⁴ The administration and delivery fees may be paid by the individuals taking the examination or their associated firms.

FINRA administers this examination as a service provider to the MSRB as designated by the SEC. In providing this service, FINRA is not exercising regulatory discretion and therefore is not itself imposing burdens on those individuals who may choose to sit for the examination. FINRA does exercise discretion in establishing the administration and delivery fee. Regardless of whether individuals pay the fee or some part of the fee is paid by firms, FINRA believes that the proposal is likely to have minimal effects on firms' costs or liquidity. The proposal will therefore have at most minimal competitive effects.

²³ MSRB Rule G-3(e)(iii).

²⁴ See MSRB-Registered Municipal Advisor Firms with Series-50 Qualified Representatives (Sept. 20, 2021, 2:06 PM), <https://msrb.org/MARegistrants>.

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.

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act²⁵ and paragraph (f)(2) of Rule 19b-4 thereunder.²⁶ 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. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

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-FINRA-2021-025 on the subject line.

²⁵ 15 U.S.C. 78s(b)(3)(A).

²⁶ 17 CFR 240.19b-4(f)(2).

Paper Comments:

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

All submissions should refer to File Number SR-FINRA-2021-025. 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 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2021-025 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁷

Jill M. Peterson
Assistant Secretary

²⁷ 17 CFR 200.30-3(a)(12).