

THE BOND BUYER

Many MA firms have yet to get their advisors qualified

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Published June 19 2017, 12:48pm EDT

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WASHINGTON – As the deadline for municipal advisors to pass their qualification exam approaches, roughly 26% of registered firms have no advisors who have qualified, potentially leaving issuers with fewer firms on which to rely, according to regulators.

Those firms have until Sept. 12 to either have an advisor pass the Series 50 exam or get out of the business.

The exam has been available for MAs to take since Sept. 12, 2016, following a pilot exam given that January and February. The MSRB announced in early 2016 that all MAs would have a year-long grace period starting on Sept. 12, 2016 to take and pass the multiple choice exam. Those MAs who took and passed the pilot test do not have to retake the exam.

With Sept. 12 only about 90 days away, the MSRB has been stepping up its outreach efforts to MAs, particularly those in the 170 out of the 638 MA firms registered with the MSRB that have not had any advisors pass the exam yet.



It is "imperative" that issuers "ensure that, after Sept. 12, whoever they are currently engaged with or are considering hiring ... are in fact qualified to provide [MA] services," said Lynnette Kelly, the MSRB's executive director.

"I think it is important to understand that after Sept. 12, any firm that doesn't have an individual qualified cannot represent that they can engage in municipal advisory activities," said Lynnette Kelly, executive director of the MSRB.

She added that it is "imperative" that issuers look at the MA registration list on the MSRB's website "and absolutely ensure that, after Sept. 12, whoever they are currently engaged with, or are considering hiring, or have any kind of relationship with, are in fact qualified to provide these services."

Firms that have advisors who do not pass by the deadline will have to amend their advisors' regulatory forms to note that fact, according to the Securities and Exchange Commission. If nobody in the firm has passed by Sept. 12, the firm cannot hold itself out as an advisor until it has advisors who pass the exam after that date.

The MSRB held a joint webinar on Thursday with the SEC during which the commission walked participants through the process of signing up, passing, and complying with documentation requirements related to the Series 50 exam. The board also plans to increase its outreach to issuers over the next few months to emphasize the importance of verifying MAs are registered and qualified to offer advice.

Emily Brock, director of the Government Finance Officers Association's federal liaison center, said GFOA is "very aware of the date coming up" for required passage of the Series 50 exam.

"We all just want to ensure a smooth transition ... [and] make sure that the issuer community does understand the ramifications of the MA not having their Series 50" qualifications, Brock said.

Susan Gaffney, executive director of the National Association of Municipal Advisors, said there is no excuse for MAs not knowing about the Sept. 12 deadline after "the MSRB has done everything they can and more to encourage test taking."

The National Association of Municipal Advisors has "had the cattle prod out for months to make sure our members have taken the Series 50," said Susan Gaffney, NAMA's executive director.



She said that NAMA has "had the cattle prod out for months to make sure our members have taken the Series 50 and do take the Series 50," adding that MAs should also be aware of the calendar limitations for taking the test and allow time if the test has to be taken again before Sept. 12.

If an MA signs up for the exam and fails, the individual must wait 30 days before sitting for the test again. If an MA fails three consecutive times, the individual must wait 180 days before retaking the exam. MAs must score 71% or higher on the Series 50 in order to pass.

Kelly said that while the MSRB will continue its outreach, it is important to acknowledge that there could be any number of reasons why a firm has not had anyone qualify yet.

"Maybe some firms registered out of an abundance of caution and [then] realized they don't need to register," she said. "Maybe some firms are planning to merge or consolidate or some people are planning to retire."

Kelly said the MSRB is not able to draw conclusions about the 170 firms without qualified individuals.

"Hypothetically, if the one municipal advisor in Western Nebraska decides not to take the exam and retire, well that's probably a concern for the local issuers in Nebraska," Kelly said. "But we don't have

any way of parsing out, of those 170 firms, which is in a unique situation like that.”

She added that there is also the chance that in such a situation, other MAs may move in to pick up market share and serve the local issuers that may have lost their primary MA.