

he or she is assumed to have solicited municipal securities business and therefore is deemed a municipal finance professional under [r]Rule G-37.

Accordingly, any contributions given to issuer officials by that person within the last two years could subject the dealer to the rule's two-year prohibition on business with such issuers. [For additional guidance in this area, please refer to Q&A number 4 in the June 1994 issue of *MSRB Reports* (Vol. 14, No. 3), CCH Manual paragraph 3681; and Q&A numbers 1, 2 and 3 in the December 1994 issue of *MSRB Reports* (Vol. 14, No. 5), CCH Manual paragraph 3681.]

(March 22, 1995)

Supervisors

IV.14

Q: A sales representative at a branch office solicits municipal securities business for the dealer. Such activity results in that person becoming a "municipal finance professional" under [r]Rule G-37(g)(iv)(B). Would that person's branch manager also be considered a municipal finance professional?

A: Yes. Rule G-37(g)(iv)(C) provides that the definition of municipal finance professional includes, among others, any associated person who is both a (i) municipal securities principal or a municipal securities sales principal and (ii) a supervisor of any associated person who solicits municipal securities business (or who is primarily engaged in municipal securities representative activities). If a sales person is soliciting municipal securities business, then the supervisor of that person (*i.e.*, the branch manager) also is included within the definition of municipal finance professional. [Prior to the most recent revision to this portion of the definition of municipal finance professional (which was approved on March 6, 1995 in Securities Exchange Act Release No. 34-35446), the definition included any "direct supervisor" of any associated person who solicited municipal securities business (or who was primarily engaged in municipal securities representative activities). Under both definitions, [b]Branch managers are included within the definition of municipal finance professional in the circumstances described above. [For additional information in this area, please refer to *MSRB Reports*, Vol. 14, No. 4 (August 1994) at 28-29, CCH Manual paragraph 3681.]

(March 22, 1995)

Designation Period for Municipal Finance Professionals

IV.15

Q: Rule G-37(g)(iv) states that each person designated a municipal finance professional shall retain this designation for [two] *one* year[s] after the last activity or position which gave rise to the designation. If a dealer terminates a municipal finance professional's employment, and that person is no longer associated in any way with the dealer (including any affiliated entities of the dealer), must the dealer continue to designate that person a "municipal finance professional" for recordkeeping and reporting purposes under [r]Rules G-37(g)(iv) and G-8(a)(xvi)?

A: No. If a municipal finance professional is no longer employed by the dealer, and is not an "associated person" of the dealer, then the dealer is not required to designate that person a municipal finance professional and the dealer may cease its recordkeeping and reporting obligations with respect to that person.

(August 6, 1996)

IV.16

Q: If a municipal finance professional is transferred from a firm's dealer department to another non-municipal department, such as the corporate department, must the dealer continue to designate this person a municipal finance professional for recordkeeping and reporting purposes?

A: If a municipal finance professional is transferred to another department within the same firm (such as corporate, equities, etc.) and remains an "associated person" of the dealer, the dealer must continue to designate this person a municipal finance professional for [two] *one* year[s] from the date of the last activity or position which gave rise to this designation and must continue its recordkeeping and reporting obligations under [r]Rules G-37 and G-8. It is incumbent upon each dealer to determine whether the person is an associated person pursuant to Section 3(a)(18) of the Securities Exchange Act of 1934. If so, then in addition to recordkeeping and reporting obligations, dealers should be mindful that any contributions made by this associated person during the [two] *one*-year designation period (other than contributions that qualify for the rule's \$250 *de minimis* exception) will subject the dealer to the rule's ban on municipal securities business for two years from the date of such contribution. Of course, the ban can only be triggered if the person previously was a municipal finance professional.

(August 6, 1996)

IV.17

Q: A municipal finance professional resigns from a dealer, but still remains an associated person of the dealer (*e.g.*, by retaining a position in the dealer's holding company). May the dealer cease designating this person a municipal finance professional for purposes of the recordkeeping and reporting requirements under [r]Rules G-37 and G-8? In addition, may this person make contributions to issuer officials without causing the dealer to be banned from municipal securities business with such issuers?

A: [As noted above in Q&A number 4, if] If a person is no longer a municipal finance professional because he or she has left the dealer's employ, but nevertheless remains an associated person of the dealer, then the dealer must continue to designate this person a municipal finance professional for [two] *one* year[s] from the last activity or position which gave rise to such designation. Moreover, any contributions by this associated person (other than those that qualify for the *de minimis* exception under [r]Rule G-37(b)) will subject the dealer to the rule's ban on municipal securities business for two years from the date of the contribution.

(August 6, 1996)

IV.18

Q: In making the determination of which associated persons of a dealer meet the definitions of municipal finance professional and *non-MFP* executive officer, is it correct to designate all the executives of the dealer (*e.g.*, President, Executive Vice Presidents) under the category of *non-MFP* executive officers?

A: No. In making the determination of whether someone is a municipal finance professional or *non-MFP* executive officer, one must review the activities of the individual and not his or her title. Rule G-37(g)(iv) defines the term "municipal finance professional" as:

(A) any associated person primarily engaged in municipal securities representative activities, as defined in [r]Rule G-3(a)(i), *provided, however, that sales activities with natural persons shall not be considered to be municipal securities representative activities for purposes of this subparagraph* (A);

(B) any associated person who solicits municipal securities business, as defined in paragraph (vii);

(C) any associated person who is both (i) a municipal securities principal or a municipal securities sales principal and