

MA Client Brochure/Complaint Regulations



National Association of Municipal Advisors

WEBINAR

October 19, 2017

Introductions

- Speaker: Dave Sanchez, Senior Counsel, Norton Rose Fulbright
- MSRB Rules
 - G-10: Informing Clients of MSRB Brochure and MA Registration
 - G-8: Recordkeeping
 - G-9: Record Retention
- Intent and Reasoning of the Rulemaking

MSRB Rule G-10: Overview

- Investor and MA Client Education and Protection
- Effective October 13, 2017
- Provide Information to Clients

MSRB Rule G-10: Information to Client

- Statement that MA is Registered at SEC and the MSRB
- Providing MSRB web address
 - www.msrb.org
- Statement Regarding Availability of MSRB Brochure
 - MSRB web site
 - Actual brochure - <http://msrb.org/Rules-and-Interpretations/MSRB-Rules/General/~media/BC4612A03E6C4899B809503FE34E3A81.ashx>

MSRB Rule G-10: MA Client Brochure

- Topics Covered in Client Brochure
 - Professional Competency
 - Fair Dealing
 - Duty of Loyalty
 - Periodic Disclosure
 - Documentation
 - Remedies for Dispute
 - Filing a Complaint

MSRB Rule G-10: Providing Information to Client

- Annual Obligation
- May Be Combined With Other Documentation Sent to Clients
- May be Sent via Email

Timing of Sending Information to Clients

- Current Clients
 - Who is a current client?
 - How should I send?
 - Deadline: December 31, 2017
 - Annually thereafter
- New Clients
 - Annually
 - Combining with other materials
 - Must be sent in writing not only posted on web site

MSRB Rule G-8: Recordkeeping/Client Complaints Overview

- Documenting Complaints in a Firm Electronic Complaint Log
 - Using Uniform Codes
- Resolving Complaints
- Record Retention Requirement

MSRB Rule G-8: A “Complaint”

- Determining What is a Complaint?
- Complaints Must be in Writing
- Complaint Resolution Must be Documented
- Firm Procedures for Notifying CCO When MA Receives a Complaint

MSRB Rule G-8: Complaint vs Form MA-I

- Form MA-I Must be Amended if a Complaint is Received by an MA
 - Does not have written standard
- Form MA-I Item 6I
- Form MA-I Item 6J

Complaints and Form MA-I

- Form MA-I Question - 6I

- **CUSTOMER COMPLAINT/ARBITRATION/CIVIL LITIGATION DISCLOSURE**

(1) Has the individual ever been the subject of a *municipal advisor-related* or *investment-related*, customer-initiated **(written or oral) complaint that alleged that he or she was *involved* in fraud, false statements, omissions, theft, embezzlement, wrongful taking of property, bribery, forgery, counterfeiting, extortion, or dishonest, unfair or unethical practices**, which:

(a) is still pending, or; Yes No

(b) was settled Yes No

(2) Has the individual ever been the subject of a *municipal advisor-related* or *investment-related*, customer-initiated arbitration or civil litigation that alleged that he or she was *involved* in fraud, false statements, omissions, theft, embezzlement, wrongful taking of property, bribery, forgery, counterfeiting, extortion, or dishonest, unfair or unethical practices, which:

(a) is still pending, or; Yes No

(b) resulted in an arbitration award or civil judgment against the individual, regardless of amount, or; was settled? Yes No

Complaints and Form MA-I

- Form MA-I Question – 6J
- **TERMINATION DISCLOSURE Item 6J**

Has the individual ever voluntarily *resigned*, been discharged or permitted to *resign* after **allegations were made** that accused him or her of:

(1) Violating *municipal advisor-related* or *investment-related* statutes, regulations, rules, or industry standards of conduct? Yes No

(2) fraud or the wrongful taking of property?

(3) failure to supervise in connection with *municipal advisor-related* or *investment-related* statutes, regulations, rules or industry standards of conduct?

MSRB Rule G-8: Electronic Complaint Log

- Components of Complaint Log
 - Client information
 - Date complaint received
 - Date of activity that gave rise to complaint
 - Name of person identified by client in the complaint
 - Nature of complaint
 - Action taken by MA concerning the complaint
 - Code from the Standard Set of Product and Problem Codes

MSRB Rule G-8: Electronic Complaint Log

- MSRB Sample Electronic Complaint Log

SAMPLE Electronic Complaint Log

MSRB Rule G-8 Customer and Municipal Advisory Client Complaint Product and Problem Codes Guide		
<p>Note: The product and problem codes may be selected from a drop-down menu in each cell under the respective column. Click a cell under the Product Code and Description or Problem Code and Description column to see the drop-down arrow, then select the correct code from the pre-populated list.</p>		
Product Code and Description	Problem Code and Description	Date Complaint Was Received
00 <i>Miscellaneous</i>	00 <i>Miscellaneous (Sales Practice Only) - "Sales Practice" only ("Non-Sales Practice" Miscellaneous code is "99").</i>	MM/DD/YYYY

MSRB Rule G-8: Electronic Complaint Log

- MSRB Sample Electronic Complaint Log

SAMPLE Electronic Complaint Log

Name of Firm's Contact Who Received Complaint (Telephone/Email)	Name of Firm's Contact Handling Complaint (Telephone/Email)	Firm / Office / Branch Location
<i>John Smith, 555-555-5555 / jsmith@firm.org</i>	<i>John Smith, 555-555-5555 / jsmith@firm.org</i>	<i>Location as applicable</i>

MSRB Rule G-8: Electronic Complaint Log

- Product Codes

- Full listing – Client Complaint Product and Problem Codes Guide
- 15: Debt-Municipal
- 39: Auction Rate Securities
- 42: Structured Products
- 00: Miscellaneous
- 18: No Product Code

MSRB Rule G-8: Electronic Complaint Log

- Complaint Codes

- Full listing – Client Complaint Product and Problem Codes Guide
- 01: Misrepresentation
- 04: Suitability
- 05: Failure to Follow Instructions
- 06: Documentation
- 10: Disclosure of Fees
- 15: MA Conflict of Interest
- 31: Other Theft/Forgery
- 40: Miscellaneous

MSRB Rule G-9: Record Retention

- MAs Must Keep Complaints Within Their Log for Six Years.
- Six Years Begins From the "date of the resolution of the complaint."

Tips, Questions and Other Items

- Include Information With Other Client Communications and/or Choose a Date Each Year to Distribute
- Develop Policy and Procedures for Identifying Complaints Within Firm for Both MSRB G-10 and Form MA-I Purposes
 - Determining what is a complaint “bad tie” vs “bad pricing” vs “bad representation”
 - Notifying CCO
 - Email review
- Develop/Copy MSRB Complaint Log and Keep in File
 - Quarterly or other basis, note ‘n/a’ if no complaints were filed or found