

MSRB Rules Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. In a WAI (When, As, and If Issued) transaction, the actual settlement date is determined:**
 - A. on trade date**
 - B. on the next business day**
 - C. when the new issue is printed and the offering has been closed**
 - D. at the discretion of the customer**

- 2. Which statements are true regarding MSRB gifts and gratuities?**
 - A. II and IV**
 - B. I and IV**
 - C. I and III**
 - D. II and III**

- 3. Which statement about MSRB mark-ups is true?**
 - A. MSRB sets fixed maximum mark-ups**
 - B. MSRB prohibits any mark-ups**
 - C. MSRB does not set maximum mark-ups but provides guidance on fairness**
 - D. MSRB requires disclosure of exact markup to customers**

- 4. All of the following are considered to be advertising by the MSRB EXCEPT: A seminar texts B market letters C form letters D Official Statements**
 - A. seminar texts**
 - B. market letters**
 - C. form letters**
 - D. Official Statements**

- 5. Which item is NOT required on the confirmation for bonds sold at par?**
 - A. Whether callable**
 - B. Capacity in which the broker-dealer acted**
 - C. Total dollar amount of the transaction**
 - D. The yield at which the transaction was effected**

- 6. A municipal bond dealer typically engages in which of the following activities?**
- A. II Participating in syndicates bidding on new issues**
 - B. IV Acting as an agent, buying and selling positions for customers**
 - C. I Distributing bona-fide quotes to interested parties**
 - D. III Acting as a market maker by taking long positions**
- 7. Under MSRB rules, does it matter whether the underwriting is competitive bid or negotiated for the prohibition on a financial advisor acting as underwriter?**
- A. It matters; the prohibition only applies to negotiated**
 - B. It matters; it applies only to competitive bid**
 - C. It does not matter; the advisor cannot be the underwriter in either case**
 - D. It matters only if compensation is disclosed**
- 8. When advertising the availability of a municipal security at a 'yield,' a municipal firm: I must own the security II does not have to own the security III must disclose whether the yield is the coupon rate or yield to maturity IV must disclose whether the yield is the coupon rate or current yield**
- A. I and III**
 - B. I and IV**
 - C. II and III**
 - D. II and IV**
- 9. Which statements are TRUE about EMMA and related systems?**
- A. I and III**
 - B. I and IV**
 - C. II and III**
 - D. II and IV**

- 10. A registered representative has written discretionary authorization from a customer. Specific customer approval is needed for which transaction?**
- A. Sell naked calls**
 - B. Purchase a municipal bond where the broker-dealer has a control relationship with the issuer**
 - C. Purchase a municipal bond where the broker-dealer is a market maker in the security**
 - D. Sell covered calls**

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Answers

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1. C
2. C
3. C
4. D
5. D
6. B
7. C
8. A
9. A
10. B

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Explanations

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1. In a WAI (When, As, and If Issued) transaction, the actual settlement date is determined:

- A. on trade date**
- B. on the next business day**
- C. when the new issue is printed and the offering has been closed**
- D. at the discretion of the customer**

In a When, As, and If Issued transaction, the commitment to buy or sell is made before the security is actually issued, but the deal isn't settled until the issuer has completed the offering and the security is ready for delivery. The actual settlement date is set when the new issue is printed and the offering has been closed, meaning the security is officially issued and available for delivery. That's why the correct choice is that date. Settling on trade date would ignore the issuance process, and settling on the next business day or at the customer's discretion doesn't reflect the required completion of the primary offering.

2. Which statements are true regarding MSRB gifts and gratuities?

- A. II and IV**
- B. I and IV**
- C. I and III**
- D. II and III**

Gifts and gratuities to municipal securities professionals are tightly regulated to prevent any appearance of buying favorable treatment. Cash or cash equivalents are not allowed at all. Only gifts of de minimis value may be given, and they must fit within an annual limit per recipient and not be tied to obtaining or rewarding business. That's why the statements described as true align with these protections: cash gifts are prohibited, and there is a limit on non-cash gifts of minimal value that can be given to a single recipient in a year. The other statements would conflict with these safeguards—such as implying cash gifts are permissible, or suggesting there's no annual limit or reporting requirement—so they're not correct.

3. Which statement about MSRB mark-ups is true?

- A. MSRB sets fixed maximum mark-ups**
- B. MSRB prohibits any mark-ups**
- C. MSRB does not set maximum mark-ups but provides guidance on fairness**
- D. MSRB requires disclosure of exact markup to customers**

MSRB mark-ups are governed by fairness and reasonableness, not by a fixed cap. The MSRB does not set a uniform maximum markup for municipal securities; instead it provides guidance on what constitutes fair pricing, taking into account factors like issue type, liquidity, market conditions, and the dealer's costs and services. This approach recognizes that markups will vary across transactions and issuers, so a single percentage cap wouldn't fit all situations. While pricing must be fair and customers must receive appropriate disclosure of total price, the emphasis of the MSRB guidance is on reasonable, transparent pricing rather than a mandated exact markup.

4. All of the following are considered to be advertising by the MSRB EXCEPT: A seminar texts B market letters C form letters D Official Statements

A. seminar texts

B. market letters

C. form letters

D. Official Statements

The key idea here is what counts as advertising under MSRB rules vs what is treated as a formal disclosure document. Advertising is any communication to the public or a broad audience that promotes municipal securities or solicits investors, often aimed at encouraging transactions. An Official Statement, on the other hand, is the official disclosure document prepared in connection with a new issue. It provides details about the security, the issuer, risks, and financial information, but its purpose is to inform rather than to promote a sale. Seminar texts, market letters, and form letters are examples of promotional materials. They're pieces that can be used to discuss opportunities, offer analysis, or solicit business, which fits the definition of advertising under MSRB rules. They're designed to influence investment decisions and attract customers to the securities. Since Official Statements are issued to disclose information about the issue and are part of the regulatory disclosure framework rather than promotional messaging, they are not considered advertising. That's why they stand out as the exception.

5. Which item is NOT required on the confirmation for bonds sold at par?

A. Whether callable

B. Capacity in which the broker-dealer acted

C. Total dollar amount of the transaction

D. The yield at which the transaction was effected

The rule governs what must appear on a municipal bond trade confirmation to ensure clear disclosure of how the trade was executed and at what price. Among the required items are who the broker-dealer was acting for (the capacity — agent or principal) and the total dollar amount of the transaction, as well as information about the security's features, such as whether it is callable. The detail about the yield at which the transaction was effected is not required when bonds are sold at par. If the price is par, the yield is effectively implied by the coupon and par price, so stating a separate yield adds no new, useful information on the confirmation. In these cases, the confirmation can omit that yield figure without reducing transparency. The other elements—capacity of the broker-dealer, and the total transaction amount (and relevant features like callability)—still must be disclosed.

6. A municipal bond dealer typically engages in which of the following activities?

A. II Participating in syndicates bidding on new issues

B. IV Acting as an agent, buying and selling positions for customers

C. I Distributing bona-fide quotes to interested parties

D. III Acting as a market maker by taking long positions

Municipal bond dealers are most commonly acting as agents for their customers, executing buy and sell orders on behalf of clients and earning a fee or commission for facilitating the trade. This agent role means the dealer does not take on the issuer or own inventory in the trade; the goal is to get the customer's order executed in the market with fair pricing and best execution. Participating in syndicates bidding on new issues describes underwriting activity, which is a separate line of business for dealers and not the everyday role of a typical municipal dealer. Acting as a market maker by taking long positions involves holding inventory and quoting bids and offers to provide liquidity, which is characteristic of a dealer who maintains quotes, not the standard customer-order execution path. Distributing bona-fide quotes to interested parties pertains more to price dissemination by market makers or other market participants, whereas the primary everyday function for many municipal dealers is to facilitate client trades as an agent.

7. Under MSRB rules, does it matter whether the underwriting is competitive bid or negotiated for the prohibition on a financial advisor acting as underwriter?

A. It matters; the prohibition only applies to negotiated

B. It matters; it applies only to competitive bid

C. It does not matter; the advisor cannot be the underwriter in either case

D. It matters only if compensation is disclosed

The key idea is that the prohibition on a municipal advisor acting as underwriter is about the advisor's dual role creating a conflict of interest, not about how the underwriting is conducted. Under MSRB rules, a municipal advisor cannot take on the underwriter role for an issue they have advised on, period. This applies regardless of whether the issue is sold via a competitive bid or through a negotiated underwriting. The reason is to preserve the advisor's independence and avoid biased guidance that could favor the underwriter or issuer's preferred outcome. So the method of underwriting doesn't change the restriction—the advisor cannot be the underwriter in either case. Compensation disclosure or the specifics of the bidding process do not alter this prohibition.

8. When advertising the availability of a municipal security at a 'yield,' a municipal firm: I must own the security II does not have to own the security III must disclose whether the yield is the coupon rate or yield to maturity IV must disclose whether the yield is the coupon rate or current yield

A. I and III

B. I and IV

C. II and III

D. II and IV

When a municipal security is advertised at a yield, the ad must be truthful about what is being offered and what the quote represents. The dealer must actually own the security that it is advertising as available; otherwise the ad could mislead investors about inventory and availability. At the same time, the ad must clearly indicate what kind of yield is being quoted, so investors know whether the figure refers to a yield to maturity (or another defined yield) or, in some cases, the coupon rate. These two requirements—ownership of the security and clear disclosure of the yield type—together explain why the best answer includes both statements.

9. Which statements are TRUE about EMMA and related systems?

A. I and III

B. I and IV

C. II and III

D. II and IV

EMMA is the MSRB's central, publicly accessible system for municipal securities information. Its main purpose is to promote transparency by disseminating official statements and trade/quote data so investors and markets can see timely, reliable details about offerings and trading activity. The correct interpretation here centers on two true aspects: first, EMMA publishes official statements and trade data to the public, making important disclosures readily accessible; second, broker-dealers are required to report municipal securities trades to EMMA within mandated timeframes so the data appears promptly for users. These features—public disclosure and timely broker reporting—are core to EMMA's function. The other statements in questions like this often describe restricted access or misstate how broad the data coverage is; those points do not align with EMMA's role as a public, disclosure-driven platform.

10. A registered representative has written discretionary authorization from a customer. Specific customer approval is needed for which transaction?

A. Sell naked calls

B. Purchase a municipal bond where the broker-dealer has a control relationship with the issuer

C. Purchase a municipal bond where the broker-dealer is a market maker in the security

D. Sell covered calls

When a registered representative has discretionary authority, they can place trades for the client, but certain arrangements create conflicts that require the client's explicit consent. If the broker-dealer has a control relationship with the issuer, the client must specifically approve any purchase of that issuer's municipal securities. The control relationship can give the dealer ties to the issuer that might influence pricing or allocation, so the client's informed consent is required before such a purchase is made. The other scenarios don't involve that required conflict disclosure in the municipal-securities context. Being a market maker in a bond or engaging in options-style transactions isn't, by itself, the type of relationship that mandates pre-trade client approval under these rules.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://msrbrules.examzify.com>

We wish you the very best on your exam journey. You've got this!

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