



SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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**Form 19b-4 Information**

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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**

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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**

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Exhibit Sent As Paper Document

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 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

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 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**

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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 Proposed Rule Change**

(a) The Municipal Securities Rulemaking Board (“Board” or “MSRB”) is hereby filing with the Securities and Exchange Commission (“Commission” or “SEC”) a proposed rule change (the “proposed rule change”) consisting of an amendment to Rule G-41, on anti-money laundering compliance programs. The proposed rule change is set forth below, with brackets indicating deletions and underlining indicating new language.

**Rule G-41: Anti-Money Laundering Compliance Program**

[No] Every broker, dealer or municipal securities dealer shall establish and implement an [be qualified for purposes of Rule G-2 unless such broker, dealer or municipal securities dealer has met the] anti-money laundering compliance program designed to achieve and monitor ongoing compliance with the requirements of the Bank Secrecy Act, 31 U.S.C. 5311, et seq. (“BSA”), and the regulations thereunder. A broker, dealer or municipal securities dealer that establishes and implements an anti-money laundering compliance program that is in compliance with the rules, regulations or requirements of either its [rules set forth by either the] registered securities association (*i.e.*, the NASD) or its [of which the dealer is a member (*e.g.*, NASD Rule 3011), or the rules set forth by the] appropriate banking regulator governing the establishment and maintenance of anti-money laundering programs will be deemed to be in compliance with Section 5318(h)(1) of the BSA and the regulations promulgated thereunder for purposes of this Rule. [regulatory agency as defined in Section 3(a)(34) of the Act with respect to any other broker, dealer or municipal securities dealer (*e.g.*, 12 C.F.R. 21.21 (OCC); 12 C.F.R. 208.63 (FRB); 12 C.F.R. 326.8 (FDIC); and 12 C.F.R. 563.177 (OTS)), to the same extent as if such rules were applicable to such broker, dealer or municipal securities dealer.]

\* \* \* \* \*

(b) Not applicable.

(c) Not applicable.

**2. Procedures of the Self-Regulatory Organization**

The Board adopted the proposed rule change pursuant to a telephone poll conducted in accordance with MSRB Rule A-4(d) on January 10, 2005. Questions concerning this filing may be directed to Carolyn Walsh, Senior Associate General Counsel, at (703) 797-6600.

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

(a) On July 11, 2003, the SEC approved proposed rule change SR-MSRB-2003-04 establishing Rule G-41, on anti-money laundering compliance programs. The MSRB

proposed Rule G-41 to ensure that all brokers, dealers and municipal securities dealers (“dealers”) that effect transactions in municipal securities, and in particular those that only effect transactions in municipal securities (“sole municipal dealers”), are aware of, and in compliance with, anti-money laundering compliance program requirements. Representatives of the NASD and SEC have recently asked the MSRB to revise certain language in Rule G-41 to assist in enforcement of the rule. The basic requirements of the rule remain unchanged.

(b) The MSRB believes that the proposed rule change is consistent with Section 15B(b)(2)(C) of the Exchange Act, which requires that the rules of the MSRB shall:

be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating...transactions in municipal securities, to remove impediments to and perfect the mechanism of a free and open market in municipal securities, and, in general, to protect investors and the public interest.

The Board believes that the proposed rule change will facilitate dealer compliance with anti-money laundering compliance program regulation. These programs are designed to help identify and prevent money laundering abuses that can affect the integrity of the U.S. capital markets.

#### **4. Self-Regulatory Organization’s Statement on Burden on Competition**

The MSRB does not believe the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act because it applies equally to all dealers in municipal securities.

#### **5. Self-Regulatory Organization’s Statement on Comments Received on the Proposed Rule Change by Members, Participants, or Others**

Written comments were neither solicited nor received on the proposed rule change.

#### **6. Extension of Time Period for SEC Action**

The MSRB declines to consent to an extension of the time period specified in Section 19(b)(2) of the Act.

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

The MSRB has designated the proposed rule change as constituting a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule of the MSRB under Section 19(b)(3)(A)(i) of the Act and

Rule 19b-4(f)(1) thereunder,<sup>1</sup> which renders the proposal effective upon receipt of this filing by the Commission. At any time within 60 days of the filing of such proposal, the Commission may summarily abrogate such proposal 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.<sup>2</sup>

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

Proposed Rule G-41 provides that dealers who establish and implement an anti-money laundering compliance program that is in compliance with the rules, regulations or requirements of either its registered securities association (*i.e.*, NASD Rule 3011) or its appropriate banking regulator governing the establishment and maintenance of anti-money laundering programs will be deemed to be in compliance with Section 5318(h)(1) of the BSA and the regulations promulgated for purposes of this Rule.

**9. Exhibits**

1. Federal Register Notice.

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<sup>1</sup> 15 U.S.C. 78s(b)(3)(A)(i) and 17 CFR 240.19b-4(f)(1).

<sup>2</sup> 15 U.S.C. 78s(b)(3)(C).

**EXHIBIT 1**

**SECURITIES AND EXCHANGE COMMISSION**

(Release No. 34- ; File No. SR-MSRB-2005-03)

**SELF-REGULATORY ORGANIZATIONS**

Proposed Rule Change by the Municipal Securities Rulemaking Board  
Relating to Filing and Immediate Effectiveness of Amendment to Rule G-41, on Anti-  
Money Laundering Compliance Programs

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”) <sup>1</sup>  
and Rule 19b-4 thereunder, <sup>2</sup> notice is hereby given that on March 4, 2005 the Municipal  
Securities Rulemaking Board (“MSRB” or “Board”) filed with the Securities and  
Exchange Commission (“Commission” or “SEC”) a proposed rule change (File No. SR-  
MSRB-2005-03) (“the proposed rule change”) consisting of an amendment to Rule G-41,  
on anti-money laundering compliance programs, as described in Items I, II, and III  
below, which Items have been prepared by the MSRB. The MSRB has designated this  
proposed rule change as constituting a stated policy, practice, or interpretation with  
respect to the meaning, administration, or enforcement of an existing rule of the MSRB  
under Section 19(b)(3)(A)(i) of the Act <sup>3</sup> and Rule 19b-4(f)(1) thereunder, <sup>4</sup> which  
renders the proposed rule change 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.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(i).

<sup>4</sup> 17 CFR 240.19b-4(f)(1).

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

The MSRB is filing with the Commission an amendment to Rule G-41, on anti-money laundering compliance programs. The text of the amendment follows, with underlining indicating new language and brackets indicating deletions:

**Rule G-41: Anti-Money Laundering Compliance Program**

[No] Every broker, dealer or municipal securities dealer shall establish and implement an [be qualified for purposes of Rule G-2 unless such broker, dealer or municipal securities dealer has met the] anti-money laundering compliance program designed to achieve and monitor ongoing compliance with the requirements of the Bank Secrecy Act, 31 U.S.C. 5311, et seq. ("BSA"), and the regulations thereunder. A broker, dealer or municipal securities dealer that establishes and implements an anti-money laundering compliance program that is in compliance with the rules, regulations or requirements of either its [rules set forth by either the] registered securities association (*i.e.*, the NASD) or its [of which the dealer is a member (*e.g.*, NASD Rule 3011), or the rules set forth by the] appropriate banking regulator governing the establishment and maintenance of anti-money laundering programs will be deemed to be in compliance with Section 5318(h)(1) of the BSA and the regulations promulgated thereunder for purposes of this Rule. [regulatory agency as defined in Section 3(a)(34) of the Act with respect to any other broker, dealer or municipal securities dealer (*e.g.*, 12 C.F.R. 21.21 (OCC); 12 C.F.R. 208.63 (FRB); 12 C.F.R. 326.8 (FDIC); and 12 C.F.R. 563.177 (OTS)), to the same extent as if such rules were applicable to such broker, dealer or municipal securities dealer.]

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

In its filing with the Commission, the MSRB 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. The MSRB 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**

On July 11, 2003, the SEC approved proposed rule change SR-MSRB-2003-04 establishing Rule G-41, on anti-money laundering compliance. The MSRB proposed Rule G-41 to ensure that all brokers, dealers and municipal securities dealers (“dealers”) that effect transactions in municipal securities, and in particular those that only effect transactions in municipal securities (“sole municipal dealers”), are aware of, and in compliance with, anti-money laundering compliance program requirements. Representatives of the NASD and SEC have recently asked the MSRB to revise certain language in Rule G-41 to assist in enforcement of the rule. The basic requirements of the rule remain unchanged.

**2. Statutory Basis**

The MSRB believes that the proposed rule change is consistent with Section 15B(b)(2)(C) of the Act, which authorizes the MSRB to adopt rules that shall:

be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in

municipal securities, to remove impediments to and perfect the mechanism of a free and open market in municipal securities, and, in general, to protect investors and the public interest.

The Board believes that the proposed rule change will facilitate dealer compliance with anti-money laundering compliance program regulation. These programs are designed to help identify and prevent money laundering abuses that can affect the integrity of the U.S. capital markets.

**(B) Self-Regulatory Organization's Statement on Burden on Competition**

The MSRB does not believe that the proposed rule change will result in any burden on competition among dealers not necessary or appropriate in furtherance of the purposes of the Act because it applies equally to all dealers in municipal securities.

**(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 Act and paragraph (f) of Rule 19b-4 thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such proposed 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.

**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](mailto:rule-comments@sec.gov). Please include File Number SR-  
MSRB-2005-03 on the subject line.

Paper comments:

?? Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609.

All submissions should refer to File Number SR-MSRB-2005-03. 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 Web site (<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 inspection and copying in the Commission's Public Reference Room Section, 450 Fifth Street, N.W., Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of the MSRB. All comments received will

be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-MSRB-2005-03 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>5</sup>

Jonathan G. Katz  
Secretary

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<sup>5</sup> 17 CFR 200.30-3(a)(12).