

Proposed Rule Change by Municipal Securities Rulemaking Board
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial <input checked="" type="checkbox"/>	Amendment <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) <input checked="" type="checkbox"/>	Section 19(b)(3)(A) <input type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
			Rule		
			<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description
Provide a brief description of the proposed rule change (limit 250 characters).

Extends the expiration date of the three-hour exception to the 15 minute reporting deadline under Rule G-14 Real-Time Transaction Reporting System Procedures.

Contact Information
Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name	<input type="text" value="Karen"/>	Last Name	<input type="text" value="Caplan"/>
Title	<input type="text" value="Associate General Counsel"/>		
E-mail	<input type="text" value="kcaplan@msrb.org"/>		
Telephone	<input type="text" value="(703) 797-6600"/>	Fax	<input type="text" value="(703) 797-6700"/>

Signature
Pursuant to the requirements of the Securities Exchange Act of 1934,
Municipal Securities Rulemaking Board
has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date	<input type="text" value="12/13/2005"/>
By	<input type="text" value="Ronald W. Smith"/>
	(Name)
	<input type="text" value="Corporate Secretary"/>
	(Title)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information

Add Remove View

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

Add Remove View

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

Add Remove View

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

Add Remove View

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 (“MSRB”) hereby files with the Securities and Exchange Commission (“Commission”) a proposed amendment to MSRB Rule G-14, Reports of Sales or Purchases (the “proposed rule change”). The proposed rule change would extend the expiration date of the three hour exception to the 15 minute reporting deadline under MSRB Rule G-14 RTRS Procedures, paragraph (a)(ii)(C). Under the current language of this provision, the three hour reporting exception will automatically expire January 31, 2006. The proposed rule change provides that for when, as and if issued transactions (“when-issued” transactions), the three hour exception will expire on December 31, 2007, and for all other transactions, the three hour exception will expire on December 29, 2006. The text of the proposed rule change is as follows:

Rule G-14 Reports of Sales or Purchases¹

(a)- (b) No change.

Rule G-14 RTRS Procedures

(a) General Procedures.

(i) No change.

(ii) Transactions effected with a Time of Trade during the hours of the RTRS Business Day shall be reported within 15 minutes of Time of Trade to an RTRS Portal except in the following situations:

(A) No change.

(B) No change.

(C) A dealer shall report a trade within three hours of the Time of Trade if all the following conditions apply: (1) the CUSIP number and indicative data of the issue traded are not in the securities master file used by the dealer to process trades for confirmations, clearance, and settlement; (2) the dealer has not traded the issue in the previous year; and (3) the dealer is not a syndicate manager or syndicate member for the issue. If fewer than three hours of the RTRS Business Day remain after the Time of Trade, the trade shall be reported no later than 15 minutes after the beginning of the next RTRS Business Day. This provision (C) will cease to be effective [one year after the Announced RTRS Start-Up Date.] on December 31, 2007 for when, as and if issued

¹ Underlining indicates new language and brackets indicate deletions.

transactions and December 29, 2006 for all other transactions.

(iii) – (vi) No Change.

(b)-(d) No change.

* * * * *

(b) Not applicable.

(c) No applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was adopted by the MSRB Board at its November 10-11, 2005 meeting. Questions concerning this filing may be directed to Karen A. Caplan, 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) Purpose

MSRB Rule G-14 trade reporting procedures require that transactions effected with a time of trade during the hours of the Real-Time Transaction Reporting System (“RTRS”) business day be reported within 15 minutes of the time of trade to an RTRS Portal. Under MSRB Rule G-14 RTRS Procedures, paragraph (a)(ii)(C), there are three exceptions to this 15 minute reporting requirement. The exception addressed by the proposed rule change allows a dealer three hours to report a security that the dealer has not traded in the previous year.² This exception is not available to a managing underwriter or syndicate member. The MSRB included a sunset date of January 31, 2006 for the three hour exception in order to provide incentive for information vendors and the industry to move to real-time techniques for securities master updates. This exception

² The other two exceptions to the 15 minute reporting rule are: (1) that syndicate managers, syndicate members and selling group members that effect trades in new issues on the first day of trading at the list offering price are permitted to report these trades by the end of the day on which they were executed; and (2) that a dealer effecting a trade in a short-term instrument under nine months in effective maturity (including variable rate instruments, auction rate products, and commercial paper) shall report such trades by the end of the business day on which the trades were executed. See MSRB Rule G-14 RTRS Procedures (a)(ii)(A), (B).

was designed to give a dealer time to add a security to its securities master file so that a trade can be reported through the dealer's automated processing systems.

Historically, dealers have not been able to maintain a database of formatted municipal securities information for the full universe of approximately 1.5 million municipal securities due to the cost of mainframe storage. A securities master file contains the information about a municipal security issue that is necessary for a dealer to be able to process transactions in the issue. It includes such items as interest rate, dated date, interest payment cycle, put and call schedules. This data is stored in the dealer's trade processing system in a database commonly called the "securities master file."³ The dealer's securities master file sometimes contains information only for securities held in custody for customers and for securities that have been recently traded. In that case, if a dealer trades a secondary market security that is not in its securities master file, the relevant securities information must be obtained from a vendor by the dealer before the trade can be processed.

Since implementation of real-time transaction reporting on January 31, 2005, the municipal securities industry has made some progress in improving timely access to information on municipal securities. Some dealers and service bureaus have elected to store the full universe of municipal securities in their securities master files. In addition, some links have been set up so that dealers are able to obtain a real-time update from a vendor upon request after an issue is traded for the first time. Notwithstanding some progress, dealers have indicated that difficulty continues to exist in ensuring adequate real-time access to securities data for the 1.5 million outstanding municipal securities and are concerned about the upcoming expiration of the three hour exception. This delay in obtaining relevant security information can cause the dealer's trade to be reported as late. The Bond Market Association ("TBMA") has requested that MSRB extend the three hour exception to provide additional time for the industry to develop solutions to the problems of disseminating municipal securities information.

The MSRB believes that the industry can complete the necessary systems changes to address access to securities information in the secondary market by December 29, 2006. The MSRB does not intend to provide any additional extensions beyond this date. This date will allow the municipal securities industry to work on solutions for dealers to obtain municipal securities information in a timely manner from information vendors in order to process trades not in the dealer's securities master file.

For new issue transactions, a dealer's access to necessary securities information depends not only on its link with the information vendor but also on whether that vendor itself has the information on the new issue. Vendors currently obtain much of their new issue information through voluntary cooperation from underwriters. This process does

³ Many dealers use service bureaus for various trade processing functions, including the maintenance of securities master files. Securities master file update procedures for service bureaus and the challenges in moving to a real-time environment for service bureaus are the same as those described for dealers.

not always result in all the vendors having the necessary securities information by the time of formal award when trade executions begin. Dealers trading a new issue for the first time need the three hour exception from the 15 minute trade reporting for their first trades in a new issue because the securities information is not available at the time the trade is executed.⁴ The industry has expressed concern that it needs more time to work on the current infrastructure for the collection and dissemination of securities information in order to move towards real-time techniques to update securities master files and thereby allow dealers to report trades within 15 minutes. Accordingly, the MSRB is proposing an extension of the three hour exception for when-issued transactions to December 31, 2007.

In addition, in order to expedite the process of moving to real-time techniques for securities master updates by vendors and the industry with a particular emphasis on newly issued securities, TBMA and The Depository Trust Company (“DTC”) are currently working on a project that will address inefficiencies in the collection of new information securities data. As proposed, DTC will act as a central collection point for standardized electronic files of new issue information provided by underwriters. DTC then would provide the information in real-time to information vendors. Underwriters would provide the information to DTC on a specific timeframe. This project is scheduled for implementation in the last half of 2007. It will make it possible for dealers to report new issue trades earlier and will eliminate the need for the three hour exception for new issue trades. An extension of the three hour exception for when-issued transactions to December 31, 2007, will also allow time for this project to be implemented and for initial operational details to be addressed before the 15 minute reporting requirement becomes effective for trades that currently qualify for the three hour exception.

The proposed rule would revise MSRB Rule G-14 RTRS Procedures (a)(ii)(C) by deleting the language regarding the expiration of the three hour exception on January 31, 2006 and replacing the language to state that for when-issued transactions, the three hour exception to the 15 minute reporting rule will expire on December 31, 2007; and for all other transactions, the exception will expire on December 29, 2006.

(b) Statutory Basis

⁴ In the new issue market, information vendors seek to collect information on each issue and deliver it to customers in time for trade reporting in the new issue. There are several challenges for vendors and dealers to meet the reporting deadlines. For example, there are approximately 15,000 new municipal issues that must be set up in databases each month. Another problem for the industry is the fact that approximately 85 different information fields for each issue must be successfully gathered, which in large part depends on the timely cooperation of the underwriters.

The MSRB believes that the proposed rule change is consistent with section 15B(b)(2)(C) of the Securities Exchange Act of 1934 (the “Act”), which provides that the MSRB’s rules 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 MSRB believes that the proposed rule change is consistent with the Act because it will allow for the municipal securities industry to produce increased accurate trade reporting and transparency, and will enhance surveillance data used by enforcement agencies. This proposed rule change will foster cooperation and coordination within the municipal securities industry with the ultimate goal of disseminating accurate real-time pricing data.

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 since it would apply equally to all brokers, dealers and municipal securities dealers.

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 this proposed rule change.

6. Extension of Time Period of Commission 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 requests that the Commission find good cause, pursuant to Section 19(b)(2) of the Act, for approving this proposed rule change prior to the thirtieth day after publication of the notice of filing of this proposed rule change in the Federal Register. The MSRB believes that the Commission has good cause for granting accelerated approval of this proposed rule change because: (i) the three hour exception to the 15 minute transaction reporting will automatically expire on January 31, 2006; and (ii) the industry needs more time to correct the inadequacies in the current industry infrastructure

for collecting and disseminating securities information so as to implement real-time techniques for securities master updates.

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

Not applicable.

9. Exhibits

1. Federal Register Notice

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34 ; File No. SR-MSRB-2005-16]

SELF-REGULATORY ORGANIZATIONS

Notice of Filing and Request for Accelerated Approval of Proposed Rule Change to MSRB Rule G-14 RTRS Procedures, paragraph (a)(ii)(C) to extend the expiration date of the three hour exception.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”), 15 U.S.C. 78s(b)(1), and Rule 19b-4, 17 C.F.R. 240.19b-4, notice is hereby given that on December 13, 2005, the Municipal Securities Rulemaking Board (“MSRB”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II, and II below, which items have been prepared by the MSRB. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

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

The MSRB is filing with the Commission a proposed rule change to paragraph (a)(ii)(C) of Rule G-14 RTRS Procedures under Rule G-14 Reports of Sales or Purchases, to extend the expiration date of the three hour exception to the 15 minute reporting deadline. The text of the proposed rule change is set forth below. New language is underlined; deletions are in brackets.

Rule G-14 Reports of Sales or Purchases

(a)- (b) No change.

Rule G-14 RTRS Procedures

(a) General Procedures.

(i) No change.

(ii) Transactions effected with a Time of Trade during the hours of the RTRS Business Day shall be reported within 15 minutes of Time of Trade to an RTRS Portal except in the following situations:

(A) No change.

(B) No change.

(C) A dealer shall report a trade within three hours of the Time of Trade if all the following conditions apply: (1) the CUSIP number and indicative data of the issue traded are not in the securities master file used by the dealer to process trades for confirmations, clearance, and settlement; (2) the dealer has not traded the issue in the previous year; and (3) the dealer is not a syndicate manager or syndicate member for the issue. If fewer than three hours of the RTRS Business Day remain after the Time of Trade, the trade shall be reported no later than 15 minutes after the beginning of the next RTRS Business Day. This provision (C) will cease to be effective [one year after the Announced RTRS Start-Up Date.] on December 31, 2007 for when, as and if issued transactions and December 29, 2006 for all other transactions.

(iii) – (vi) No Change.

(b)-(d) No change.

* * * * *

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 statutory 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. 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 Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

MSRB Rule G-14 trade reporting procedures require that transactions effected with a time of trade during the hours of the Real-Time Transaction Reporting System ("RTRS") business day be reported within 15 minutes of the time of trade to an RTRS Portal. Under MSRB Rule G-14, there are three exceptions to this 15 minute reporting requirement. The exception addressed by the proposed rule change allows a dealer three hours to report a security that the dealer has not traded in the previous year.¹ This exception is not available to a managing underwriter or syndicate member. The MSRB included a sunset date of January 31, 2006 for the three hour exception in order to provide incentive for information vendors and the industry to move to real-time

¹ The other two exceptions to the 15 minute reporting rule are: (1) that syndicate managers, syndicate members and selling group members that effect trades in new issues on the first day of trading at the list offering price are permitted to report these trades by the end of the day on which they were executed; and (2) that a dealer effecting a trade in a short-term instrument under nine months in effective maturity (including variable rate instruments, auction rate products, and commercial paper) shall report such trades by the end of the business day on which the trades were executed. See MSRB Rule G-14 RTRS Procedures (a)(ii)(A), (B).

techniques for securities master updates. This exception was designed to give a dealer time to add a security to its securities master file so that a trade can be reported through the dealer's automated processing systems.

Historically, dealers have not been able to maintain a database of formatted municipal securities information for the full universe of approximately 1.5 million municipal securities due to the cost of mainframe storage. A securities master file contains the information about a municipal security issue that is necessary for a dealer to be able to process transactions in the issue. It includes such items as interest rate, dated date, interest payment cycle, put and call schedules. This data is stored in the dealer's trade processing system in a database commonly called the "securities master file."² The dealer's securities master file sometimes contains information only for securities held in custody for customers and for securities that have been recently traded. In that case, if a dealer trades a secondary market security that is not in its securities master file, the relevant securities information must be obtained from a vendor by the dealer before the trade can be processed.

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trade is executed.³ The industry has expressed concern that it needs more time to work on the current infrastructure for the collection and dissemination of securities information in order to move towards real-time techniques to update securities master files and thereby allow dealers to report trades within 15 minutes. Accordingly, the MSRB is proposing an extension of the three hour exception for when, as and if issued transactions to December 31, 2007.

In addition, in order to expedite the process of moving to real-time techniques for securities master updates by vendors and the industry with a particular emphasis on newly issued securities, TBMA and The Depository Trust Company (“DTC”) are currently working on a project that will address inefficiencies in the collection of new information securities data. As proposed, DTC will act as a central collection point for standardized electronic files of new issue information provided by underwriters. DTC then would provide the information in real-time to information vendors. Underwriters would provide the information to DTC on a specific timeframe. This project is scheduled for implementation in the last half of 2007. It will make it possible for dealers to report new issue trades earlier and will eliminate the need for the three hour exception for new issue trades. An extension of the three hour exception for when, as and if issued transactions to December 31, 2007, will also allow time for this project to be implemented and for initial operational details to be addressed before the 15 minute

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reporting requirement becomes effective for trades that currently qualify for the three hour exception.

The proposed rule would revise MSRB Rule G-14 RTRS Procedures (a)(ii)(C) by deleting the language regarding the expiration of the three hour exception on January 31, 2006 and replacing the language to state that for when, as and if issued transactions, the three hour exception to the 15 minute reporting rule will expire on December 31, 2007; and for all other transactions, the exception will expire on December 29, 2006.

2. Statutory Basis

The MSRB believes that the proposed rule change is consistent with section 15B(b)(2)(C) of the Act, which provides that the MSRB's rules 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 MSRB believes that the proposed rule change is consistent with the Act because it will allow for the municipal securities industry to produce increased accurate trade reporting and transparency, and will enhance surveillance data used by enforcement agencies. This proposed rule change will foster cooperation and coordination within the municipal securities industry with the ultimate goal of disseminating accurate real-time pricing data.

B. Self-Regulatory Organization's Statement on Burden on Competition

The MSRB does not believe the proposed rule change will impose any burden on competition since it would apply equally to all brokers, dealers and municipal securities dealers.

C. 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 this proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The MSRB requests that the Commission find good cause, pursuant to Section 19(b)(2) of the Act, for approving this proposed rule change prior to the thirtieth day after publication of the notice of filing of this proposed rule change in the Federal Register.

The MSRB believes that the Commission has good cause for granting accelerated approval of this proposed rule change because: (i) the three hour exception to the 15 minute transaction reporting will automatically expire on January 31, 2006; and (ii) the industry needs more time to correct the inadequacies in the current industry infrastructure for collecting and disseminating securities information so as to implement real-time techniques for securities master updates.

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. Please include File Number SR-2005-16 on the subject line.

Paper Comments:

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

All submissions should refer to File Number SR-2005-16. 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, 450 Fifth Street, NW, 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-2005-16 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.⁴

Jonathan G. Katz
Secretary

⁴ 17 CFR 200.30-3(a)(12).