

# MSRB REPORTS

Volume 11, Number 2

Municipal Securities Rulemaking Board

June 1991

## In This Issue

### ● Municipal Securities Information Library™ System .. p. 3 Facility Approved

The Board's system will provide a facility that will store official statements and advance refunding documents through the use of optical imaging and disseminate paper copies and "imaged" documents on a magnetic medium.

### ● Delivery of Advance Refunding Documents to the Board ..... p. 5 Amendments Approved: Rules G-36 and G-8

The amendments require underwriters to send advance refunding documents to the Board. They also revise Form G-36 and require underwriters to keep certain records regarding compliance.

### ● Underwriting Assessment Fee Increase ..... p. 13 Amendment Filed: Rule A-13

The amendment increases the underwriting assessment fee from 2¢ to 3¢ per \$1,000 par value for all new issue municipal securities sold on or after August 1, 1991, having an aggregate par value of \$1,000,000 or more and a maturity date of not less than two years from the date of the securities

### ● Activities of Financial Advisors ..... p. 15 Amendment Approved: Rule G-23

The amendments require disclosure by an underwriter to the issuer of any corporate affiliation with the issue's non-dealer financial advisor and place recordkeeping requirements on dealers subject to this provision

## MSRB Fee Changes

The Board's underwriting assessment fee will increase from 2¢ to 3¢ beginning August 1, 1991 (See page 13 in this issue). The underwriting fee applies to all new issue municipal securities with a par value of \$1,000,000 or more and a maturity date of no less than two years from issuance.

In addition, the due date for dealers to pay their annual fee to the Board has been changed from February 15 to October 31 pursuant to an amendment to Board rule A-14 (See *MSRB Reports*, Vol. 11, No. 1 (March 1991) at 7-8). The Board will send invoices to dealers around October 1, 1991 for the 1991-92 fiscal year.

## Also in This Issue

### ● Arbitration Changes ..... p. 17 Amendments Filed: Rules G-35 and A-16

### ● Statutory Disqualifications ..... p. 25 Amendments Filed: Rule G-4

### ● Publications List ..... p. 27

### ● Publications Order Form ..... p. 29

## Calendar

June 11	— Effective date of G-23 on activities of financial advisors
July 13	— Effective date of G-36 on delivery to Board of ARDs
August 1	— Effective date of A-13 on increase in underwriting assessment fee
September 13	— Effective date of G-36 on delivery to Board of ARDs for issues sold since January 1, 1990
October 31	— Annual fee due
Pending	— MSIL CDI/E subsystem
	— G-35 and A-16 arbitration
	— G-4 on statutory disqualifications



**Notice of Approval**



**Route to:**

- Manager, MuniDept.**
- Underwriting**
- Trading**
- Sales**
- Operations**
- Public Finance**
- Compliance**
- Training**
- Other**

**Municipal Securities Information Library™ System**

**Facility Approved**

The Board's system will provide for a facility that will store official statements and advance refunding documents through the use of optical imaging and disseminate paper copies and "imaged" documents on a magnetic medium.

On June 13, 1991, the Securities and Exchange Commission approved the Board's Official Statement and Advance Refunding Document—Paper Submission (OS/ARD) system of the Municipal Securities Information Library™ (MSIL™) system.<sup>1</sup> The MSIL system will store official statements and advance refunding documents collected pursuant to rule G-36 through the use of optical imaging and disseminate paper copies and "imaged" documents on magnetic medium. The MSIL system will provide market participants and information vendors with better access to more information regarding the description of municipal securities and the issuers of these securities. The Board believes that the MSIL system will increase the efficiency and fairness of the municipal securities market and protect investors and the public interest. This increased market efficiency should result in lower costs for issuers in the primary market and fairer prices in the secondary market, reflecting all available information about the issue.<sup>2</sup>

**SEC Approval Order**

In its order approving the MSIL system, the SEC stated that "there exists a lack of adequate information regarding municipal issuers and the terms of municipal securities in the mar-

ket . . . ." In addition, the SEC noted that the MSIL system will have a substantial beneficial impact on the market because "MSIL will make municipal securities information more readily available, resulting in increased market efficiency and investor protection." The SEC also concluded that the projected costs of developing and operating the MSIL system are reasonable and justified.

**Implementation of the MSIL System**

The Board hopes to have the OS/ARD subsystem storing and disseminating current official statements and advance refunding documents by the end of this year or early next year. The Board also plans to include the backlog of more than 10,000 official statements dated from January 1, 1990 to the present over the next year. Of course, official statements and advance refunding documents also are available for review and copying at the Public Access Facility located at the Board's offices in Washington, D.C.

**Proposed CDI/ES System**

The SEC has tabled another Board proposal—the Continuing Disclosure Information/Electronic Submission or CDI/ES system. CDI/ES, a part of the MSIL system, would have established an electronic system for accepting time-sensitive continuing disclosure information voluntarily submitted by issuers and bank trustees and transmitting it.<sup>3</sup> The SEC tabled the CDI/ES proposal until the MSIL system has the capability to accept continuing disclosure information in paper form as well as electronically.

The Board agrees with the SEC's view of the importance of improving market access to continuing disclosure information. Such information will greatly improve both the efficiency and

**Questions about this notice may be directed to Thomas A. Hutton, Director of MSIL or Diane G. Klinko, General Counsel.**

<sup>1</sup> SEC Release No. 34-29298. Municipal Securities Information Library and MSIL are trademarks of the Board.

<sup>2</sup> For more information concerning the MSIL system, see *MSRB Reports*, Vol. 10, No. 2 (July 1990) at 7-14.

<sup>3</sup> For more information concerning the CDI/ES system, see *MSRB Reports*, Vol. 10, No. 2 (July 1990) at 3-6.

integrity of the municipal securities market. A continuing disclosure information system, with paper submissions from issuers and their agents, however, is an enormous undertaking in comparison to the OS/ARD and proposed CDI/ES systems. The Board must ensure that such system provides timely availability and dissemination capability to all users of the information on a cost-effective basis. In addition, there is a huge

volume and diversity of such documents which result in complicated indexing questions. The Board already had begun the process of considering how to accept such documents in paper form. The Board will address the SEC's concerns as soon as possible.

**June 14, 1991**



**Notice of Approval**



**Route to:**

- Manager, Muni Dept.
- Underwriting
- Trading
- Sales
- Operations
- Public Finance
- Compliance
- Training
- Other

## Delivery of Advance Refunding Documents to the Board: Rules G-36 and G-8

### Amendments Approved

The amendments require underwriters to send advance refunding documents to the Board. They also revise Form G-36 and require underwriters to keep certain records regarding compliance.

On June 13, 1991, the Securities and Exchange Commission approved amendments to rule G-36, regarding sending advance refunding documents to the Board, revisions to Form G-36 and amendments to rule G-8, on recordkeeping.<sup>1</sup> The amendments will become effective on July 13, 1991. In addition, by September 13, 1991, underwriters must provide to the Board two copies of advance refunding documents and Form G-36(ARD)s for refunding issues underwritten since January 1, 1990.

### Background

Rule G-36 requires underwriters to send to the Board by certified or registered mail, or some other equally prompt means that provides a record of sending, two completed Form G-36s and two final official statements. For issues subject to

SEC Rule 15c2-12, official statements must be sent within one business day of receipt from the issuer, and no later than 10 business days after the date of the final agreement to purchase, offer or sell the municipal securities. For issues not subject to SEC Rule 15c2-12, official statements must be sent within one business day of settlement or closing of the issue.<sup>2</sup> Interested members of the public may review official statements collected by the Board at its public access facility. In addition, these official statements will be included in the Board's central electronic repository, the Municipal Securities Information Library™ (MSIL™)<sup>3</sup> system, which also was approved by the SEC on June 13, 1991.<sup>4</sup>

The Board determined that refunding documents should be provided to the Board for inclusion in its public access facility and the MSIL system because of the importance of such information to the purchase and sale of the refunded issue.

### Summary of Amendments

The amendments to rule G-36 require underwriters of refunding issues to send two copies of the refunding escrow agreement, or its equivalent, if prepared by or on behalf of the issuer, and, if the escrow agreement is prepared, two copies of completed Form G-36(ARD), to the Board within five business days of the closing of the issue.<sup>5</sup> For issues not subject to SEC Rule 15c2-12, the requirement to send advance refunding documents only applies if an official statement in final form is

**Questions about the amendments may be directed to Diane G. Klinke, General Counsel.**

<sup>1</sup> SEC Release No. 34-29299.

<sup>2</sup> Issues for less than \$1 million are not subject to SEC Rule 15c2-12. Rule G-36, however, requires underwriters to send final official statements for such issues only if a final official statement is prepared. Rule G-36 does not require underwriters to send final official statements to the Board, regardless of whether the issue is for below or above \$1 million, if such issue is qualified for the exemption set forth in SEC Rule 15c2-12(c). Subsection (c) exempts from the rule issues in denominations of \$100,000 or more if such securities: (1) are sold to no more than 35 financially sophisticated persons; or (2) have a maturity of nine months or less; or (3) at the option of the holder may be tendered to an issuer for redemption or purchase at least as frequently as every nine months until maturity, early redemption, or purchase by the buyer.

<sup>3</sup> Municipal Securities Information Library and MSIL are trademarks of the Board.

<sup>4</sup> See page 3 in this issue.

<sup>5</sup> The requirement that two copies of the advance refunding documents be provided was included because of the Board's public access facility. The Board is concerned that excessive handling of the documents in the public access facility would adversely affect their quality and thus impair the Board's ability to electronically store the documents in the MSIL system. Thus, one copy will be provided in the public access facility and one will be used in the MSIL system.



prepared for the refunding issue. In addition, by September 13, 1991, underwriters must provide two copies of advance refunding documents and Form G-36(ARD)s for refunding issues underwritten since January 1, 1990. This "look-back" provision is identical to that included in rule G-36 regarding sending official statements to the Board.

In addition, the amendments revise Form G-36 and provide for two forms—one form (Form G-36(OS)) to be sent with official statements and one (Form G-36(ARD)) to be sent with advance refunding documents. The technical amendments to rule G-8 correspond with the two new forms.

June 14, 1991

### Text of Amendments\*

#### **Rule G-36. Delivery of Official Statements, Advance Refunding Documents and Forms G-36(OS) and G-36(ARD) to Board or its Designee**

(a) *Definitions.* For purposes of this rule, the following items have the following meanings:

(i) and (ii) No change.

(iii) The term "advance refunding documents" shall mean the refunding escrow trust agreement or its equivalent.

(b) *Delivery Requirements for Issues Subject to Securities Exchange Act Rule 15c2-12.*

(i) Each broker, dealer or municipal securities dealer that acts as an underwriter in a primary offering of municipal securities subject to Securities Exchange Act Rule 15c2-12 shall send to the Board or its designee by certified or registered mail, or some other equally prompt means that provides a record of sending, within one business day after receipt of the final official statement from the issuer or its designated agent, but no later than 10 business days after any final agreement to purchase, offer, or sell the municipal securities, the following documents and written information: two copies of the final official statement; and two copies of completed Form G-36(OS) prescribed by the Board, including the CUSIP number or numbers for the issue.

(ii) If the issue advance refunds an outstanding issue of municipal securities, each broker, dealer or municipal securities dealer that acts as an underwriter in such issue also shall send to the Board or its designee by certified or registered mail, or some other equally prompt means that provides a record of sending, within five business days of delivery of the securities by the issuer to the broker, dealer, or municipal securities dealer, the following documents and written information: two copies of the advance refunding documents if prepared by or on behalf of the issuer; and, if the advance refunding documents are prepared, two copies of the completed Form G-36(ARD) prescribed by the Board, including reassigned CUSIP number or

numbers for the refunded issue, if any.

*(c) Delivery Requirements for Issues not Subject to Securities Exchange Act Rule 15c2-12.*

(i) Subject to paragraph ~~(ii)~~ (iii), below, each broker, dealer, or municipal securities dealer that acts as an underwriter in a primary offering of municipal securities not subject to Securities Exchange Act Rule 15c2-12 shall send to the Board or its designee, by certified or registered mail, or some other equally prompt means that provides a record of sending, within one business day of delivery of the securities by the issuer to the broker, dealer, or municipal securities dealer, the following documents and written information: two copies of the official statement in final form, if prepared by or on behalf of the issuer; and if an official statement in final form is prepared, two copies of completed Form G-36(OS) prescribed by the Board, including the CUSIP number or numbers for the issue.

(ii) if an official statement in final form is prepared and if the issue advance refunds an outstanding issue of municipal securities, each broker, dealer, or municipal securities dealer that acts as an underwriter in such issue also shall send to the Board or its designee by certified or registered mail, or some other equally prompt means that provides a record of sending, within five business days of delivery of the securities by the issuer to the broker, dealer, or municipal securities dealer, the following documents and written information: two copies of the advance refunding documents if prepared by or on behalf of the issuer; and, if the advance refunding documents are prepared, two copies of completed Form G-36(ARD) prescribed by the Board, including reassigned CUSIP number or numbers for the refunded issue, if any.

~~(ii)~~ (iii) No change.

(d) through (f) No change.

(g) *(i) Delivery of Final Official Statements and Form G-36(OS) for Issues Prior to the Effective Date of Rule G-36.*

By August 29, 1990, each broker, dealer and municipal securities dealer that acts as an underwriter in a primary offering of municipal securities shall send to the Board or its designee by certified or registered mail, or some other equally prompt means that provides for a record of sending, the following documents and written information: official statements and Form G-36(OS) referred to in sections (b), (c) or (d), above, for each primary offering of municipal securities sold on or after January 1, 1990 to July 1, 1990.

(ii) Delivery of Advance Refunding Documents for Issues Prior to the Effective Date of Rule G-36(b)(ii) and (c)(ii). By September 13, 1991, each broker, dealer and municipal securities dealer that acts as an underwriter in a primary offering of municipal securities shall send to the Board or its designee by certified or registered mail, or some other equally prompt means that provides for a record of sending, the following documents and written information: advance refunding documents and Form G-36(ARD) referred to in sections (b) and (c), above, for each primary offering

\* Underlining indicates additions; strikethrough indicates deletions.

of municipal securities sold on or after January 1, 1990, to July 13, 1991.

**Rule G-8. Books and Records to be Made by Municipal Securities Brokers and Municipal Securities Dealers**

(a) *Descriptions of Books and Records Required to be Made*

(i) through (xiv) No change.

(xv) *Records Concerning Delivery of Final Official Statements, Advance Refunding Documents and CUSIP Numbers Forms G-36(OS) and G-36(ARD) to the Board or its*

*Designee.* A broker, dealer or municipal securities dealer that acts as an underwriter in a primary offering of municipal securities subject to rule G-36 (or, in the event a syndicate or similar account has been formed for the purpose of underwriting the issue, the managing underwriter) shall maintain a record of: the name, par amount and CUSIP number or numbers for all such primary offerings of municipal securities and the dates that the documents and written information referred to in rule G-36 are received from the issuer and are sent to the Board or its designee and, for issues subject to Securities Exchange Act Rule 15c2-12, the date of the final agreement to purchase, offer or sell the municipal securities.

**Forms G-36(ARD) and G-36(OS) begin on next facing page.**





DO NOT STAPLE THIS FORM

FORM G-36(ARD) – FOR ADVANCE REFUNDING DOCUMENTS

DESCRIPTION \_\_\_\_\_ ESCROW AGREEMENT \_\_\_\_\_

DATE \_\_\_\_\_

NUMBER OF ISSUES REFUNDED \_\_\_\_\_  
(Fill out one form for each issue)

REFUNDED ISSUE

NAME OF ISSUER(S)

(1) \_\_\_\_\_

(2) \_\_\_\_\_

DESCRIPTION OF ISSUE \_\_\_\_\_

\_\_\_\_\_

DATED DATE \_\_\_\_\_

REFUNDING ISSUE

NAME OF ISSUER(S)

(1) \_\_\_\_\_

(2) \_\_\_\_\_

DESCRIPTION OF ISSUE \_\_\_\_\_

\_\_\_\_\_

DATED DATE \_\_\_\_\_

MANAGING UNDERWRITER \_\_\_\_\_

NAME \_\_\_\_\_ PHONE \_\_\_\_\_

FIRM \_\_\_\_\_

PREPARED BY \_\_\_\_\_ PHONE \_\_\_\_\_

(If other than above)

SUBMIT COMPLETED FORM, ALONG WITH ESCROW AGREEMENT TO:

MUNICIPAL SECURITIES RULEMAKING BOARD  
1818 N STREET, N.W. – SUITE 800  
WASHINGTON, D.C. 20036-2491

(OVER)







DO NOT STAPLE THIS FORM

FORM G-36(OS) – FOR OFFICIAL STATEMENTS

NAME OF ISSUER(S)

(1) \_\_\_\_\_

(2) \_\_\_\_\_

DESCRIPTION OF ISSUE \_\_\_\_\_

\_\_\_\_\_

STATE(S) \_\_\_\_\_

NUMBER OF SERIES IN OS   
(Fill out one form for each series)

AMENDED OR STICKERED OS?   
(Enter Y or N)

PAR VALUE OF ISSUE \_\_\_\_\_

DATE OF FINAL MATURITY \_\_\_\_\_

DATED DATE \_\_\_\_\_

DATE OF SALE \_\_\_\_\_

MATURITY DATE	CUSIP NUMBER	MATURITY DATE	CUSIP NUMBER
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

MANAGING UNDERWRITER \_\_\_\_\_

NAME \_\_\_\_\_ PHONE \_\_\_\_\_

FIRM \_\_\_\_\_

PREPARED BY \_\_\_\_\_ PHONE \_\_\_\_\_

(If other than above)

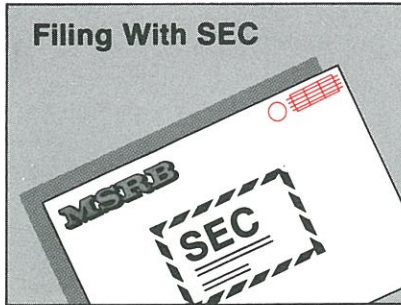
SUBMIT COMPLETED FORM, ALONG WITH OFFICIAL STATEMENT TO:

MUNICIPAL SECURITIES RULEMAKING BOARD  
1818 N STREET, N.W. – SUITE 800  
WASHINGTON, D.C. 20036-2491

(OVER)







**Route to:**

- Manager, Muni Dept.
- Underwriting
- Trading
- Sales
- Operations
- Public Finance
- Compliance
- Training
- Other

## Underwriting Assessment Fee Increase: Rule A-13

### Amendment Filed

The amendments increase the underwriting assessment fee from 2¢ to 3¢ per \$1,000 par value for all new issue municipal securities sold on or after August 1, 1991, having an aggregate par value of \$1,000,000 or more and a maturity date of not less than two years from the date of the securities.

On June 14, 1991, the Board filed with the Securities and Exchange Commission amendments to rule A-13 increasing the Board's underwriting assessment fee.<sup>1</sup> The revised fee will take effect August 1, 1991.

The amendments increase the underwriting fee from 2¢ to 3¢ per \$1,000 par value for all new issue municipal securities sold on or after August 1, 1991, having an aggregate par value of \$1,000,000 or more and a maturity date of not less than two years from the date of the securities. In light of the Board's declining fund balance and the expected expenses relating to

the operation of the Municipal Securities Information Library™ (MSIL™) system,<sup>2</sup> the Board determined to increase the underwriting assessment fee at this time.

June 14, 1991

### Text of Proposed Amendments\*

#### Rule A-13. Underwriting Assessment for Brokers, Dealers and Municipal Securities Dealers

(a) No change.

(b) The amount of the underwriting fee is:

~~.002% (\$.02 per \$1,000) of the par value for issues sold on or after October 1, 1989, and~~

~~.001% (\$.01 per \$1,000) of the par value for issues sold before October 1, 1989;~~

.003% (\$.03 per \$1,000) of the par value for issues sold on or after August 1, 1991, and

.002% (\$.02 per \$1,000) of the par value for issues sold before August 1, 1991.

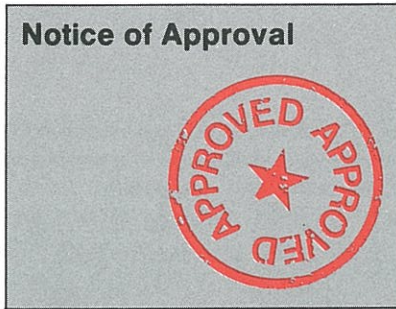
(c) - (d) No change.

**Questions about the amendment may be directed to Christopher A. Taylor, Executive Director**

<sup>1</sup> SEC File No. SR-MSRB-91-3. Comments filed with the Commission should refer to the file number.

<sup>2</sup> Municipal Securities Information Library and MSIL are trademarks of the Board.

\* Underlining indicates additions; strikethrough indicates deletions.



**Route to:**

- Manager, Muni Dept.
- Underwriting
- Trading
- Sales
- Operations
- Public Finance
- Compliance
- Training
- Other

## Activities of Financial Advisors: Rule G-23

### Amendments Approved

**The amendments require disclosure by an underwriter to the issuer of any corporate affiliation with the issue's non-dealer financial advisor and place recordkeeping requirements on dealers subject to this provision.**

On June 11, 1991, the Securities and Exchange Commission approved amendments to rule G-23, on activities of financial advisors.<sup>1</sup> The amendments require disclosure by an underwriter to the issuer of any corporate affiliation with the issue's non-dealer financial advisor and place recordkeeping requirements on dealers subject to this provision. The amendments became effective upon approval by the Commission.

### Background

Rule G-23 establishes disclosure and other requirements for dealers that act as financial advisors to issuers of municipal securities.<sup>2</sup> The rule is designed principally to minimize the *prima facie* conflict of interest that exists when a municipal securities dealer acts as both financial advisor and underwriter with respect to the same issue. Specifically, it requires a financial advisor to alert the issuer to the potential conflict of interest that might lead the dealer to act in its own best interest as underwriter rather than the issuer's best interest.

The Board has been asked whether rule G-23 applies in two situations: (i) when a non-dealer bank acts as financial advisor and a broker-dealer affiliate of the bank wishes to underwrite the issue, or (ii) when a non-dealer subsidiary of a dealer bank acts as a financial advisor and the dealer bank wishes to underwrite

the issue. Since the bank and the non-dealer affiliate are not dealers in these instances, they are not subject to the requirements of the rule; however, the Board has stated that disclosure by the dealer to the issuer of its affiliation with the financial advisor would be advisable in these circumstances.

### Summary of Amendments

The Board determined to codify the above recommendation into the requirements of rule G-23. The Board believes that the issuer should be aware of any corporate affiliation between the financial advisor and the dealer, even if the financial advisor is not a dealer; however, the Board does not believe that it is necessary for the underwriter to comply with all of the disclosure requirements of rule G-23 in this instance. The amendments require disclosure by an underwriter to the issuer of any corporate affiliation with the issue's non-dealer financial advisor. In addition, this disclosure, as well as other disclosures, acknowledgements and consents required by rule G-23, must be maintained in a separate file and in accordance with the provisions of rule G-9, on preservation of records.

June 11, 1991

### Text of Amendments\*

#### G-23 Activities of Financial Advisors

- (a) - (c) No change.
- (d) *Underwriting Activities.* No broker, dealer, or municipal securities dealer that has a financial advisory relationship with respect to a new issue of municipal securities shall acquire as principal either alone or as a participant in a syndicate or other

**Questions about the amendments may be directed to  
Ronald W. Smith, Legal Assistant.**

<sup>1</sup> SEC Release No. 34-29290.

<sup>2</sup> Rule G-23 does not apply to "independent" financial advisors, *i.e.*, those advisors that are not associated with a broker, dealer or municipal securities dealer. The rule also does not apply when, in the course of acting as an underwriter, a municipal securities dealer renders financial advice to an issuer, including advice with respect to the structure, timing, terms and other similar matters concerning a new issue of municipal securities.

\* Underlining indicates additions, strikethrough indicates deletions.



similar account formed for the purpose of purchasing, directly or indirectly, from the issuer all or any portion of such issue, or arrange for such acquisition or participation by a person controlling, controlled by, or under common control with such broker, dealer, or municipal securities dealer, unless

(i) - (ii) No change.

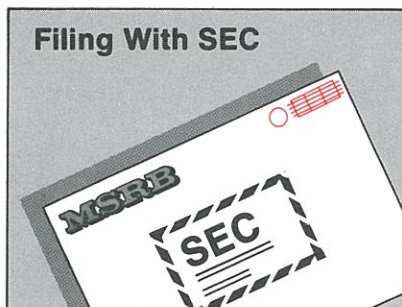
The limitations and requirements set forth in this section (d) shall also apply to any broker, dealer, or municipal securities dealer controlling, controlled by, or under common control with the broker, dealer, or municipal securities dealer having a financial advisory relationship. The use of the term "indirectly" in this section (d) shall not preclude a broker, dealer, or municipal securities dealer who has a financial advisory relationship with respect to a new issue of municipal securities from purchasing such securities from an underwriter, either for its own trading account or for the account of customers, except to the extent that such purchase is made to contravene the purpose and intent of this rule. ~~Each broker, dealer, and municipal securities dealer subject to the provisions of this section (d)~~

~~shall maintain a copy of the written disclosures, acknowledgments and consents required by this section in a separate file and in accordance with the provisions of rule G-9.~~

(e) *Disclosure to Issuer of Corporate Affiliation.* If the financial advisor for the issue is not a broker, dealer or municipal securities dealer, and the broker, dealer or municipal securities dealer that acquires the issue or arranges for such acquisition pursuant to section (d) of this rule is controlling, controlled by, or under common control with such financial advisor, the broker, dealer or municipal securities dealer must disclose this affiliation in writing to the issuer prior to the acquisition and the issuer has expressly acknowledged in writing to the broker, dealer, or municipal securities dealer receipt of such disclosure.

(f) Each broker, dealer, and municipal securities dealer subject to the provisions of sections (d) or (e) of this rule shall maintain a copy of the written disclosures, acknowledgments and consents required by these sections in a separate file and in accordance with the provisions of rule G-9.

~~(e) through (f) renumbered (g) through (h)~~



**Route to:**

- Manager, Muni Dept.
- Underwriting
- Trading
- Sales
- Operations
- Public Finance
- Compliance
- Training
- Other

**Arbitration Changes: Rules G-35 and A-16**

**Amendments Filed**

The amendments will conform the provisions of the Board's arbitration code to recent amendments to the Uniform Code approved by SICA.

On June 14, 1991, the Board filed with the Securities and Exchange Commission proposed amendments to rule G-35, the Board's Arbitration Code, and rule A-16, on arbitration fees and deposits.<sup>1</sup> The Board requested that the Commission delay the effectiveness of the amendments for a period of 30 days following the date of approval in order to allow the Board time to alert dealers and the public of the rule change. The amendments will apply only to cases filed on and after the effective date.

**Summary of Amendments**

A Uniform Code of Arbitration (Uniform Code) has been developed by the Securities Industry Conference on Arbitration (SICA), which is composed of representatives of the Board, nine other self-regulatory organizations (SROs), four public members and the Securities Industry Association. The Uniform Code, as implemented by the various SROs, has established a uniform system of arbitration procedures throughout the securities industry. The amendments are intended to conform the provisions of the Board's arbitration code, contained in rule G-35, and arbitration fees and deposits, contained in rule A-16, to recent amendments to the Uniform Code approved by SICA.

**Party Service to Pleadings**

Currently, when a claim is filed, the Board's arbitration staff distributes copies of such claims, as well as responsive pleadings, to the parties and the arbitrators. Sections 5, 34 and 35 have been amended to require that, after the claim has been

filed with the Director of Arbitration, the parties shall deliver directly to each other all responsive pleadings. The amendments require that sufficient copies of the pleadings for the arbitrators also be filed with the Director of Arbitration. These amendments should cause arbitration documents to be distributed more quickly, and will relieve some of the administrative burden on the Board's staff in terms of time spent photocopying and distributing documents. The staff will continue to serve the initial claim and will monitor the exchange of responsive pleadings, notifying the parties, when appropriate, of any delinquencies in the filing of such pleadings. The Board believes that such amendments will result in more efficient case administration.

**Adjournments**

Section 20 currently permits arbitrators to adjourn any hearing, and any person requesting an adjournment after arbitrators have been appointed is required to pay a fee, equal to the deposit of costs, which shall not exceed \$100. The amendments require that the amount of the adjournment fee equal the initial deposit of hearing session fees for the first adjournment request, and twice the initial deposit of hearing session fees, not to exceed \$1,000, for a second or subsequent adjournment request. In addition, upon receiving a third request for adjournment, the amendments permit the arbitrators to dismiss the arbitration without prejudice to the claimant. These amendments are intended to discourage frivolous requests for adjournment, thereby reducing delays and encouraging more efficient use of the arbitration process.

**Fees and Deposits**

Rule A-16 sets forth the Board's schedule of arbitration fees and deposits. While the Board largely subsidizes its arbitration program, arbitration fees are intended to defray at least some of the Board's costs of administration. The Board has not increased these fees since July 1987. Rule A-16 currently re-

**Questions about this notice may be directed to James McCabe, Director of Arbitration or Ronald W. Smith, Legal Assistant.**

<sup>1</sup> SEC File No. SR-MSRB-91-4. Comments filed with the Commission should refer to the file number.



quires claimants to file an initial deposit. This deposit ranges from \$15 for claims of \$1,000 or less, to \$1,000 for claims above \$500,000. If multiple hearing sessions are required, the arbitrators may require any of the parties to make additional deposits per session, in an amount no greater than the initial deposit. The arbitrators, in their award, may determine the amount chargeable to the parties as forum fees and by whom such fees will be paid. Depending on the amount of the claim, forum fees also can range from \$15 to \$1,000 per hearing session. Amounts deposited by a party are applied against fees, if any. If the fees are not assessed against a party who has made a deposit, then the deposit will be refunded.

The amendments provide for two new fee schedules—one for customer claims, and a higher fee schedule for dealer claims. Any party filing a claim (including any counterclaim, third-party claim or cross-claim) now would be required to pay a non-refundable filing fee, as well as a hearing session deposit which varies with the amount in dispute. For claims initiated by a customer, the filing fee would range from \$15 for claims of \$1,000 or less, to \$300 for claims over \$5,000,000. The customer's hearing session deposit would range from \$15 for claims of \$1,000 or less (whether simplified, *i.e.*, decided without a hearing, or involving a hearing before one arbitrator), to \$1,500 for claims over \$5,000,000 involving a hearing before three arbitrators. For claims initiated by an industry member, the filing fee would be \$500 for all claims, and the hearing session deposit would range from \$75 for simplified claims under \$1,000 to \$1,500 for claims over \$5,000,000 involving a hearing before three arbitrators. Consistent with the current rule, the amendments would permit the arbitrators to decide how much to charge the parties for forum fees. The amendments also provide that the arbitrators, in their award, may direct a party to reimburse another party for any non-refundable filing fee it has paid to the Board.

The non-refundable filing fee is intended to recoup a greater portion of the Board's administrative costs relating to claims processing. The hearing session deposit is intended to offset the Board's actual hearing costs. By requiring filing fees in addition to hearing session deposits, the revised fee schedules allocate the costs of arbitration more equitably among users of the forum.

#### Technical Changes

The amendments also include several technical changes involving word changes or clarification, and correction of typographical and grammatical errors.

June 14, 1991

### Text of Proposed Amendments\*

#### Rule G-35. Arbitration

Sections 1 through 4. No change.

Section 5. Initiation of Proceedings.

Except as otherwise provided herein, an arbitration proceeding

under this Arbitration Code shall be instituted as follows:

#### (a) Statement of Claim

The claimant shall file with the Director of Arbitration ~~three an executed copies of the~~ Submission Agreement, ~~and three copies of the a~~ statement of claim of the controversy in dispute, together with the documents in support of the claim, ~~and the required deposit under rule A-16. Sufficient additional copies of the Submission Agreement and the statement of claim and supporting documents shall be provided to the Director of Arbitration for each party and each arbitrator.~~ The statement of claim ~~should~~ shall specify the relevant facts and the remedies sought. The Director of Arbitration shall endeavor to serve promptly by mail or otherwise on the respondent(s) ~~or respondents~~ one copy of the Submission Agreement and one copy of the statement of claim.

#### (b) Answer--Defenses, Counterclaims, and/or Cross-Claims

(1) ~~The respondent or respondents shall, w~~Within 20 business days ~~from~~ of receipt of ~~the~~ the statement of claim, service, file the respondent(s) shall serve each party with an executed Submission Agreement and a copy of the respondent's answer. Respondent's executed Submission Agreement and answer shall also be filed with the Director of Arbitration one executed Submission Agreement and one copy of the answer with sufficient additional copies for the arbitrator(s) along with any deposit required under rule A-16. The answer shall specify all available defenses and relevant facts that will be relied upon at hearing and may set forth any related counterclaim the respondent(s) ~~or respondents~~ may have against the claimant, any cross-claim the respondent(s) may have against any other named respondent(s), and any third-party claim against any other party or person based upon any existing claim, dispute, or controversy to arbitration under this Arbitration Code.

(2)(i) A respondent, responding claimant, cross-claimant, cross-respondent or third-party respondent who pleads only a general denial as an answer may, upon objection by a party, in the discretion of the arbitrators, be barred from presenting any facts or defenses at the time of the hearing.

(ii) A respondent, responding claimant, cross-claimant, cross-respondent or third-party respondent who fails to specify all available defenses and relevant facts in such party's answer, may, upon objection by ~~a the adversary~~ party, in the discretion of the arbitrators, be barred from presenting such the facts or defenses not included in such party's answer at the hearing.

(iii) A respondent, responding claimant, cross-claimant, cross-respondent or third-party respondent who fails to file an answer within 20 business days from receipt of service of a claim, ~~or unless~~

\* Underlining indicates additions; strikethrough indicates deletions.



the time to answer has been extended pursuant to subsection (5) (e) below may, in the discretion of the arbitrators, be barred from presenting any matter, arguments or defenses at the hearing.

(3) (e) ~~If the respondent or respondents interpose a third-party claim, the Director of Arbitration shall endeavor to serve promptly by mail or otherwise a copy of the third-party claim, together with a copy of the Submission Agreement, on such third-party who shall respond in the manner provided for response to the statement of claim. The respondent(s) shall serve each party with a copy of any third-party claim. The third-party claim shall also be filed with the Director of Arbitration with sufficient additional copies for the arbitrator(s) along with any deposit required under rule A-16. Third-party respondents shall answer in the manner provided for response to the claim, as provided in paragraphs (b)(1)-(2) above.~~

(4) (d) ~~The Director of Arbitration shall endeavor to serve promptly by mail or otherwise on the claimant a copy of the answer, counterclaim, third-party claim or other responsive pleading, if any. The claimant may within ten business days of receipt of a counterclaim file a reply to the counterclaim with the Director of Arbitration who will serve a copy of the reply on the respondent or respondents. The claimant shall serve each party with a reply to a counterclaim within 10 business days of receipt of an answer containing a counterclaim. The reply shall also be filed with the Director of Arbitration with sufficient additional copies for the arbitrator(s).~~

(5) (e) ~~The time period to file any pleading, whether such be denominated as a claim, answer, counterclaim, cross-claim, reply, or third-party pleading, may be extended for such further periods as may be granted by the Director of Arbitration.~~

(c) Service and Filing with the Director of Arbitration

(1) Service may be effected by mail or other means of delivery. Service and filing are accomplished on the date of mailing either by first-class postage pre-paid or by means of overnight mail service or, in the case of other means of service, on the date of delivery. Filing with the Director of Arbitration shall be made on the same date as service on a party.

(2) If a broker, dealer or municipal securities dealer and a person associated with the broker, dealer or municipal securities dealer are named parties to an arbitration proceeding at the time of the filing of the statement of claim, service on the person associated with the broker, dealer or municipal securities dealer may be made on the associated person or on the broker, dealer or municipal securities dealer, which shall perfect service upon the associated person. If the broker, dealer or municipal securities dealer does not undertake to represent the associated person, the broker, dealer or municipal securities dealer shall serve the associated person with the statement of

claim, shall advise all parties and the Director of Arbitration of that fact, and shall provide such associated person's current address.

(d) (f) (1) through (3) No change.

Sections 6 through 9. No change.

Section 10. *Settlements*

All settlements upon any matters submitted shall be at the election of the parties.

Section 11. No change.

Section 12. *Designation of Number of Arbitrators and Definitions of Industry and Public Arbitrators*

(a) *Controversies Involving Persons Other Than Brokers, Dealers or Municipal Securities Dealers*

(1) In all arbitration matters in which a person other than a broker, dealer or municipal securities dealer is involved and where the matter in controversy exceeds the amount of \$30,000, or where the matter in controversy does not involve or disclose a money claim or the amount of damages cannot be readily ascertained at the time of commencement of the proceeding, the Director of Arbitration shall appoint an arbitration panel which shall consist of no less than three nor more than five arbitrators, at least a majority of whom shall be public arbitrators as defined in paragraph (c), below, unless ~~such~~ the person other than the broker, dealer or municipal securities dealer requests a panel consisting of at least a majority of industry arbitrators as defined in paragraph (c), below.

(2) No change.

(b) and (c) No change.

Sections 13 through 19. No change.

Section 20. *Adjournments*

(a) No change.

(b) A party requesting an adjournment after arbitrators have been appointed ~~shall~~, if ~~said~~ an adjournment is granted, ~~shall pay deposit~~ a fee equal to the ~~deposit of~~ initial deposit of hearing session fees under rule A-16 for the first adjournment and twice the initial deposit of such hearing session fees, not to exceed \$1,000, for a second or subsequent adjournment requested by that party. The arbitrators may waive the deposit of this fee or in their award may direct the return of this adjournment fee.

(c) Upon receiving a third request consented to by all parties for an adjournment, the arbitrators may dismiss the arbitration without prejudice to the claimant filing a new arbitration.

Section 21. No change.

Section 22. *Discovery*

(a) and (b) No change.

(c) *Pre-hearing Exchange*

At least 10 days prior to the first scheduled hearing date, all parties shall serve on each other copies of documents in their possession and identify witnesses they intend to present at the hearing. The arbitrators may exclude from



the arbitration any documents not exchanged or witnesses not identified at that time. This paragraph does not require service of copies of documents or identification of witnesses which parties may use for cross-examination or rebuttal.

(d) and (e) No change.

Sections 23 through 32. No change.

Section 33. *Fees, Deposits Costs and Expenses of Arbitration*

The Board ~~has~~ shall established and from time to time shall modify a schedule of arbitration fees and deposits, as set forth in rule A-16, amend, modify, and maintain maximum and minimum fees or other charges to defray the expenses of arbitration, which shall be published in schedule form and maintained on file with the Director of Arbitration and available to all interested parties.

Section 34. *Simplified Arbitration for Small Claims Relating to Transactions with Customers*

(a) No change.

(b) The ~~customer~~ ("claimant") shall file with the Director of Arbitration ~~an one executed copy of a~~ Submission Agreement and ~~a one copy of the~~ a statement of claim ~~upon~~ of the controversy in dispute, ~~and the required deposit,~~ together with documents in support of the claim. Sufficient additional copies of the Submission Agreement and the statement of claim and supporting documents shall be provided to the Director of Arbitration for each party and the arbitrator. The statement of claim shall specify the relevant facts, the remedies sought and whether or not a hearing is demanded.

(c) The claimant shall ~~deposit \$15 if the amount in controversy is \$1,000 or less, \$25 if the amount is more than \$1,000 but does not exceed \$2,500, \$100 if the amount in controversy is more than \$2,500 but does not exceed \$5,000, or \$200 if the amount in controversy is more than \$5,000 but does not exceed \$10,000~~ pay a non-refundable filing fee and shall remit a hearing session deposit as specified in rule A-16 upon filing of the Submission Agreement. The final disposition of this ~~fee or~~ deposit shall be determined by the arbitrator.

(d) The Director of Arbitration shall endeavor to serve promptly by mail or otherwise on the respondent(s) ~~one copy of the~~ Submission Agreement and one copy of the ~~S~~statement of ~~C~~claim. ~~The respondent shall w~~Within 20 calendar days from receipt of ~~the~~ statement of claim, the respondent(s) shall serve each party with an executed Submission Agreement and a copy of respondent's answer ~~service file with the Director of Arbitration one executed copy of the Submission Agreement and one copy of an answer, together with supporting documents.~~ Respondent's executed Submission Agreement and answer shall also be filed with the Director of Arbitration with sufficient additional copies for the arbitrator(s) along with any deposit required under rule A-16. The answer shall designate all available defenses to the claim and may set

forth any related counterclaim and/or related third-party claim the respondent(s) may have against the claimant or any other person. The term "related counterclaim" for the purposes of this provision means a counterclaim related to a customer's account or accounts with a broker, dealer or municipal securities dealer. If the respondent(s) has interposed a third-party claim, the Director of Arbitration shall endeavor to serve promptly by mail or otherwise a copy of the third-party claim together with a copy of the Submission Agreement on such third party who shall respond in the manner herein provided for response to the claim. If the respondent files a related counterclaim exceeding \$10,000, the arbitrator may refer the claim, counterclaim and/or third-party claim, if any, to a panel of arbitrators, the size and composition of which shall be determined in accordance with section 12 hereof, or, he may dismiss the counterclaim and/or third-party claim without prejudice to the counterclaimant and/or third-party claimant pursuing the counterclaim or third-party claim in a separate proceeding. respondent(s) shall serve the third-party respondent with an executed Submission Agreement, a copy of respondent's answer containing the third-party claim, and a copy of the original claim filed by the claimant. The third-party respondent shall respond in the manner herein provided for response to the claim. If the respondent(s) files a related counterclaim exceeding \$10,000, the arbitrator may refer the claim, counterclaim and/or third-party claim, if any, to a panel of three (3) or five (5) arbitrators in accordance with section 12(a) of this Code, or the arbitrator may dismiss the counterclaim and/or third-party claim without prejudice to the counterclaimant(s) and/or third-party claimant(s) pursuing the counterclaim and/or third-party claim in a separate proceeding. The costs to the claimant under either proceeding shall in no event exceed the total amount specified in rule A-16.

(e) The Director of Arbitration shall endeavor to serve promptly by mail or otherwise on the claimant All parties shall serve on all other parties and the Director of Arbitration, with sufficient additional copies for the arbitrator(s), a copy of the answer, counterclaim, third-party claim, amended claim, or other responsive pleading, if any. The claimant, if a counterclaim is asserted against him, shall within ten 10 calendar days file a statement of reply to any counterclaim with the Director of Arbitration who will serve a copy of the statement of reply on the respondent or, if the amount of the counterclaim exceeds the amount of the claim, either file a statement of reply as contemplated herein or file a statement withdrawing the claim. either (i) serve on each party and on the Director of Arbitration, with sufficient additional copies for the arbitrator(s), a reply to any counterclaim, or (ii) if the amount of the counterclaim exceeds the claim, shall have the right to file a statement withdrawing the claim. If the claimant withdraws the claim, files a statement of withdrawal, the proceedings will shall be discontinued without prejudice to the rights of the parties.



(f) through (l) No change.

**Section 35. Simplified Arbitration for Small Claims Relating to Intra-Industry Transactions**

(a) No change.

(b) The claimant shall file with the Director of Arbitration an ~~three executed copies of~~ a Submission Agreement and a ~~copy three copies of~~ the a statement of claim of the controversy in dispute, and the required deposit under rule A-16, together with documents in support of the claim. Sufficient additional copies of the Submission Agreement and the statement of claim and supporting documents shall be provided to the Director of Arbitration for each party and the arbitrator. The statement of claim ~~should~~ shall specify the relevant facts, the remedies sought and whether or not a hearing is requested. ~~The Director of Arbitration shall endeavor to serve promptly by mail or otherwise on the respondent or respondents one copy of the Submission Agreement and statement of claim.~~

(c) The Director of Arbitration shall endeavor to serve promptly by mail or otherwise on the respondent(s) one copy of the Submission Agreement and one copy of the statement of claim. ~~The respondent or respondents shall, w~~Within 20 business days from ~~of receipt of the statement of claim, the respondent(s) shall serve each party with an executed Submission Agreement and a copy of respondent's answer service, file with the Director of Arbitration one executed Submission Agreement and one copy of the answer, together with supporting documents. Respondent's executed Submission Agreement and answer shall also be filed with the Director of Arbitration with sufficient additional copies for the arbitrator(s) along with any deposit required under rule A-16.~~ The answer shall ~~contain~~ designate all available defenses to the claim, state whether or not a hearing is requested, and may set forth any related counterclaim and/or related third-party claim the respondent(s) ~~or respondents~~ may have against the claimant ~~and any third-party claim against or any other party or person upon any existing claim, dispute or controversy subject to arbitration under this Arbitration Code. If the respondent(s) has interposed a third-party claim, the respondent(s) shall serve the third-party respondent with an executed Submission Agreement, a copy of respondent's answer containing the third-party claim, and a copy of the original claim filed by the claimant. The third-party respondent shall respond in the manner herein provided for response to the claim. If the respondent(s) files a related counterclaim exceeding \$10,000, the arbitrator may refer the claim, counterclaim and/or third-party claim, if any, to a panel of three (3) or five (5) arbitrators in accordance with section 12(b) of this Code, or the arbitrator may dismiss the counterclaim and/or third-party claim without prejudice to the counterclaimant(s) and/or third-party claimant(s) pursuing the counterclaim and/or third-party claim in a separate proceeding. The costs to the claimant under either~~

proceeding shall in no event exceed the total amount specified in rule A-16.

~~(d) If the respondent or respondents interpose a third-party claim, the Director of Arbitration shall endeavor to serve promptly by mail or otherwise a copy of the third-party claim, together with a copy of the Submission Agreement, on such third party who shall respond in the manner provided for response to the statement of claim. If the respondent or respondents file a related counterclaim exceeding \$10,000, the arbitrator may refer the claim, counterclaim and/or third-party claim, if any, to a panel of arbitrators, the size and composition of which shall be determined in accordance with section 12 hereof, or he may dismiss the counterclaim or third-party claim without prejudice to the counterclaimant or third-party claimant in a separate proceeding.~~

(d) (e) The Director of Arbitration shall endeavor to serve promptly by mail or otherwise on the claimant All parties shall serve on all other parties and the Director of Arbitration, with sufficient additional copies for the arbitrator(s), a copy of the answer, counterclaim, third-party claim, amended claim, or other responsive pleading, if any. The claimant, if a counterclaim is asserted against him, shall within ten 10 business days of receipt of a counterclaim file a reply to the counterclaim with the Director of Arbitration who will serve a copy of the reply on the respondent or respondents. If the amount of the counterclaim exceeds the amount of the claim, the claimant shall either file a reply as contemplated herein, or file a statement withdrawing the claim. either (i) serve on each party and on the Director of Arbitration, with sufficient additional copies for the arbitrator(s), a reply to any counterclaim, or (ii) if the amount of the counterclaim exceeds the claim, shall have the right to file a statement withdrawing the claim. If the claimant withdraws the claim files a statement of withdrawal, the proceedings will shall be discontinued without prejudice to the rights of the parties.

~~(e) (f) The claim, dispute or controversy shall be submitted to a single industry arbitrator who shall be associated with a broker, dealer or municipal securities dealer. Unless a party requests a hearing, or the arbitrator calls a hearing, the arbitrator shall decide the claim, dispute or controversy solely upon the pleadings and evidence submitted by the parties. If a hearing is necessary, the time and place of the hearing shall be determined in accordance with the provisions of section 16 hereof.~~

(g) and (h) Relettered (f) and (g).

(h) (f) Upon the request of the arbitrator, the Director of Arbitration shall appoint two additional arbitrators to the panel which shall decide the matter in controversy. Each additional arbitrator shall also be an industry arbitrator associated with a broker, dealer or municipal securities dealer.

(i) (f) Except as otherwise provided herein, all provisions of this Arbitration Code, other than those contained in section



34, shall be applicable to the arbitration of small claims relating to intra-industry transactions pursuant to this section 35.

Section 36. No change.

**Rule A-16. Arbitration Fees and Deposits**

(1) Except as provided in section 34 of rule G-35, at the time of filing the Submission Agreement, the claimant shall deposit the amount indicated below unless such deposit is specifically waived by the Director of Arbitration.

Amount in Dispute (Exclusive of interest and expenses)	Deposit
\$1,000 or less .....	\$15
Above \$1,000 but not exceeding \$2,500 .....	\$25
Above \$2,500 but not exceeding \$5,000 .....	\$100
Above \$5,000 but not exceeding \$10,000 .....	\$200
Above \$10,000 but not exceeding \$50,000 .....	\$400
Above \$50,000 but not exceeding \$100,000 .....	\$500
Above \$100,000 but not exceeding \$500,000 .....	\$750
Above \$500,000 .....	\$1,000

If the amount in dispute is \$10,000 or less no additional deposits shall be required despite the number of hearing sessions. If the amount in dispute is above \$10,000 and multiple sessions are required, the arbitrators may require any of the parties to make additional deposits for each additional session. In no event shall the aggregate amount deposited per session exceed the amount of the initial deposit at the rates above set forth.

(2) The arbitrators, in their award, may determine the amount chargeable to the parties as forum fees (fees) and shall determine by whom such fees shall be borne. If the amount in dispute is \$10,000 or less, total fees to the parties shall not exceed the amount deposited. If the amount in dispute is above \$10,000 but does not exceed \$50,000, the maximum fee shall be \$400 per session. If the amount in dispute is above \$50,000 but does not exceed \$100,000, the maximum fee shall be \$500 per session. If the amount in dispute is above \$100,000 but does not exceed \$500,000, the maximum fee shall be \$750 per session. If the amount in dispute is above \$500,000, the maximum fee shall be \$1,000 per session. In no event shall the fees assessed by the arbitrators exceed \$1,000 per session. Amounts deposited by a party shall be applied against fees, if any. If the fees are not assessed against a party who has made a deposit, the deposit will be refunded.

(3) If the dispute, claim or controversy does not involve or disclose a money claim, the amount to be deposited by the claimant shall be \$100 or such amount as the Director of Arbitration or the panel of arbitrators may require, but shall not exceed \$1,000.

(4) Any matter submitted and thereafter settled or withdrawn prior to the commencement of the first hearing session shall entitle the parties to a refund of all but \$50 of the amount deposited. This section shall not apply to claims filed under section 34 of Rule G-35, the Arbitration Code.

(5) Any matter submitted and thereafter settled or withdrawn

subsequent to the commencement of the first session may be subject to such refund of assessed deposits, if any, as the panel of arbitrators may determine.

(6) The arbitrators may assess costs in any matter settled or withdrawn subsequent to the commencement of the first session.

(a) At the time of filing a claim, counterclaim, third-party claim or cross-claim, a party shall pay a non-refundable filing fee and hearing session deposit to the Board in the amounts indicated in the schedules below, unless such fee or deposit is specifically waived by the Director of Arbitration.

Where multiple hearing sessions are required, the arbitrator(s) may require any of the parties to make additional hearing deposits for each additional hearing session. In no event shall the amount deposited by all parties per hearing session exceed the amount of the hearing deposit made by any party under the schedules below.

(b) A hearing session is any meeting between the parties and the arbitrator(s), including a pre-hearing conference with an arbitrator, which lasts four hours or less. The forum fee for a pre-hearing conference with an arbitrator shall be the amount set forth in the schedules below as a hearing session deposit for a hearing with a single arbitrator.

(c) The arbitrator(s), in the award, shall determine the amounts chargeable to the parties as forum fees and shall determine who shall pay such forum fees. Forum fees chargeable to the parties shall be assessed on a per hearing session basis, and the aggregate for each hearing session may equal but shall not exceed the amount of the largest initial hearing deposit deposited by any party, except in a case where claims have been joined subsequent to filing in which case hearing session fees shall be computed as provided in paragraph (d). The arbitrator(s) may determine in the award that a party shall reimburse to another party any non-refundable filing fee it has paid. If a customer is assessed forum fees in connection with an industry claim, forum fees assessed against the customer shall be based on the hearing deposit required under the industry claims schedule for the amount awarded to industry parties to be paid by the customer and not based on the size of the industry claim. No fees shall be assessed against a customer in connection with an industry claim that is dismissed; however, in cases where there is also a customer claim, the customer may be assessed forum fees based on the customer claim under the procedure set out above. Amounts deposited by a party shall be applied against forum fees, if any. In addition to forum fees, the arbitrator(s) may determine in the award the amount of costs incurred pursuant to sections 20, 22, 23, and 27 of rule G-35 and, unless applicable law directs otherwise, other costs and expenses of the parties and arbitrator(s) which are within the scope of the agreement of the parties. The arbitrator(s) shall determine by whom such costs shall be borne. If the hearing session fees are not assessed against a party who had made a hearing deposit, the hearing deposit will be refunded unless the arbitrator(s) determine otherwise.

(d) For claims filed separately which are subsequently joined or consolidated under section 5(d) of rule G-35, the hearing



deposit and forum fees assessable per hearing session after joinder or consolidation shall be based on the cumulative amount in dispute. The arbitrator(s) shall determine by whom such fees shall be borne.

(e) If the dispute, claim, or controversy does not involve, disclose, or specify a money claim, the non-refundable filing fee shall be \$250 and the hearing session deposit to be remitted by a party shall be \$600 or such greater or lesser amount as the Director of Arbitration or the arbitrator(s) may require, but shall not exceed \$1,000.

(f) The Board shall retain the total initial amount deposited as hearing session deposits by all the parties in any matter submitted and settled or withdrawn within eight business days of the first scheduled hearing session other than a pre-hearing conference.

(g) Any matter submitted and thereafter settled or withdrawn subsequent to the commencement of the first hearing session, including a pre-hearing conference with an arbitrator, shall be subject to an assessment of forum fees and costs incurred pursuant to sections 20, 22, 23, and 27 of rule G-35 based on hearing sessions held and scheduled within eight business days after the Board receives notice that the matter has been settled or withdrawn. The arbitrator(s) shall determine by whom such forum fees and costs shall be borne.

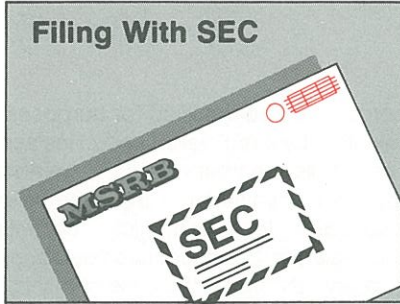
(h) Schedule of Fees.

For purposes of the schedule of fees, the term "claim" includes claims, counterclaims, third-party claims, and cross-claims. Any such claim made by a customer is a customer claim. Any such claim made by a broker, dealer or municipal securities dealer or associated person of a broker, dealer or municipal securities dealer is an industry claim.

Amount in Dispute (Exclusive of Interest and Expenses)	Customer Claimant			
	Claim Filing Fee		Hearing Session Deposit	
	Simplified <sup>1</sup>		One Arb. <sup>2</sup>	Three+Arbs. <sup>3</sup>
\$01-\$1,000	\$15	\$15	\$15	NA
\$1,000.01- \$2,500	\$25	\$25	\$25	NA
\$2,500.01- \$5,000	\$50	\$75	\$100	NA
\$5,000.01- \$10,000	\$75	\$75	\$200	NA
\$10,000.01- \$30,000	\$100	NA	\$300	\$400
\$30,000.01- \$50,000	\$120	NA	\$300 <sup>4</sup>	\$400
\$50,000.01- \$100,000	\$150	NA	\$300 <sup>4</sup>	\$500
\$100,000.01- \$500,000	\$200	NA	\$300 <sup>4</sup>	\$750
\$500,000.01- \$5,000,000	\$250	NA	\$300 <sup>4</sup>	\$1,000
Over \$5,000,000	\$300	NA	\$300 <sup>4</sup>	\$1,500

Amount in Dispute (Exclusive of Interest and Expenses)	Industry Claimant			
	Claim Filing Fee		Hearing Session Deposit	
	Simplified <sup>5</sup>		One Arb. <sup>6</sup>	Three+Arbs. <sup>7</sup>
\$01-\$1,000	\$500	\$75	\$300	NA
\$1,000.01- \$2,500	\$500	\$75	\$300	NA
\$2,500.01- \$5,000	\$500	\$75	\$300	NA
\$5,000.01- \$10,000	\$500	\$75	\$300	NA
\$10,000.01- \$30,000	\$500	NA	\$300	\$600
\$30,000.01- \$50,000	\$500	NA	\$300 <sup>8</sup>	\$600
\$50,000.01- \$100,000	\$500	NA	\$300 <sup>8</sup>	\$600
\$100,000.01- \$500,000	\$500	NA	\$300 <sup>8</sup>	\$750
\$500,000.01- \$5,000,000	\$500	NA	\$300 <sup>8</sup>	\$1,000
Over \$5,000,000	\$500	NA	\$300 <sup>8</sup>	\$1,500

<sup>1</sup> Simplified Arbitration (Without Hearing)  
<sup>2</sup> One Arbitrator (Per Hearing Session)  
<sup>3</sup> Three or more Arbitrators (Per Hearing Session)  
<sup>4</sup> Prehearing Conferences Only  
<sup>5</sup> Simplified Arbitration (Without Hearing)  
<sup>6</sup> One Arbitrator (Per Hearing Session)  
<sup>7</sup> Three or more Arbitrators (Per Hearing Session)  
<sup>8</sup> Prehearing Conferences Only



**Route to:**

- Manager, MuniDept.
- Underwriting
- Trading
- Sales
- Operations
- Public Finance
- Compliance
- Training
- Other

## Statutory Disqualifications: Rule G-4

### Amendments Filed

The technical amendments will correct a cross-reference to recently enacted amendments to section 3(a)(39) of the Securities Exchange Act.

On June 14, 1991, the Board filed with the Securities and Exchange Commission a technical amendment to rule G-4, on statutory disqualifications.<sup>1</sup> The amendments correct a cross-reference contained within rule G-4 to recently enacted amendments to section 3(a)(39) of the Securities Exchange Act (the "Act"). The amendments will become effective upon approval by the Commission.

### Summary of Amendments

Rule G-4(a), on statutory disqualifications, disqualifies firms and individuals from participating in the municipal securities business if they are barred or suspended from membership in an exchange or in the National Association of Securities Dealers, Inc. (NASD) by reason of certain "statutory disqualifications" as defined in the Act, or for a violation of NASD or exchange rules concerning just and equitable principles of trade.

In November 1990, President Bush signed into law the Securities Acts Amendments of 1990 (the "1990 Amendments"). Among other things, the 1990 Amendments amend section 3(a)(39) of the Act, concerning statutory disqualification from self-regulatory organizations, and expand, by incorporation, the list of findings that result in the statutory disqualification. The 1990 Amendments re-letter subparagraphs (D) and (E) of section 3(a)(39) of the Act as subparagraphs (E) and (F), respectively, and add new subparagraph (D), which includes

among the conditions that result in statutory disqualification findings by certain foreign entities. In addition, subparagraph (F), which by cross-reference to section 15(b)(4)(G) of the Act makes persons convicted of specified felonies and misdemeanors related to financial matters subject to statutory disqualification, adds "any other felony" to the list of crimes that warrant special review.

The amendments to rule G-4 correct the cross-reference to section 3(a)(39) of the Act contained within rule G-4 to correspond with recently enacted amendments to the Act. The amendments also contain technical word changes.

June 14, 1991

### Text of Proposed Amendments\*

#### Rule G-4. Statutory Disqualifications

(a) Except as otherwise provided in sections (b) and (c) of this rule, no ~~municipal securities broker, dealer~~ or municipal securities dealer or natural person shall be qualified for purposes of rule G-2 if, by action of a national securities exchange or registered securities association, such ~~municipal securities broker, dealer~~ or municipal securities dealer has been and is expelled or suspended from membership or participation in such exchange or association, or such natural person has been and is barred or suspended from being associated with a member of such exchange or association:

- (i) No change.
  - (ii) by reason of any statutory disqualification of the character described in subparagraphs (C), (D), ~~or (E)~~ or (F) of section 3(a)(39) of the Act.
- (b) A ~~municipal securities broker, dealer~~ or municipal securities

Questions about this notice may be directed to Ronald W. Smith, Legal Assistant.

<sup>1</sup> SEC File No. SR-MSRB-91-5. Comments filed with the Commission should refer to the file number.

\* Underlining indicates additions; strokethrough indicates deletions.



dealer or natural person shall be qualified for purposes of rule G-2, notwithstanding the provisions of paragraph (a)(i) of this rule, if the Commission shall so determine upon application by such ~~municipal securities~~ broker, dealer or municipal securities dealer or natural person in accordance with such standards and procedures as are set forth in rule 19h-1(d) under the Act with respect to registered brokers and dealers and their associated persons.

(c) Notwithstanding the provisions of paragraph (a)(ii) of this rule, a ~~municipal securities~~ broker, dealer or municipal securi-

ties dealer or natural person shall be qualified for purposes of rule G-2 upon a determination by a registered securities association in the case of one of its members or such member's associated persons, by the Commission in the case of any other ~~municipal securities~~ broker, dealer or municipal securities dealer (other than a bank dealer) or their associated persons, or by the appropriate regulatory authority in the case of any bank dealer or such bank dealer's associated persons, upon application by such ~~municipal securities~~ broker, dealer or municipal securities dealer or natural person.

# Publications List

## Manuals and Rule Texts

### MSRB Manual

Soft-cover edition containing the text of MSRB rules, interpretive notices and letters, samples of forms, texts of the Securities Exchange Act of 1934 and of the Securities Investor Protection Act of 1970, as amended, and other applicable rules and regulations affecting the industry. Reprinted semi-annually.  
April 1, 1991 ..... \$5.00

### Glossary of Municipal Securities Terms

Glossary of terms (adapted from the State of Florida's *Glossary of Municipal Bond Terms*) defined according to use in the municipal securities industry.  
1985 ..... \$1.50

### Professional Qualification Handbook

A guide to the requirements for qualification as a municipal securities representative, principal, sales principal and financial and operations principal, with questions and answers on each category. Includes sections on examination procedures, waivers, disqualification and lapse of qualification, the text of MSRB qualification rules and a glossary of terms.  
1990 ..... 5 copies per order ..... no charge  
Each additional copy ..... \$1.50

### Manual on Close-Out Procedures

A discussion of the close-out procedures of rule G-12(h)(i) in a question and answer format. Includes the text of rule G-12(h)(i) with each sentence indexed to particular questions, and a glossary of terms.  
January 1, 1985 ..... \$3.00

### Arbitration Information and Rules

Based on SICA's *Arbitration Procedures* and edited to conform to the Board's arbitration rules, this pamphlet includes the text of rules G-35 and A-16, a glossary of terms and list of other sponsoring organizations.  
1990 ..... no charge

### Instructions for Beginning an Arbitration

Step-by-step instructions and forms necessary for filing an arbitration claim.  
1989 ..... no charge

### The MSRB Arbitrator's Manual

The Board's guide for arbitrators. Based on SICA's *The Arbitrator's Manual*, it has been edited to conform to the Board's arbitration rules. It also contains relevant portions of the *Code of Ethics for Arbitrators in Commercial Disputes*.  
January 1990 ..... \$1.00

## Reporter and Newsletter

### MSRB Reports

The MSRB's reporter and newsletter to the municipal securities industry. Includes notices of rule amendments filed with and/or approved by the SEC, notices of interpretations of MSRB rules, requests for comments from the industry and the public and news items.  
Quarterly ..... no charge

## Examination Study Outlines

A series of guides outlining subject matter areas a candidate seeking professional qualification is expected to know. Each outline includes a list of reference materials and sample questions.

### Study Outline: Municipal Securities Representative Qualification Examination

Outline for Test Series 52.  
November 1989 ..... no charge

### Study Outline: Municipal Securities Principal Qualification Examination

Outline for Test Series 53.  
July 1990 ..... no charge

## Brochure

### MSRB Information for Municipal Securities Investors

Investor brochure describing Board rulemaking authority, the rules protecting the investor, arbitration and communication with the industry and investors. Use of this brochure satisfies the requirements of rule G-10.  
1 to 500 copies ..... no charge  
Over 500 copies ..... \$.01 per copy



# Publications Order Form

Description	Price	Quantity	Amount Due
MSRB Manual (soft-cover edition)	\$5.00		
Glossary of Municipal Securities Terms	\$1.50		
Professional Qualification Handbook	5 copies per order no charge Each additional copy \$1.50		
Manual on Close-Out Procedures	\$3.00		
Arbitration Information and Rules	no charge		
Instructions for Beginning an Arbitration	no charge		
The MSRB Arbitrator's Manual	\$1.00		
Study Outline: Municipal Securities Representative Qualification Examination	no charge		
Study Outline: Municipal Securities Principal Qualification Examination	no charge		
MSRB Information for Municipal Securities Investors (Investor Brochure)	1 to 500 copies no charge Over 500 copies \$.01 per copy		
Total Amount Due			

Check here if you currently do not have a subscription, but want to receive *MSRB Reports*.

Check here if you want to have *MSRB Reports* sent to additional recipients. (Please list names and addresses of any additional recipients on a separate sheet of paper.)

Requested by: \_\_\_\_\_ Telephone: (    ) \_\_\_\_\_ Date: \_\_\_\_\_

Ship to: \_\_\_\_\_

Attention: \_\_\_\_\_

Address (Street address preferred): \_\_\_\_\_

All orders for publications that are priced **must** be submitted by mail along with payment for the full amount due. Requests for priced publications will not be honored until payment is received. Make checks payable to the "Municipal Securities Rulemaking Board" or "MSRB."

Orders should be addressed to the Municipal Securities Rulemaking Board, 1818 N Street, NW, Suite 800, Washington, DC 20036-2491, Attention: Publications.