MSRB REPORTS

Volume 5, Number 4 | Municipal Securities Rulemaking Board | June 1985

In This Issue

Important Date

The increase in underwriting assessment fee rate from $.01 to $.02 per $1,000 becomes effective July 1, 1985.

Also in this Issue

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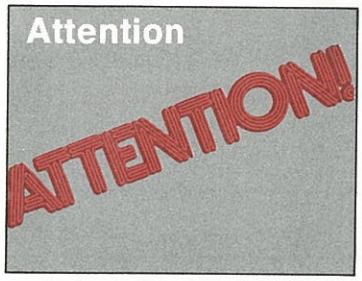

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Publications

New Issue of Soft-cover *MSRB Manual* and *MSRB Rules*

The Board has issued an updated soft-cover *MSRB Manual* and *MSRB Rules*, dated May 1, 1985, to be available in the middle of June.

The *MSRB Manual*, published by Commerce Clearing House, includes as usual the texts of the Securities and Exchange Act of 1934 and of the Securities Investor Act of 1979, the Board rules, pertinent regulations of other agencies, notices concerning rule amendments, and indexes to those materials. The *MSRB Rules* includes only the Board rules along with interpretive notices and letters and samples of forms.

Copies of the newly issued *MSRB Manual* and *MSRB Rules* may be obtained from the Board offices. The cost of the *Manual* is $6.00 per copy and of the *Rules*, $2.50 per copy.

Calendar

March 27—Effective date of amendment to G-3 on loss of qualification as principal

April 2 —Effective date of amendment to A-12 on payment of initial fee

April 16 —Effective date of amendment to G-12 and G-15 on delivery of called securities

April 25 —Effective date of amendment to G-12 on attachment of interest payment checks

April 26 —Effective date of G-19, G-26, and G-27 on suitability

May 17 —Effective date of amendment to G-12 on use of post-original-comparison procedures of registered clearing agencies

June 1 —Comments due on automated price information dissemination

June 15 —Comments due on syndicate practices

July 1 —Effective date of A-13 increase in underwriting assessment fee rate

July 12 —Effective date of amendment to G-12 and G-15 on original issue discount

Pending —SEC approval of amendments to rules:

- G-32, G-8, and G-9 on disclosures in connection with new issue securities
- G-8, G-9, G-10, and G-27 on supervisory responsibility for maintaining and preserving books and records
- G-34 on CUSIP number reassignment
- G-35 on arbitration

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Underwriting Assessment Fee Rate: Rule A-13

Principal Change

The amendment increases the assessment fee rate from $.01 to $.02 per $1,000, effective July 1, 1985.

On May 15, 1985, the Board filed with the Securities and Exchange Commission an amendment to rule A-13, the Board's underwriting assessment rule, to increase the assessment rate from $.01 to $.02 per $1,000 par value of new issue municipal securities. The amendment applies to new issues of municipal securities contracted for on or after July 1, 1985. All new issues contracted for before July 1, 1985, will be subject to the $.01 per $1,000 assessment fee rate.

May 15, 1985

Text of Amendment

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

(a) In addition to the fees prescribed by other rules of the Board, each municipal securities broker and municipal securities dealer shall pay a fee to the Board equal to ~~.001% ($.01 per $1,000)~~ .002% ($.02 per $1,000) of the par value of all municipal securities which are purchased from an issuer by or through such municipal securities broker or municipal securities dealer, whether acting as principal or agent, as part of a new issue which has an aggregate par value of $1,000,000 or more and which has a final stated maturity of not less than two years from the date of the securities; provided, however, that if such municipal securities broker or municipal securities dealer is a member of a syndicate or similar account formed for the purchase of such securities, such fee shall be calculated on the basis of the participation of such municipal securities broker or municipal securities dealer in the syndicate or similar account. Such fee must be received at the office of the Board in Washington, D.C. not later than 30 calendar days following the date of settlement with the issuer. In the event a syndicate or similar account has been formed for the purchase of the securities, the fee shall be paid by the managing underwriter on behalf of each participant in the syndicate or similar account.

(b) through (c) No change.

(d) The fee prescribed in paragraph (a) shall be payable with respect to any new issue municipal security which a municipal securities broker or municipal securities dealer shall have contracted on or after ~~October 1, 1982~~ July 1, 1985 to purchase from an issuer.

(e) No change.

*Underlining indicates new language; broken rule indicates deletions.

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Syndicate Practices—A Review: Rule G-11

Principal Subject Considered

The Board is reviewing rule G-11 to determine whether the rule should be modified, strengthened, or withdrawn.

Action: Send comments.

The Board is reviewing the provisions of rule G-11 concerning sales of new issue municipal securities during the underwriting period. The rule generally requires that syndicates establish priorities for different categories of orders and that certain disclosures be made to syndicate members, which are intended to assure that allocations are made in accordance with those priorities. The rule also requires that the manager provide account information to syndicate members in writing. The Board has described rule G-11 as a "disclosure rule" designed to provide information to new issue participants so that they can understand and evaluate syndicate practices.

The Board requests comments from interested persons concerning present experience with the rule and whether it should be modified, strengthened or withdrawn.

April 30, 1985

Comments on the matters discussed in this notice should be submitted not later than June 15, 1985, and may be directed to Angela Desmond, General Counsel. Written comments will be available for public inspection.

Text of Rule

Rule G-11. Sales of New Issue Municipal Securities During the Underwriting Period

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

(i) The term "accumulation account" means an account established in connection with a municipal securities investment trust to hold securities pending their deposit in such trust.

(ii) The term "date of sale" means, in the case of competitive sales, the date on which all bids for the purchase of securities must be submitted to an issuer, and, in the case of negotiated sales, the date on which the contract to purchase securities from an issuer is executed.

(iii) The term "group order" means an order for securities held in syndicate, which order is for the account of all members of the syndicate on a pro rata basis in proportion to their respective participations in the syndicate. Any such order submitted directly to the senior syndicate manager will, for purposes of this rule, be deemed to be the submission of such order by such manager to the syndicate.

(iv) The term "municipal securities investment trust" means a unit investment trust, as defined in the Investment Company Act of 1940, the portfolio of which consists in whole or in part of municipal securities.

(v) The term "order period" means the period of time, if any, announced by a syndicate during which orders will be solicited for the purchase of securities held in syndicate.

(vi) The term "priority provisions" means the provisions adopted by a syndicate governing the allocation of securities to different categories of orders.

(vii) The term "related portfolio," when used with respect to a municipal securities dealer, means a municipal securities investment portfolio of such municipal securities dealer or of any person directly or indirectly controlling, controlled by or under common control with such municipal securities dealer.

(viii) The term "syndicate" means an account formed by two or more persons for the purpose of purchasing, directly or indirectly, all or any part of a new issue of municipal securities from the issuer, and making a distribution thereof.

(ix) The term "underwriting period" means the period commencing with the first submission to a syndicate of an order for the purchase of new issue municipal securities or the purchase of such securities from the issuer, whichever first occurs, and ending at such time as the issuer delivers the securities to the syndicate or the syndicate no longer retains an unsold balance of securities, whichever last occurs.

(x) The term "qualified note syndicate" means any syndicate formed for the purpose of purchasing and distributing a new issue of municipal securities that matures in less than two years where:

(A) the new issue is to be purchased by the syndicate on other than an "all or none" basis; or

(B) the syndicate has provided that:

(1) there is to be no order period;

(2) only group orders will be accepted; and,

(3) the syndicate may purchase and sell the municipal securities for its own account.

(b) *Disclosure of Capacity.* Every municipal securities dealer which is a member of a syndicate that submits an

order to a syndicate or to a member of a syndicate for the purchase of municipal securities held by the syndicate shall disclose at the time of submission of such order if the securities are being purchased for its dealer account, for the account of a related portfolio of such municipal securities dealer, for a municipal securities investment trust sponsored by such municipal securities dealer, or for an accumulation account established in connection with such a municipal securities investment trust.

(c) *Confirmations of Sale.* Sales of securities held by a syndicate to a related portfolio, municipal securities investment trust or accumulation account referred to in section (b) above shall be confirmed by the syndicate manager directly to such related portfolio, municipal securities investment trust or accumulation account or for the account of such related portfolio, municipal securities investment trust or accumulation account to the municipal securities dealer submitting the order. Nothing herein contained shall be construed to require that sales of municipal securities to a related portfolio, municipal securities investment trust or accumulation account be made for the benefit of the syndicate.

(d) *Disclosure of Group Orders.* Every municipal securities dealer that submits a group order to a syndicate or to a member of a syndicate, shall disclose at the time of submission of such order the identity of the person for whom the order is submitted. This section shall not apply to a qualified note syndicate as defined in paragraph (a)(x) above.

(e) *Priority Provisions.* Every syndicate shall establish priority provisions and, if such priority provisions may be changed, the procedure for making changes. For purposes of this rule, the requirement to establish priority provisions shall not be satisfied if a syndicate provides only that the syndicate manager or managers may determine in the manager's or managers' discretion the priority to be accorded different types of orders. Notwithstanding the preceding sentence, a syndicate may include a provision permitting the syndicate manager or managers on a case-by-case basis to allocate securities in a manner other than in accordance with the priority provisions, if the syndicate manager or managers determine in its or their discretion that it is in the best interests of the syndicate. In the event any such allocation is made, the syndicate manager or managers shall have the burden of justifying that such allocation was in the best interests of the syndicate.

(f) *Communications Relating to Priority Provisions and Order Period.* Prior to the first offer of any securities by a syndicate, the senior syndicate manager shall furnish in writing to the other members of the syndicate (i) the priority provisions, (ii) the procedure, if any, by which such priority provisions may be changed, (iii) if the senior syndicate manager or managers are to be permitted on a case-by-case basis to allocate securities in a manner other than in accordance with the priority provisions, the fact that they are to be permitted to do so, and (iv) if there is to be an order period, whether orders may be confirmed prior to the end of the order period. Any change in the priority provisions shall be promptly furnished in writing by the senior syndicate manager to the other members of the syndicate. Syndicate members shall promptly furnish in writing the information described in this section to others, upon request.

(g) *Disclosure of Allocation of Securities.* The senior syndicate manager shall, within ten business days following the date of sale, disclose to the other members of the syndicate, in writing, the following information concerning the allocation of securities to orders submitted through the end of the order period or, if the syndicate does not have an order period, through the first business day following the date of sale:

(i) the identity of each related portfolio, municipal securities investment trust, or accumulation account referred to in section (b) above submitting an order to which securities have been allocated as well as the aggregate par value and maturity date of each maturity so allocated;

(ii) the identity of each person submitting a group order to which securities have been allocated as well as the aggregate par value and maturity date of each maturity so allocated except that this paragraph shall not apply to the senior syndicate manager of a qualified note syndicate as defined in paragraph (a)(x) above; and

(iii) a summary, by priority category, of the allocation of securities to other orders which, under the priority provisions, were entitled to a higher priority than a member's "take down" order, including any order confirmed at a price other than the original list price, indicating the aggregate par value and maturity date of each maturity so allocated.

(h) *Disclosure of Syndicate Expenses and Other Information.* At or before the final settlement of a syndicate account, the senior syndicate manager shall furnish to the other members of the syndicate:

(i) an itemized statement setting forth the nature and amounts of all actual expenses incurred on behalf of the syndicate. Notwithstanding the foregoing, any such statement may include an item for miscellaneous expenses, provided that the amount shown under such item is not disproportionately large in relation to other items of expense shown on the statement and includes only minor items of expense which cannot be easily categorized elsewhere in the statement. Discretionary fees for clearance costs to be imposed by a syndicate manager and management fees shall be disclosed to syndicate members prior to the submission of a bid, in the case of a competitive sale, or prior to the execution of a purchase contract with the issuer, in the case of a negotiated sale. For purposes of this section, the term "management fees" shall include, in addition to amounts categorized as management fees by the syndicate manager, any amount to be realized by a syndicate manager and not shared with the other members of the syndicate, which is attributable to the difference in price to be paid to an issuer for the purchase of a new issue of municipal securities and the price at which such securities are to be delivered by the syndicate manager to the members of the syndicate; and

(ii) a summary statement showing the aggregate par values and prices (expressed in terms of dollar prices or yields) of all securities sold from the syndicate account. This paragraph shall not apply to a qualified note syndicate as defined in paragraph (a)(x) above.

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Use of Post-Original-Comparison Procedures of Registered Clearing Agencies: Rule G-12

Principal Change

The amendments clarify that transactions submitted for comparison through the automated facilities of a registered clearing agency that do not compare in the initial comparison cycle must be processed according to the post-original-comparison procedures available through the registered clearing agency.

On March 18, 1985, the Securities and Exchange Commission approved amendments to certain of the provisions of rule G-12 regarding comparison of inter-dealer transactions. The amendments make clear that municipal securities brokers and dealers submitting transactions to be cleared by the automated facilities of a registered clearing agency must use the post-original-comparison procedures available through the registered clearing agency if the transaction submitted does not compare in the initial comparison cycle. The amendments will become effective on May 17, 1985.

Board rule G-12 sets forth certain provisions governing the comparison, clearance, and settlement of inter-dealer transactions in municipal securities. Section (f) of the rule provides that, in certain circumstances, municipal securities brokers and dealers which are participants in a registered clearing agency offering automated comparison services must submit transaction information to the registered clearing agency for automated comparison. This provision, which became effective on August 1, 1984, was adopted by the Board as part of its effort to promote the use of automated techniques for the clearance and processing of municipal securities transactions.

In adopting the automated comparison requirements of rule G-12(f) the Board intended that the parties to a transaction submitted for comparison through the automated system would continue to attempt to compare the transaction through the system until the transaction was successfully compared or formal notification of a failure to compare was received. In circumstances in which the transaction was not compared during its original submission into the comparison system, this would necessitate the use of the post-original-comparison procedures provided by the system.[1] The Board believes that this is appropriate and in accordance with its objectives of promoting efficiency in the comparison process through the use of automated comparison systems.

The Board understands that many system participants are following this procedure: that is, in cases where a transaction is not compared as a result of its original submission, these participants are using an "as of" or "demand as of" procedure to accomplish comparison. Other system participants, however, have not pursued comparison of transactions through the system once the original attempt proves unsuccessful, but rather have initiated physical comparison procedures, or the physical "failure to confirm" procedures found in Board rule G-12(d)(iii), with respect to these transactions. Some of these participants apparently believed that this action was permitted by Board rule G-12(d)(vii).[2] These persons were misconstruing the intent of the automated comparison requirements of section (f) of the rule. The Board therefore adopted the rule amendments to clarify the requirements of section (f) in circumstances where a transaction is not compared in the original comparison cycle.

Questions concerning the amendments may be directed to Harold L. Johnson, Assistant General Counsel.

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[1]Dealers that are participants in registered clearing agencies may enter transactions into the automated comparison system on an "as of " basis, which permits use of the system to compare transactions for settlement earlier than the fifth business day after submission of the transaction. In addition to this procedure, the "demand as of" procedure is available to a dealer who has previously submitted a transaction to the system for comparison, which has failed to compare. Under the "demand as of" procedure, the dealer may resubmit such transaction, not earlier than the fourth business day following the trade date, on a basis which provides that, if the named contra-party does not respond on the transaction within a specified time period, the transaction will be deemed compared as submitted by the confirming dealer. If the named contra-party does not know the transaction, it must submit instructions to the comparison system advising that it "DK's" the trade. The "demand as of" procedure provides an automated process similar to the Board's "failure to confirm" procedure prescribed under rule G-12(d)(iii).

[2]Rule G-12(d)(vii), which was rescinded by the amendments approved by the Commission, provided as follows:

> In the event a party has submitted a transaction for comparison through the facilities of a registered clearing agency but such transaction fails to compare, the submitting party shall, within one business day after final notification of the failure to compare is received from the clearing agency, initiate the procedures required by paragraph (iii) of this section [manual failure to confirm procedures]; provided, however, that if the submitting party initiates within such time period, in accordance with the rules of a registered clearing agency, a post-original-comparison procedure on the uncompared transaction, which requires affirmative action of the contraparty, the submitting party shall not be required to follow the procedures required by paragraph (iii) of this section.

The rule was adopted by the Board in the initial stages of operation of the automated comparison system for municipal transactions as a way of integrating the use of the automated comparison system with the Board's comparison rules. It has been superseded by the adoption of the automated comparison requirements of section (f) of the rule and the amendments approved by the Commission have formally rescinded it.

The amendments clarify the rule by incorporating into section (f) language which explicitly requires the use of post-original-comparison procedures on transactions which have been submitted but not compared in the original comparison cycle. The amendments specify that such procedures should be used until the transaction is successfully compared or until a formal notification of failure to compare the transaction (*i.e.*, a "DK" notification) is received from the contra-party. The amendments also delete the provisions of present paragraph (d)(vii) of the rule to eliminate the apparent conflict between these provisions and the requirements of section (f) of the rule. The Board believes that the amendments will allow increased numbers of transactions to compare through the automated comparison system, eliminate substantial numbers of manual comparison procedures and give clear guidance to industry members who may be confused about whether the use of post-original-comparison procedures offered by registered clearing agencies is required under Board rules.

March 18, 1985

Text of Amendments*

Rule G-12. Uniform Practice

(a) through (c) No change.

(d) Comparison and Verification of Confirmations; Unrecognized Transactions.

(i) through (vi) No change.

~~(vii) In the event a party has submitted a transaction for comparison through the facilities of a registered clearing agency but such transaction fails to compare, the submitting party shall, within one business day after final notification of the failure to compare is received from the clearing agency, initiate the procedures required by paragraph (iii) of this section; provided, however, that if the submitting party initiates within such time period, in accordance with the rules of a registered clearing agency, a post-original-comparison procedure on the uncompared transaction, which requires affirmative action of the contraparty, the submitting party shall not be required to follow the procedures required by paragraph (iii) of this section.~~

(vii) ~~(viii)~~ [Paragraph (viii) renumbered (vii); no change in text.]

(e) No change.

(f) Use of Automated Comparison, Clearance, and Settlement Systems.

(i) Notwithstanding the provisions of sections (c) and (d) of this rule, with respect to a transaction in municipal securities which are eligible for comparison through the facilities of a clearing agency registered with the Securities and Exchange Commission, if both parties to such transaction are members in one or more of such clearing agencies (and such clearing agencies are interfaced or linked for comparison purposes), each party to the transaction shall submit to its clearing agency information concerning the transaction, as required by the clearing agency's rules, for purposes of automated trade comparison. In the event that a transaction submitted to a registered clearing agency for comparison in accordance with the requirements of this paragraph (i) shall fail to compare, the party submitting such transaction shall use the post-original-comparison procedures provided by the registered clearing agency in connection with such transaction until such time as the transaction is compared or final notification of a failure to compare the transaction is received from the contra-party. The provisions of this paragraph (i) shall apply to transactions effected on or after August 1, 1984; provided, however, that transactions in federally guaranteed public housing authority project notes effected prior to January 1, 1985 shall not be subject to the provisions of this paragraph.

(g) through (k) No change.

*Underlining indicates new language; broken rule indicates deletions; brackets enclose editorial notes.

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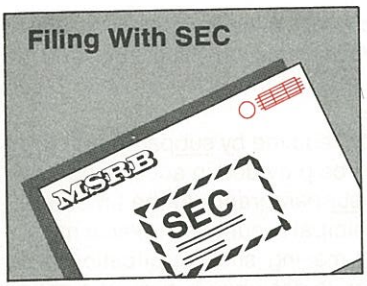

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CUSIP Number Assignment: Rule G-34

The amendments would require that a dealer arrange for the assignment of CUSIP numbers in circumstances in which previously assigned numbers no longer designate a single, fully fungible issue of municipal securities as a result of actions taken by the municipal securities broker or dealer.

On May 17, 1985, the Board filed with the Securities and Exchange Commission amendments to rule G-34 regarding the assignment of CUSIP numbers to issues of municipal securities. The amendments would require municipal securities brokers and dealers to arrange for the assignment of CUSIP numbers in circumstances in which previously assigned numbers no longer designate a single, fully fungible issue of securities as a result of actions taken by the municipal securities broker or dealer.

Background

Rule G-34 currently requires that municipal securities brokers or dealers underwriting or participating in the placement of a new issue of municipal securities must apply for the assignment of CUSIP numbers to the new issue, if it is eligible for a CUSIP number assignment, and must arrange for the affixing of the numbers to the securities certificates of the new issue once the numbers are assigned. The rule is intended to further the goals of the CUSIP numbering system—facilitating the identification of securities issues through the assignment of a unique alpha-numeric security number to each discrete, fungible issue of securities—by providing for the inclusion in the CUSIP numbering system of all eligible issues of municipal securities. The rule also promotes the use of the CUSIP number as a securities identification device by ensuring, through the affixing of assigned numbers to all issues, that the number is readily available for use throughout the securities handling process.

Certain events may occur after the underwriting of a particular new issue of municipal securities which affect the integrity of the CUSIP numbers originally assigned to the issue and may prevent the use of these numbers to uniquely identify securities of the issue. For example, municipal securities issues have been advance refunded in such a way that portions of what was once a single, fully fungible issue or maturity with a single assigned CUSIP number are refunded to different redemption dates and prices, with securities of these different portions of the issue or the maturity thereby becoming no longer fungible.[1] Further, programs have been made available for the purchase of bond insurance on a portion of an issue or a maturity, or for the sale of a portion of an issue or a maturity subject to a put option or tender option written by a person other than the issuer or an agent of the issuer. Securities with this insurance or sold with such a put option or tender option attached are no longer fungible with other securities of the same issue or maturity which are uninsured (or insured by a different party) or traded without the option attached. In all of these cases these actions (the advance refunding, the purchase of bond insurance, or the attachment of the put option) have created a distinction in a previously fungible issue of securities which causes the previously assigned CUSIP number no longer to uniquely identify a single, fully fungible issue. The Board determined that it was necessary to make provision for the reassignment of the CUSIP numbers to reflect these new distinctions.

The Board published for comment draft amendments to rule G-34 in May 1984, and received 16 comments, a majority of which generally agreed that dealers should be required to arrange for CUSIP number assignments on issues which, because of the actions of the dealers, are subject to advance refunding or secondary market enhancement.

Summary of Amendments

The amendments would require municipal securities brokers and dealers to arrange for the assignment of CUSIP numbers in circumstances in which previously assigned numbers no longer designate a single, fully fungible issue of securities as a result of actions taken by such municipal securities broker or dealer. Such circumstances include: (1) issues which have been advance refunded in such a way that portions of what was once a single, fully fungible issue or maturity with a single assigned CUSIP number are refunded to different redemption dates and prices; (2) the purchase of bond insurance on a portion of an issue or maturity; or (3)

Questions concerning these proposed amendments may be directed to Diane G. Klinke, Deputy General Counsel.

[1]Such issues have most typically been advance refunded by issue "purpose" (*i.e.*, the designation of the original use of the issue's proceeds), although certain issues have been advance refunded by specific certificate number.

the sale of a portion of an issue or a maturity subject to a put option or tender option written by a person other than the issuer or an agent of the issuer.

In regard to enhanced secondary market securities, the amendments would require dealers to apply for a new CUSIP number for the unit (*i.e.,* the bond traded with the credit enhancement attached), while allowing the previously assigned CUSIP number to be retained on the underlying bond. The amendments also would provide that rule G-34 will not apply to secondary market issues which do not meet the eligibility criteria for CUSIP number assignment. This approach is similar to that followed under the existing rule with respect to CUSIP number assignments on new issues. Finally, the Board deleted a provision in the draft amendments concerning a number affixture requirement for enhanced secondary market securities because of transfer problems which currently exist.

May 17, 1985

Text of Proposed Amendments*

Rule G-34. CUSIP Numbers.

(a) New Issue Securities.

(i) Assignment of Numbers.

~~(A)~~ Except as otherwise provided in this section (a), each municipal securities broker or municipal securities dealer who acquires, whether as principal or agent, a new issue of municipal securities from the issuer of such securities for the purpose of distributing such new issue shall apply in writing to the Board or its designee for assignment of a CUSIP number or numbers to such new issue. The municipal securities broker or municipal securities dealer shall make such application as promptly as possible, but in no event later than, in the case of competitive sales, the business day following the date of award, or, in the case of negotiated sales, the business day following the date on which the contract to purchase the securities from the issuer is executed. The municipal securities broker or municipal securities dealer shall provide to the Board or its designee the following information:

~~(A)~~(1) complete name of issue and series designation, if any;

~~(B)~~(2) interest rate(s) and maturity date(s) (provided, however, that, if the interest rate is not established at the time of application, it may be provided at such time as it becomes available);

~~(C)~~(3) dated date;

~~(D)~~(4) type of issue (*e.g.,* general obligation, limited tax or revenue);

~~(E)~~(5) type of revenue, if the issue is a revenue issue;

~~(F)~~(6) details of all redemption provisions;

~~(G)~~(7) the name of any company or other person in addition to the issuer obligated, directly or indirectly, with respect to the debt service on all or part of the issue (and, if part of the issue, an indication of which part); and

~~(H)~~(8) any distinction(s) in the security or source of payment of the debt service on the issue, and an indication of the part(s) of the issue to which such distinction(s) relate.

~~(ii)~~(B) The information required by subparagraph ~~(i)~~(A) of this section (a) shall be provided in accordance with the provisions of this subparagraph. At the time application is made the municipal securities broker or municipal securities dealer making such application shall provide to the Board or its designee a copy of a notice of sale, official statement, legal opinion, or other similar documentation prepared by or on behalf of the issuer, or portions of such documentation, reflecting the information required by this section (a). Such documentation may be submitted in preliminary form if no final documentation is available at the time of application. In such event the final documentation, or the relevant portions of such documentation, reflecting any changes in the information required by this section (a) shall be submitted when such documentation becomes available. If no such documentation, whether in preliminary or final form, is available at the time application for CUSIP number assignment is made, such copy shall be provided promptly after the documentation becomes available.

~~(iii)~~(C) The provisions of this section (a) shall not apply with respect to any new issue of municipal securities on which the issuer or a person acting on behalf of the issuer has submitted an application for assignment of a CUSIP number or numbers to such issue to the Board or its designee.

(D) In the event that the proceeds of the new issue will be used, in whole or in part, to refund an outstanding issue or issues of municipal securities in such a way that part but not all of the outstanding issue or issues previously assigned a single CUSIP number is to be refunded to one or more redemption date(s) and price(s) (or all of an outstanding issue is to be refunded to more than one redemption date and price), the municipal securities broker or municipal securities dealer shall apply in writing to the Board or its designee for a reassignment of a CUSIP number to each part of the outstanding issue refunded to a particular redemption date and price and shall provide to the Board or its designee the following information on the issue or issues to be refunded:

(1) the previously assigned CUSIP number of each such part or issue;

(2) for each such CUSIP number, the redemption dates and prices to be established by the refunding;

(3) for each such redemption date and price, a designation of the portion of such part or issue (e.g., the designation of use of proceeds, series, or certificate numbers) to which such redemption date and price applies.

The municipal securities broker or dealer also shall provide documentation supporting the information provided pursuant to the requirements of this subparagraph (D).

*Underlining indicates additions; broken rule indicates deletions.

~~(b)~~(ii) Number Affixture. Each municipal securities broker or municipal securities dealer who acquires, whether as principal or agent, a new issue of municipal securities from the issuer of such securities for the purpose of distributing such new issue shall, prior to the delivery of such securities to any other person, affix to, or arrange to have affixed to, the securities certificates of such new issue the CUSIP number assigned to such new issue. If more than one CUSIP number is assigned to the new issue, each such number shall be affixed to the securities certificates of that part of the issue to which such number relates.

~~(c)~~(iii) Underwriting Syndicate. In the event a syndicate or similar account has been formed for the purchase of a new issue of municipal securities, the managing underwriter shall take the actions required under the provisions of this rule.

(b) Secondary Market Securities.

(i) Except as otherwise provided in this section (b), each municipal securities broker or municipal securities dealer who, in connection with a sale or an offering for sale of part, but not all, of an outstanding maturity of an issue of municipal securities, acquires or arranges for the acquisition of a transferrable instrument applicable to such part which alters the security or source of payment of such part shall apply in writing to the Board or its designee for the assignment of a CUSIP number which will be used to designate the part of the outstanding maturity of the issue which is the subject of the instrument when traded with the instrument attached. Such instruments shall include (A) insurance with respect to the payment of debt service on such portion, (B) a put option or tender option, (C) a letter of credit or guarantee, or (D) any other similar device.

(ii) The municipal securities broker or municipal securities dealer shall make the application required under this section (b) as promptly as possible, and shall provide to the Board or its designee information sufficient to identify the previously assigned CUSIP number and to describe the nature of the instrument acquired, including the name of any party obligated with respect to debt service under the terms of such instrument. The municipal securities broker or municipal securities dealer also shall provide documentation sufficient to evidence the basis for number assignment and nature of the instrument acquired.

(iii) The provisions of this section (b) shall not apply with respect to any part of an outstanding maturity of an issue of municipal securities with respect to which a CUSIP number that is applicable to such part when traded with an instrument which alters the security or source of payment of such part has already been issued.

~~(d)~~(c) Eligibility. The provisions of this rule shall not apply to ~~a new~~ an issue of municipal securities (or for the purpose of section (b) the part of an outstanding maturity of an issue when traded with an instrument which alters the security or source of payment of such part) which does not meet the eligibility criteria for CUSIP number assignment.

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Confirmation Requirement for Original Issue Discount Securities: Rules G-12 and G-15

Principal Change

The amendments require that confirmations of transactions in securities paying periodic interest and initially sold by underwriters as original issue discount securities contain a designation that the securities are original issue discount securities.

On May 13, 1985, the Securities and Exchange Commission approved amendments to rules G-12 and G-15 which require confirmations of transactions involving certain securities sold as original issue discount securities to include a designation of this fact. The amendments will become effective July 12, 1985.

Background

An original issue discount security is a security sold at issuance at a discount from its par amount on which all or a portion of the return to be realized by the purchaser is in the accretion of the discount to par over the life of the security. A portion of the return on certain original issue discount securities is received as periodic interest payments at a stated interest rate, with the balance in accretion from the original issue discount to par. Others, such as "zero coupon" securities, pay no periodic interest, the entire return coming from the accretion of the discount to par.

The Board understands that the accretion of the discount of a tax-exempt original issue discount security, at least in part, generally is tax-exempt income to the holder. The Board believes that the fact that a security bears an original issue discount is material information since it may affect the tax treatment of the security and should affect the price of the security. Therefore, the Board previously has stated that this fact must be disclosed to a customer prior to or at the time of trade.[1]

The Board has received inquiries from members of the industry and purchasers of tax-exempt original issue discount securities which suggest that it is often difficult to determine whether securities traded in the secondary market are original issue discount securities, especially when such securities pay periodic interest. The Board is concerned that in transactions involving such securities an investor might not be aware that all or a portion of the component of his investment return represented by the accretion of the discount is tax-exempt, and therefore might sell the securities at an inappropriately low market price (*i.e.*, at a price not reflecting the tax-exempt portion of the discount) or may mistakenly pay capital gains tax on the tax-exempt portion of the accreted discount amount.

Summary of Amendments

The amendments require that confirmations of transactions in securities paying periodic interest and initially sold by underwriters as original issue discount securities contain a designation that the securities are "original issue discount" securities in order to facilitate identification of these securities in the secondary market. The requirement applies only to transactions in original issue discount securities on which periodic interest payments also are received. These securities, unlike "zero coupon" securities, may be easily mistaken for traditional tax-exempt securities for which the periodic interest payments are the only form in which investment return is received. The Board previously has adopted confirmation disclosure requirements for "zero coupon" securities, which are included in Board rules G-12(c)(v) and G-15(a)(v).

The Board considers that a designation of "OID" in the description field of a confirmation satisfies the confirmation disclosure requirement for original issue discount securities paying periodic interest. The amendments apply to all existing original issue discount issues that were identified as such when initially offererd by the underwriters, as well as to new issues identified by the underwriters as original issue discount securities. The Board understands that information concerning outstanding issues that were sold as original issue discount securities by the underwriters generally is available from industry sources.

May 14, 1985

Questions concerning the amendments may be directed to Harold L. Johnson, Assistant General Counsel.

[1] *See* exposure draft on original issue discount securities, *MSRB Reports*, vol. 4, no. 3 (May 1984) at 7–8; *MSRB Manual* (CCH) ¶10,292 at 10,828.

Text of Amendments*

Rule G-12. Uniform Practice

(a) through (b) No change.

(c) Dealer Confirmations.

(i) through (v) No change.

(vi) In addition to the information required by paragraph (v) above, each confirmation shall contain the following information, if applicable:

(A) through (D) No change.

(E) if the securities pay periodic interest and are sold by the underwriter as original issue discount securities, a designation that they are "original issue discount" securities;

(E) through (F) renumbered (F) through (G).

(d) through (k) No change.

Rule G-15. Confirmation, Clearance and Settlement of Transactions with Customers

(a) Customer Confirmations.

(i) through (ii) No change.

(iii) In addition to the information required by paragraphs (i) and (ii) above, each confirmation to a customer shall contain the following information, if applicable:

(A) through (E) No change.

(F) if the securities pay periodic interest and are sold by the underwriter as original issue discount securities, a designation that they are "original issue discount" securities;

(F) through (G) renumbered (G) through (H).

(b) through (d) No change.

*Underlining indicates additions.

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Attachment of Interest Payment Check to Delivery of Securities Made After Record Date: Rule G-12

Principal Change

The amendment requires the attachment of an interest payment check to a delivery of registered municipal securities made after the record date on the security.

On April 25, 1985, the Securities and Exchange Commission approved an amendment to rule G-12(e)(xiv) concerning inter-dealer deliveries of registered securities. The amendment requires that an interest payment check be attached to a delivery of any registered municipal security when such delivery is made after the record date for the determination of payment of interest on the security. The amendment deletes the former requirement of the rule that an interest payment check be attached whenever a delivery occurs too late to accomplish transfer of ownership prior to record date. The amendment was effective upon approval by the Commission.

Background

In the past year, the Board has received numerous inquiries from municipal securities brokers and dealers concerning deliveries of securities made on or during the several days immediately prior to the record date for the securities. These inquiries indicated to the Board that municipal securities dealers were interpreting the former provisions of G-12(e)(xiv) in a variety of ways and that there was no general industry agreement on the amount of time prior to record date necessary to accomplish transfer of record ownership of a particular security. These differences in opinion caused frequent disputes among dealers on whether interest payment checks should be attached to deliveries made just prior to the record date of the securities and led the Board to determine that further standardization in this area was appropriate.

The Board solicited comments on an exposure draft of an amendment concerning the attachment of interest checks in November 1984.[1] The draft amendment would have required the attachment of an interest payment check on deliveries occurring on or after the record date.

Summary of Amendment

In adopting the final amendment, the Board acceded to the suggestion of a number of commentators that interest payment checks should not be required to be attached to deliveries made on the record date, since receiving dealers may well be able to accomplish transfer of record ownership of securities delivered on the record date when the transfer agent is located in the same city. Accordingly, the amendment provides that an interest payment check must be attached to a delivery made after the record date for the securities; however, delivery made on or prior to the record date is not required to be accompanied by an interest payment check. Of course, the parties to a transaction may agree at the time of trade that an interest payment check is necessary even though the rule itself may not require one. In circumstances where the securities delivered without an interest payment check cannot be transferred by the record date, the receiving dealer would be obliged to file a claim for payment of the interest it is owed.[2]

The Board believes that the amendment adopted provides the most satisfactory solution to the difficulties caused by the lack of clarity in the present rules. The Board recognizes that there will be some cases in which securities delivered without an accompanying interest payment check (in accordance with the standard in the amendment) cannot be transferred by the record date. Nonetheless, the Board believes that in the majority of instances deliveries made on or prior to the record date can be submitted to the transfer agent in time to accomplish transfer prior to the determination of registered holders made on the record date.

May 7, 1985

Questions concerning the amendment may be directed to Harold L. Johnson, Assistant General Counsel.

[1] *MSRB Reports*, vol. 4, no. 6 (November 1984) at 7–8.

[2] The Board is currently considering the adoption of a rule providing a standard procedure for interest payment claims. See exposure draft on processing of interest payment claims, *MSRB Reports*, vol. 5, no. 3 (March 1985) at 15.

Text of Amendment*

Rule G-12. Uniform Practice

(a) through (d) No change.

(e) Delivery of Securities. The following provisions shall, unless otherwise agreed by the parties, govern the delivery of securities:

(i) through (xiii) No change.

(xiv) Delivery of Registered Securities.

(A) through (F) No change.

(G) Payment of Interest. If a registered security is traded "and interest" ~~and transfer of record ownership cannot be accomplished on or before~~ a delivery of such security made on a date after the record date for the determination of registered holders for the payment of interest~~, delivery~~ shall be accompanied by a draft or bank check of the seller or its agent, payable not later than the interest payment date or the delivery date, whichever is later, for the amount of the interest.

(H) Registered Securities in Default. If a registered security is in default (*i.e.*, is in default in the payment of principal or interest) and ~~transfer of record ownership cannot be accomplished on or before~~ a date for payment of interest due has been established, a delivery of such security made on a date after the date established as the record date for the determination of registered holders for the payment of interest~~, an interest payment date having been established on or after the trade date, delivery~~ shall be accompanied by a draft or bank check of the seller or its agent, payable not later than the interest payment date or the delivery date, whichever is later, for the amount of the payment to be made by the issuer, unless the security is traded "ex-interest."

(xv) and (xvi) No change.

(f) through (k) No change.

*Underlining indicates new language; broken rule indicates deletions.

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Transfer Efficiency and Selection of Record Date for New Issue Registered Securities: Joint Recommendation of MSRB, GFOA, and SEC

In May 1983 the Board published the following notice setting forth the joint recommendations of the Board, the Government Finance Officers Association (then the Municipal Finance Officers Association) and the Securities and Exchange Commission regarding transfer arrangements and the use of a standardized schedule of record dates on new issues of registered municipal securities. The Board has recently received some expressions of concern from industry participants regarding the use of non-standard record dates on some new issues, and accordingly is reprinting this notice to remind industry members and others of the accepted standard schedule of record dates.

At the request of the Municipal Securities Rulemaking Board, the following joint statement concerning certain recommended standards on transfer efficiency and the selection of record dates on all new issues of registered municipal securities has been considered and endorsed by the Municipal Finance Officers Association, the Securities and Exchange Commission, and the Board:

A Conference on Registered Municipal Securities held in October 1982 under the auspices of an MSRB Task Force recommended the following standard practices on registered municipal issues:

1. That persons serving as transfer agents on such issues adhere to the standards for efficiency in transfer followed in other securities markets, particularly that standard regarding the processing of "routine" items within 72 hours of receipt.

2. That all such issues use a standard schedule of record dates, as follows:

- *for securities paying interest on the 1st of a month, the record date should be the 15th day of the preceding month (e.g., for interest payable on March 1, 1983, the record date should be February 15, 1983);*
- *for securities paying interest on the 15th day of a month, the record date should be the last business day of the preceding month (e.g., for interest payable on April 15, 1983, the record date should be March 31, 1983 (the last business day)); and*
- *for securities paying interest on a date other than the 1st or the 15th of a month, the record date should be the 15th calendar day before the interest payment date (e.g., for interest payable on March 31, 1983, the record date should be March 16, 1983).*

Prompt and accurate transfer of registered municipal securities will be critical to an orderly and efficient marketplace. Among other things, slow or unpredictable transfer agent performance may reduce investor confidence and increase intermediary costs and expenses. Issuers that fail to provide prompt and accurate transfer arrangements may well find reduced dealer and investor interest in their issues and may, as a result, face significantly increased municipal financing costs.

Issuers of registered municipal securities issues are therefore encouraged to use transfer agents whose transfer performance is consistent with the standards required for federally registered transfer agents. In general, those standards require transfer agents to turnaround routine items presented for transfer within three days. An issuer may choose to perform the transfer function in its own offices, but in that event the issuer is urged to undertake, voluntarily and publicly, to observe the 72-hour standard generally applicable to the transfer of other types of registered instruments.

The use of the standardized record dates on all issues of registered municipal securities is equally essential, in order to facilitate the processing and clearance of transactions in these securities and to minimize the need for burdensome interest payment claims. All participants in the market for new issue municipal securities are also urged to take steps to ensure that the standardized record dates are used on all new issues of registered municipal securities.

The Board has sought and obtained the endorsement of this joint statement by the Municipal Finance Officers Association and the Securities and Exchange Commission due to its concern that all participants in the new issue municipal securities markets be alerted to and fully understand the need for efficient transfer arrangements and standardized record dates on issues of registered municipal securities prior to the July 1, 1983 effective date of the registration requirement of the Tax Equity and Fiscal Responsibility Act

of 1982, as amended.[1] The Board recognizes, as do both of the other organizations endorsing the joint statement, that inefficient transfer arrangements and the use of varying record dates on different issues would impose a serious burden on the clearance of transactions in registered municipal securities.

Transfer

The transfer function is the primary focus of concern about the registration requirement among municipal securities brokers and dealers and investors in municipal securities. In the transfer process the "transfer agent" or "bond registrar" reflects on its records of the holders of a particular municipal issue the transfer of ownership of securities of that issue by deleting the name of the prior owner and recording the name of the new owner. Typically the transfer agent or bond registrar issues a new securities certificate in the name of the new owner and destroys the previous certificate.

Due to the significant volume of transfers that will occur once all new issues of municipal securities are issued solely in registered form, investors and dealers in municipal securities are concerned that the transfer process function smoothly and efficiently. An inefficient transfer process would be of concern to investors since it might impair the liquidity of some of their portfolio holdings and would tend to decrease the value of such holdings in the secondary market. Similarly, an inefficient transfer process would significantly increase costs for dealers effecting secondary market transactions in an issuer's securities, since it would tend to increase the length of time needed to clear transactions as well as the number of uncleared ("fail") transactions.

The standards for efficiency in transfer agent performance that appear to have the support of most industry participants are those set forth in certain Securities and Exchange Commission regulations applicable to registered transfer agents.[2] Registered transfer agents are subject to a series of SEC rules regarding their activities, the most important of which rule 17Ad-2, requires that registered transfer agents process or "turn around" at least 90 percent of routine items (*e.g.*, certificates presented for transfer) received during any month within three business days of their receipt.

Adherence to the 72-hour "turnaround" standard by all persons performing transfer agent functions with respect to registered municipal securities would ensure that transfer items are handled efficiently. Issuers are urged to use transfer agents who are capable of meeting this standard, or, if the issuer elects to serve as its own transfer agent, to commit publicly to adhering to the standard.[3]

Record Date

As is the case with a coupon-bearing security, the "paying agent" for a registered issue of municipal securities (who may also be the transfer agent, registrar or trustee for the issue) is responsible for disbursing interest payments on the issue. However, in contrast to the coupon-bearing security, on which interest is paid when due upon presentation of the appropriate coupon, the paying agent on a registered issue normally mails to the registered owners of the securities checks for the amount of the interest due. Such checks are usually disbursed automatically on the interest payment date.

To perform this function the paying agent must obtain the names of such owners prior to the payment date. This is generally done by recording all such names as of a fixed date prior to the payment date, which date is referred to as the "record date." Normal transfer activities continue after the record date, but the interest payment on a particular certificate will be mailed to the registered owner of that certificate as of the record date, whether or not the ownership of the certificate is transferred during the period between the record date and the interest payment date.[4] As a result, dealers effecting transactions in registered securities during this period are required to include with deliveries checks in the amount of the interest due.

To eliminate uncertainty in the clearance of securities during the period between the record date and the interest payment date it is essential that all registered municipal securities use the same, standardized record dates. Use of the standardized record dates would ensure that all parties to a transaction would know the time by which a certificate must be submitted for transfer, or, alternatively, whether a check for interest due must accompany a particular delivery of securities. If different record dates are used for different issues there will be considerable uncertainty as to both of these matters, with persons effecting transactions in these securities having to research the specific record date applicable to each issue in order to determine how to proceed with deliveries or transfers. This need for issue-by-issue determination of the applicable record date would significantly complicate the handling of registered municipal securities and contribute to inefficiency in the clearance and transactions in such securities. The use of the standardized record dates described in the joint statement would eliminate this problem.

May 6, 1983

[1]Although the joint statement was prepared in the context of the impending effectiveness of the registration requirement of TEFRA, the Board notes that its recommendations are equally applicable to new issues of municipal securities which are currently required to be issued in registered form (*e.g.*, mortgage revenue securities).

[2]Securities and Exchange Commission rules 17Ad-2 through 17Ad-7, under the Securities Exchange Act of 1934 [17 CFR 240, 17Ad-2 to 17Ad-7 (1982)], establish comprehensive performance standards for registered transfer agents. Although these standards are mandatory only for federally registered transfer agents that perform transfer functions for both corporate and municipal securities (*see* Securities Exchange Act Release No. 17111 (September 11, 1980)), these standards also may constitute a practical model for entities performing transfer functions for registered municipal securities only.

[3]It is important for entities performing transfer agent functions for registered municipal securities issues to announce publicly their voluntary adherence to the 72-hour industry standard. Such an announcement would serve to notify brokers and clearing agencies of projected transfer performance and may be crucial for depository eligibility of a particular securities issue.

[4]The Board notes that certain participants in the Conference on Registered Municipal Securities called attention to the practice of "closing the books" on transfer activities for a period preceding the interest payment date, with transfer items refused until after the payment date. These persons expressed the view that this practice seriously impeded the efficiency of the transfer process and would cause delays in the handling of such securities in the secondary market. They urged that this practice not be followed on any registered municipal issues.

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Delivery of Called Securities: Rules G-12 and G-15

Principal Change

The amendments clarify the application of the delivery provisions to a delivery of securities for which a notice of call applicable to an entire issue of securities has been published on or prior to the trade date.

On April 16, 1985, the Securities and Exchange Commission approved amendments to certain of the provisions of rules G-12(e)(x) and G-15(c)(viii) regarding deliveries of municipal securities for which a notice of call has been published and rule G-12(g)(iii) regarding inter-dealer reclamations. The amendments were effective upon approval by the Commission.

Background

Board rules G-12(e) and G-15(c) set forth certain requirements concerning deliveries of municipal securities to dealers and customers, respectively. Both rules provide that a delivery which includes a security that has been called under an "in part" call notice published on or prior to the delivery date will not constitute good delivery if the security was not identified as "called" at the time of trade. A delivery of a security that has been the subject of an "in whole" call notice (*i.e.,* a notice applicable to the entire issue or an entire maturity) published after the trade date but on or prior to the delivery date is a good delivery under the rule.

These provisions reflect the Board's judgment that the risk of ownership of an issue of securities passes to the purchaser at the time of trade; therefore, the purchaser bears the risk of an "in whole" call announced after the date of trade. The Board also is of the view, however, that when a notice of call for less than the entire issue of securities occurs on or before delivery date the seller should not be allowed to deliver "called" securities in satisfaction of the contract unless the securities are specified as "called" at the time of trade. Accordingly, the Board's rules require that, in this situation, the seller must deliver uncalled securities to satisfy the contract.

Requirements of Amendments

Prior to the amendments approved by the Commission, these provisions of rules G-12 and G-15 did not clearly address the question whether delivery of a security for which an "in whole" call notice had been published *on or prior to trade date* would constitute good delivery if the security had not been identified as "called" at the time of trade.[1] Therefore, the rule amendments revise these provisions to state that delivery of a security for which a notice of call applicable to the entire issue of securities has been published on or prior to the trade date is not good unless the security was identified as "called" at the time of trade. The amendments also make a comparable clarification in the parallel reclamation provisions of rule G-12(g), and a technical change to refer to a security's "interest rate" (rather than "coupon rate"), consistent with other provisions of the rules.

May 7, 1985

Questions concerning the amendments may be directed to Harold L. Johnson, Assistant General Counsel.

Text of Amendments*

Rule G-12. Uniform Practice

(a) through (d) No change.

(e) Delivery of Securities. The following provisions shall, unless otherwise agreed by the parties, govern the delivery of securities:

(i) through (ix) No change.

(x) Delivery of Certificates Called for Redemption.

(A) A certificate for which a notice of call applicable to less than the entire issue of securities has been published on or prior to the delivery date shall not constitute good delivery unless the securities are identified as "called" at the time of trade ~~or the notice of call is applicable to the entire issue of securities~~.

(B) A certificate for which a notice of call applicable to the entire issue of securities has been published on or prior to the trade date shall not constitute good delivery unless the securities are identified as "called" at the time of trade.

[1]Rules G-12(c)(vi)(C) and G-15(a)(iii)(C) require that the confirmation of a trade of a security that has been called state this fact as well as the date of maturity fixed by the call notice and the amount of the call price.

*Underlining indicates new language; broken rule indicates deletions.

(C) For purposes of this paragraph (x) and Items (D)(2) and (D)(3) of paragraph G-12(g)(iii), the term ~~an~~ "entire issue of securities" shall mean securities of the same issuer having the same date of issue, maturity date and ~~coupon~~ interest rate.

(xi) through (xvi) No change.

(f) No change.

(g) Rejections and Reclamations.

(i) through (ii) No change.

(iii) Basis for Reclamation and Time Limits. A reclamation may be made by the receiving party or a demand for reclamation may be made by the delivering party if, subsequent to delivery, information is discovered which, if known at the time of the delivery, would have caused the delivery not to constitute good delivery, provided such reclamation or demand for reclamation is made within the following time limits:

(A) through (C) No change.

(D) Reclamation or demand for reclamation by reason of the following may be made without any time limitation:

(1) the security delivered is reported missing, stolen, fraudulent or counterfeit; ~~or~~

(2) ~~not good delivery because~~ the security delivered is the subject of a notice of call applicable to ~~for~~ less than the entire issue of securities that was published on or prior to the delivery date and the security was ~~the securities were~~ not identified as "called" at the time of trade ; or

(3) the security delivered is the subject of a notice of call applicable to the entire issue of securities that was published on or prior to trade date and the security was not identified as "called" at the time of trade.

The running of any of the time periods specified in this paragraph shall not be deemed to foreclose a party's right to pursue its claim via other means, including arbitration.

(iv) No change.

Rule G-15. Confirmation, Clearance and Settlement of Transactions with Customers

(a) through (b) No change.

(c) Deliveries to Customers. Except as provided in section (d) below, a delivery of securities by a broker, dealer, or municipal securities dealer to a customer or to another person acting as agent for the customer shall, unless otherwise agreed by the parties or otherwise specified by the customer, be made in accordance with the following provisions:

(i) through (vii) No change.

(viii) Delivery of Certificates Called for Redemption.

(A) A certificate for which a notice of call applicable to less than the entire issue of securities has been published on or prior to the delivery date shall not constitute good delivery unless the securities are identified as "called" at the time of trade ~~or the notice of call is applicable to the entire issue of securities~~.

(B) A certificate for which a notice of call applicable to the entire issue of securities has been published on or prior to the trade date shall not constitute good delivery unless the securities are identified as "called" at the time of trade.

(C) For purposes of this paragraph (viii) the term ~~an~~ "entire issue of securities" shall mean securities of the same issuer having the same date of issue, maturity date and ~~coupon~~ interest rate.

(ix) through (xii) No change.

(d) No change.

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Suitability of Recommendations to Customers: Rules G-19, G-26, and G-27

Principal Changes

The amendments—

- **require that a municipal securities dealer has reasonable grounds based on available information to recommend a purchase or sale in a security and**
- **incorporate the suitability requirements of rule G-26 in rule G-19 and the supervision requirement of rule G-26 in rule G-27.**

The interpretive notice applies rule G-19 suitability requirements to—

- **dealers that recommend a transaction in a particular security during an investment seminar and**
- **dealers that make recommendations to customers who have responded to the dealer's advertisement.**

On April 26, 1985, the Securities and Exchange Commission approved amendments to rule G-19, on suitability of recommendations and transactions, rule G-26, on administration of discretionary and other accounts, and rule G-27, on supervision. The amendments generally reorganize the rules to place all suitability requirements in rule G-19 and all supervision responsibilities in rule G-27. The provisions presently found in rule G-26 are now set forth in rules G-19 and G-27, and the rule has been deleted. The Board also has clarified the application of rule G-19 to investment seminars and to customer inquiries[1] made in response to advertisements published by a dealer.

Background

Rule G-19 on suitability.—Rule G-19 prohibits a municipal securities professional from recommending transactions in municipal securities to a customer unless the professional makes certain determinations with respect to the suitability of the transactions. The rule also specifies standards for effecting transactions in municipal securities for a discretionary account (as defined in rule D-10)[2] and prohibits "churning" of an account.[3]

Specifically, rule G-19 permits a municipal securities professional to make recommendations only if, after making a reasonable inquiry, he has reasonable grounds to believe, and does believe, that the recommendation is suitable for the customer on the basis of certain information provided by the customer or obtained from other reliable sources. This information should include the customer's financial background, tax status and investment objectives as well as any other similar information relevant to making a determination on suitability. In addition a professional must be aware of any changes in this information that would affect his investment recommendations.

The rule imposes an affirmative duty of inquiry on the professional and the customer's information must be kept up-to-date.[4] If a customer declines to provide the information requested and it is not otherwise known to the professional, a municipal securities professional is permitted to make a recommendation to a customer only if there are no reasonable grounds to believe and the professional does not believe that the recommended transaction is unsuitable. In addition, the Board has advised the industry that a municipal securities professional may recommend a securities transaction only if there is a reasonable basis for the recommendation.[5]

With respect to discretionary accounts, absent specific customer authorization of a transaction, rule G-19 bars a professional from effecting a transaction in municipal securities for a discretionary account if the professional does not have sufficient information to enable him to make an affirmative determination with respect to the suitability of the transaction for the customer.

Rule G-26 on administration of discretionary and other accounts.—Rule G-26(a) requires a dealer to obtain certain information for each customer, as specified by rule G-8(a)(xi),

Questions concerning these amendments may be directed to Angela Desmond, General Counsel.

[1]Notice of filing of the amendments and the interpretive notice were published in *MSRB Reports*, vol. 5, no. 3 (April 1985).
[2]Rule D-10 defines the term "discretionary account" to mean "the account of a customer carried or introduced by a broker, dealer, or municipal securities dealer with respect to which such broker, dealer, or municipal securities dealer is authorized to determine what municipal securities will be purchased, sold or exchanged by or for the account."
[3]Rule G-19(b), concerning churning, prohibits a dealer from recommending or effecting transactions that are excessive in size and frequency in view of information known to the dealer concerning the customer's financial background, tax status and investment objectives.
[4]While the rule does not specify the frequency with which information pertaining to suitability must be updated, the Board has stated that a professional must determine whether more current information than is in his possession is necessary to make a determination concerning suitability.
[5]Notice on Suitability, *MSRB Reports*, vol. 2, no. 5 (July 1982).

at or before completion (*i.e.*, settlement) of a transaction in municipal securities.[6] Thus, a dealer is prohibited from transacting any business with a customer unless the customer provides it with the information (except for the tax identification number or social security number) specified in rule G-8(a)(xi).

Subsections (b) and (c) of rule G-26 require that a municipal securities principal obtain and accept written authorization from a customer for a discretionary account and that each transaction in a discretionary account be approved in writing by a principal. The rule also requires "regular and frequent" reviews of all customer accounts in which transactions in municipal securities are effected "in order to detect and prevent irregularities and abuses."

Rule G-27 on supervision.—The requirement that a municipal securities principal review active customer accounts on a frequent basis is reiterated in rule G-27 which requires a municipal securities dealer to supervise the municipal securities activities of its associated persons and the conduct of its municipal securities business. Rule G-27 specifies, among other things, that a municipal securities principal must be designated in writing to supervise a dealer's municipal securities activities. In addition, the rule requires a dealer to "establish, maintain and enforce written supervisory procedures" adopted by the dealer which must include the prompt review and written approval by the designated municipal securities principal of:

(A) the opening of each customer account introduced or carried by the municipal securities broker or municipal securities dealer, in which transactions in municipal securities may be effected;

(B) each transaction in municipal securities;

(C) the handling of all written customer complaints pertaining to transactions in municipal securities; and

(D) all correspondence pertaining to the solicitation or execution of transactions in municipal securities; and

(E) other matters required by rule of the Board to be reviewed or approved by a municipal securities principal or general securities principal or a municipal securities sales principal.

The supervisory procedures also must provide for the regular and frequent examination by the designated municipal securities principal (or the designated municipal securities sales principal) of customer accounts introduced or carried by the municipal securities broker or municipal securities dealer, in which transactions in municipal securities are effected, in order to detect and prevent irregularities and abuses.

Summary of Amendments

The Board has incorporated subsections (a) and (b) of rule G-26 into rule G-19. As a result, rule G-19 contains all of the suitability-related obligations applicable to brokers, dealers and municipal securities dealers. The Board also has revised the language of rule G-19, consistent with its previous interpretations, to require a municipal securities dealer to have reasonable grounds, based upon information available from the issuer of the security or otherwise, for recommending a purchase, sale, or other transaction in a security. This requirement is separate and apart from the current requirement that a dealer have reasonable grounds in light of financial and other information known about a customer for recommending a transaction in municipal securities to the customer.

With respect to supervision, the Board is incorporating the present provisions of rule G-26(c) into rule G-27 so that rule G-27 contains all of the supervision-related responsibilities applicable to municipal securities dealers. Rule G-26 has been withdrawn by the Board, and the rule will be reserved for future rulemaking.

Application of Suitability Requirements to Investment Seminars and Customer Inquiries Made in Response to a Dealer's Advertisements

In its April notice the Board discussed the application of rule G-19 on suitability to recommendations made during investment seminars or to recommendations made to customers responding to an advertisement published by a dealer. As discussed above, rule G-19 prohibits a municipal securities professional from recommending transactions in municipal securities to a customer unless the professional makes certain determinations with respect to the suitability of the transactions.

The Board believes that rule G-19 applies to recommendations made by a professional at an investment seminar as follows: A dealer recommending a transaction in a particular security during the course of an investment seminar must have reasonable grounds for the recommendation in light of information about the security available from the issuer or otherwise. This duty applies to recommendations made generally to all participants in the seminar as well as to recommendations made to individual customers. In addition, a professional who makes a recommendation to a particular customer—whether during the course of the seminar or in response to an inquiry from the customer resulting from the customer's attendance at the seminar—must have reasonable grounds to believe and must believe that the recommendation is suitable for the customer in light of the customer's financial background, tax status, investment objectives and other similar information about the customer relevant to making a determination on suitability. If, after an inquiry by the professional, this information is not provided by the customer or otherwise known by the professional, the professional may make the recommendation only if he has no reasonable grounds to believe and does not believe that the recommendation is unsuitable for the particular customer.

The Board also wishes to advise the industry that the requirements of rule G-19 apply to recommendations made to customers who contact a dealer in response to an advertisement for municipal securities in the same way as they

[6]Rule G-8(a)(xi) on recordkeeping requires municipal securities brokers and dealers to obtain and record certain information concerning each customer. These items include the customer's name and address, the customer's tax identification or social security number, whether the customer is of legal age, and other, similar details. Should the customer refuse to provide a tax identification or social security number, the dealer may make a notation of this fact on the customer account information record and proceed to effect transactions for the customer.

Thus, if a customer places an unsolicited order for specific securities, the information required under rule G-8(a)(xi) is the only information the dealer specifically must record. However, if the customer seeks an investment recommendation, the dealer must, under rule G-19(a), inquire about other aspects of information including information concerning the customer's financial background, tax-status and investment objectives even though the information need not be recorded.

apply to all other recommendations made to customers.[7] As summarized above, if an individual contacts a dealer for additional information concerning municipal securities that were the subject of an advertisement, a professional is permitted to recommend a particular transaction to the individual only if he has reasonable grounds for recommending the security in light of information about the security available from the issuer or otherwise. Moreover, the professional may make the recommendation to the customer only if, after making a reasonable inquiry, he has reasonable grounds to believe and does believe that the recommendation is suitable for the customer on the basis of the financial and other information provided by the customer or obtained from other reliable sources.

April 27, 1985

Text of Amendments*

Rule G-19. Suitability of Recommendations and Transactions; Discretionary Accounts

(a) Account Information. Each broker, dealer and municipal securities dealer shall obtain at or before the completion of a transaction in municipal securities with or for the account of a customer a record of the information required by rule G-8(a)(xi).

(b) Knowledge of Customer. Each broker, dealer or municipal securities dealer at or before recommending the purchase, sale or exchange of a municipal security to a customer shall have knowledge or shall inquire about the customer's financial background, tax status, and investment objectives and any other similar information.

~~(a) Customer Information.~~ (c) Suitability of Recommendations. No broker, dealer or municipal securities dealer shall recommend the purchase, sale, or exchange of a municipal security to a customer unless such broker, dealer or municipal securities dealer, after reasonable inquiry,

(i) has reasonable grounds based upon information available from the issuer of the security or otherwise for recommending a purchase, sale or other transaction in the security; and

~~(i)~~(ii)(A) has reasonable grounds to believe and does believe that the recommendation is suitable for such customer ~~on the basis of information furnished by such customer~~ in light of the customer's financial background, tax status, and investment objectives and any other similar information concerning the customer known by such broker, dealer or municipal securities dealer, or

~~(ii)~~(B) has no reasonable grounds to believe and does not believe that the recommendation is unsuitable for such customer if all of such information is not furnished or known.

Notwithstanding the foregoing, if a broker, dealer or municipal securities dealer determines that a transaction in municipal securities or in specific municipal securities would not be suitable for a customer and so informs such customer, ~~such~~ the broker, dealer or municipal securities dealer may thereafter respond to the customer's requests for investment advice concerning municipal securities generally or such specific securities and may execute transactions at the direction of the customer.

~~(c)~~(d) Discretionary Accounts. No broker, dealer or municipal securities dealer shall effect a transaction in municipal securities with or for a discretionary account.

(i) except to the extent clearly permitted by the prior written authorization of the customer and accepted in writing by a municipal securities principal or municipal securities sales principal on behalf of the broker, dealer or municipal securities dealer; and

(ii) unless the broker, dealer or municipal securities dealer first determines that the transaction is suitable for the customer as set forth in paragraph (c)~~(i)~~(ii) of this rule or unless the transaction is specifically authorized by the customer.

~~(b)~~(e) Churning. No broker, dealer or municipal securities dealer shall recommend transactions in municipal securities to a customer, or effect such transactions or cause such transactions to be effected for a discretionary account, that are excessive in size or frequency in view of information known to such broker, dealer or municipal securities dealer concerning the customer's financial background, tax status, and investment objectives.

Rule G-26. ~~Administration of Discretionary and Other Accounts~~

[Delete rule; reserve rule number G-26 for future rulemaking.]

Rule G-27. Supervision

(a) through (b) No change.

(c) Written Procedures. Each municipal securities broker and municipal securities dealer shall establish, maintain, and enforce written supervisory procedures adopted by the municipal securities broker or municipal securities dealer to assure compliance with the rules of the Board and applicable provisions of the Act and the rules and regulations thereunder. Such procedures shall provide, at minimum, for

(i) through (ii) No change.

(iii) the prompt review and written approval of each transaction in municipal securities effected with or for a discretionary account (unless the transaction is specifically authorized by the customer) introduced or carried by the municipal securities broker or municipal securities dealer and the regular and frequent examination by the designated municipal securities principal or the designated municipal securities sales principal of customer accounts introduced or carried by the municipal securities broker or municipal securities dealer, in which transactions in municipal securities are effected, in order to detect and prevent irregularities and abuses.

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[7]Rule G-21, on advertising, defines an advertisement as—
. . . any material (other than listings of offerings) published or designed for use in the public media, or any promotional literature designed for dissemination to the public, including any notice, circular, report, market letter, form letter or reprint or excerpt of the foregoing. The term does not apply to preliminary official statements or official statements, but does apply to abstracts or summaries of official statements, offering circulars and other such similar documents prepared by municipal securities brokers or municipal securities dealers.

*Underlining indicates additions; broken rule indicates deletions; brackets indicate editorial explanation.

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Notice of Approval

Route To:

- ☒ Manager, Muni. Dept.
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Qualification of Municipal Securities Principals: Rule G-3

Principal Change

The amendment clarifies that a municipal securities principal associated with a municipal securities broker or dealer that has not complied with rule A-12 is not considered to be acting as a municipal securities principal for purposes of maintaining the grandfathering exemption from examination.

On March 27, 1985, the Securities and Exchange Commission approved an amendment to rule G-3 regarding the professional qualification of municipal securities principals. The amendment states that a municipal securities principal associated with a municipal securities broker or dealer that has not complied with the Board's rule A-12 (regarding payment of initial fee and filing of certain identifying information) will not be considered to be acting as a municipal securities principal. An otherwise qualified municipal securities principal therefore will lose principal qualifications after two years' association with such a municipal securities broker or dealer. The amendment was effective upon Commission approval.

Background

Rule G-3 establishes the standards of professional qualification for various municipal securities professionals, including the municipal securities principal, whose functions relate to the supervision and management of the municipal securities activities of a municipal securities broker or dealer. Under the definition of "municipal securities broker" and "municipal securities dealer" contained within the Securities Exchange Act of 1934, a securities firm effecting transactions in municipal securities technically is considered to be a municipal securities broker or dealer even though the firm may not have filed certain required identifying information with the Board in violation of rule A-12. A person who supervises municipal securities activities within such a firm, in some circumstances, may be able to claim municipal securities principal qualification.[1] The Board is concerned that such a firm and the person acting as a principal may be unaware of the application of the Board's rules to municipal securities transactions. In such a case a person acting as a principal clearly would not be able to supervise adequately the municipal securities activities of the firm in order to ensure compliance with Board rules.

Substance of Amendment

The amendment requires that a person be associated with a municipal securities broker or dealer that has filed with the Board in compliance with rule A-12 in order to be considered as acting as a municipal securities principal. The effect of subsection (c)(iv) of rule G-3[2] and the amendment together is to require that a person who is otherwise qualified as a municipal securities principal, but who is associated for two or more years with a municipal securities broker or dealer not in compliance with rule A-12, take and pass the Municipal Securities Principal Qualifications Examination and be qualified as a municipal securities representative in order to re-establish his or her qualifications as a municipal securities principal.

April 4, 1985

Questions concerning the amendment may be directed to Harold L. Johnson, Assistant General Counsel.

Text of Amendment*

Rule G-3. Classification of Principals and Representatives; Numerical Requirements; Testing

No municipal securities broker or municipal securities dealer or person who is a municipal securities principal, financial and operations principal, municipal securities representative, or municipal securities sales principal (as hereafter defined) shall be qualified for purposes of rule G-2 unless such municipal securities broker or municipal securities dealer or person meets the requirements of this rule.

[1]Although a person acting in such a firm would not necessarily be qualified as a principal, a person who had acted in this capacity since 1979 may be able to claim principal qualifications on the basis of the now-rescinded "grandfather" provisions of rule G-3(c) and his or her prior general securities experience and qualifications.

[2]Subsection (c)(iv) of rule G-3 provides that:

Any person who ceases to act as a municipal securities principal for two or more years at any time after having qualified as a municipal securities principal in accordance with this section (c) shall take and pass the Municipal Securities Principal Qualification Examination and be qualified as a municipal securities representative prior to being qualified as a municipal securities principal.

*Underlining indicates additions; broken rule indicates deletions.

(a) Definitions. As used in the rules of the Board, the terms "municipal securities principal," "financial and operations principal," "municipal securities representative," and "municipal securities sales principal" shall have the following respective meanings:

(i) Municipal Securities Principal. The term "municipal securities principal" means a natural person (other than a municipal securities sales principal) associated with a municipal securities broker or municipal securities dealer ~~other than a municipal securities sales principal,~~ that has filed with the Board in compliance with rule A-12 who is directly engaged in the management, direction or supervision of one or more of the following activities:

(A) through (G) No change.

(ii) through (iv) No change.

(b) through (i) No change.

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Payment of Initial Fee: Rule A-12

Principal Changes

The amendment—

- **clarifies that the initial fee requirement applies to all brokers, dealers, and municipal securities dealers engaged in municipal securities activities and**
- **requires that the fee be paid prior to initiating municipal securities activities.**

On April 2, 1985, the Securities and Exchange Commission approved an amendment to rule A-12 concerning the initial fee paid by municipal securities brokers and municipal securities dealers. The amendment was effective upon Commission approval.

Background

Board rule A-12 requires brokers, dealers and municipal securities dealers that effect transactions in municipal securities to pay to the Board an initial fee of $100 to defray, in part, the costs and expenses of operating and administering the Board. In connection with payment of the fee, the rule also requires the filing of certain identifying information with the Board. Any broker or dealer that effects transactions in municipal securities as part of its business is subject to the rule even if it effects only occasional municipal securities transactions as part of a business that predominantly involves non-municipal securities.[1]

Substance of Amendment

Prior to its amendment, rule A-12 stated that municipal securities brokers and dealers must pay the initial assessment before December 15, 1975, or within 10 days of registration with the Securities and Exchange Commission, whichever is later. The December 15, 1975, deadline in the rule related to a situation that existed in 1975, when the activities of municipal securities brokers and dealers first came under the jurisdiction of the Board. The 10-day period from Commission registration within which to comply with rule A-12 was originally adopted as a "grace period" for municipal securities-only firms and dealer banks, which were first required to register with the Commission in 1975. Since this initial period of registration is now over, the amendment deletes the references to the December 15, 1975, deadline and the 10-day "grace period" and makes clear that any broker, dealer, or municipal securities dealer must comply with rule A-12 before initiating municipal securities activities as part of its business operations.

April 4, 1985

Questions concerning the amendment may be directed to Harold L. Johnson, Assistant General Counsel.

Text of Amendment*

Rule A-12. Initial Fee ~~for Municipal Securities Brokers and Municipal Securities Dealers~~

~~Every municipal securities broker and municipal securities dealer presently or hereafter registered with the Commission shall, not later than (1) December 15, 1975 or (2) the date which is ten days from the date of registration of such municipal securities broker or municipal securities dealer with the Commission, whichever shall last occur,~~ Prior to effecting any transaction in or inducing or attempting to induce the purchase or sale of any municipal security, a broker, dealer, or municipal securities dealer shall pay to the Board an initial fee of $100, accompanied by a written statement setting forth the name, address and Securities and Exchange Commission registration number of the ~~municipal securities~~ broker, dealer, or municipal securities dealer on whose behalf such fee is paid. The Commission registration number shall also be set forth on the face of the remittance. Such fee shall be payable at the offices of the Board in Washington, D.C. In the event any person subject to this rule shall fail to pay the required fee, the Board may recommend to the Commission that the registration of such person with the Commission be suspended or revoked.

[1]Of course, an associated person of a broker or dealer who buys or sells municipal securities for its personal account through another municipal securities professional would not be considered to be a broker or dealer "effecting a transaction in municipal securities."

*Underlining indicates additions; broken rule indicates deletions.

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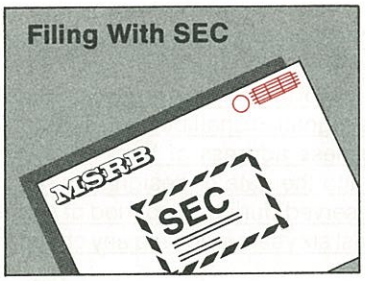

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Supervisory Responsibility for Maintaining and Preserving Books and Records: Rules G-8, G-9, G-10, and G-27

Principal Change Proposed

The amendments would incorporate in rule G-27 all of the rule G-10 provisions which require that a person be designated to supervise the maintaining and preserving of books and records.

On May 16, 1985, the Board filed with the Securities and Exchange Commission proposed amendments to the provisions of Board rules G-8 and G-9 concerning recordkeeping, rule G-10 concerning designation of persons responsible for maintenance of books and records, and rule G-27 on supervision. The proposed amendments will not become effective until Commission approval.

Rule G-10 requires that a municipal securities broker or dealer designates one or more persons to be responsible for the maintenance and preservation of the records required to be maintained and preserved under the Board's general recordkeeping and record preservation rules, rules G-8 and G-9. The rule also specifies that a record be kept showing the name, title, and business address of each person designated under the rule and that this record be kept during the period of the designation and for at least six years thereafter.

The proposed amendments would incorporate the provisions of rule G-10 into rule G-27, the Board's rule on supervision, and would add to rules G-8 and G-9 cross-references to the recordkeeping and record preservation provisions currently found in rule G-10. Rule G-10 would be withdrawn and reserved by the Board for future rulemaking.

The proposed amendments are technical in nature and do not represent any change in the requirements of Board rules, but rather a consolidation and clarification of the language of the rules.

May 16, 1985

Questions about the proposed amendments may be directed to Harold L. Johnson, Assistant General Counsel.

Text of Proposed Amendments[1]

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

(a) Description of Books and Records Required to be Made. Except as otherwise specifically indicated in this rule, every municipal securities broker and municipal securities dealer shall make and keep current the following books and records, to the extent applicable to the business of such municipal securities broker or municipal securities dealer:

(i) through (xiii)[2] No change.

(xiv) Designation of Persons Responsible for Recordkeeping. A record of all designations of persons responsible for the maintenance and preservation of books and records as required by rule G-27(b)(ii).

(b) through (g) No change.

Rule G-9. Preservation of Records

(a) Records to be Preserved for Six Years. Every municipal securities broker and municipal securities dealer shall preserve the following records for a period of not less than six years:

(i) through (vi) No change.

(vii) the record, described in rule G-27(b)(ii), of each person designated as responsible for the maintenance and preservation of books and records, provided that such record shall be preserved for the period of designation of each person designated and for at least six years following any change in such designation.

(b) through (g) No change.

Rule G-10. ~~Designation of Persons Responsible for Maintenance and Preservation of Books and Records.~~

[Delete entire rule; reserve rule number G-10 for future rulemaking.]

[1]Underlining indicates new language; broken rule indicates deletions.
[2]Paragraph (xiii) of rule G-8(a) was added by an amendment adopted by the Board at its February 20–22, 1985 meeting. The amendment was filed with the Commission on March 11, 1985, in MSRB filing 85-11, and currently is pending Commission approval.

Rule G-27. Supervision.

(a) No change.

(b)(i) No change.

(ii) Designation of Persons Responsible for Recordkeeping. Each municipal securities broker and municipal securities dealer shall designate one or more associated persons as responsible for the maintenance and preservation of the books and records required to be maintained and preserved by rules G-8 and G-9 of the Board. Each person so designated shall be a municipal securities principal, a general securities principal, or a financial and operations principal. In the case of a municipal securities dealer which is not a bank dealer, a financial and operations principal shall be one of the persons so designated. A record of every such designation shall be kept, showing the name, title and business address of the person or persons so designated and the date of designation, and such record shall be preserved during the period of such designation and for at least six years following any change in such designation.

(c) No change.

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Publications List

Manuals and Rule Texts

MSRB Manual
Soft-cover manual, updated semi-annually or annually, of MSRB rules; text of the Securities and Exchange Act of 1934 and of the Securities Investor Act of 1979; samples of forms; lists of Board members and staff; and new developments.
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Glossary of terms (adapted from the State of Florida's *Glossary of Municipal Bond Terms*) defined according to use in the municipal securities industry.
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Professional Qualification Handbook
Analysis of requirements for qualification as a municipal securities representative, principal, sales principal, and financial operations principal; rule text; and glossary (1984).
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Manual on Close-Out Procedures
Discussion of the close-out procedures of rule G-12(h)(i) in question-and-answer format, glossary, and rule text (1985).
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Arbitration: Rules A-16 and G-35
Text of rules (1984).
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Explanation of arbitration and the procedures for filing arbitration claims with special attention to small claims, text of rules, and glossary (1984).
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Step-by-step instructions and forms needed for filing an arbitration claim (1984).
9 pages ..... No charge

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MSRB Reports
MSRB reporter and newsletter to the municipal securities industry on proposed rule changes, rule changes, notices requesting comment from the industry and public, notices of interpretation, and news items. ..... No charge

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Study Outline: Municipal Securities Representative Qualifications Examination
Outline for Test Series 52 (1985).
30 pages ..... No charge

Study Outline: Municipal Securities Principal Qualifications Examination
Outline for Test Series 53 (1984).
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Study Outline: Municipal Securities Financial and Operations Principal
Outline for Test Series 54 (1978).
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A series of guides outlining subject matter areas a candidate seeking professional qualification is expected to know; each guide includes a list of reference materials and sample questions.

Reports

Report of the Conference on Registered Municipal Securities
Report resulting from the forum organized by the Board's Task Force on Registered Municipal Securities to define problems with the registration requirement and to explore solutions (1982).
48 pages ..... No charge

Prospects for Automation of Municipal Clearance and Settlement Procedures: Report to the Securities and Exchange Commission
Special edition of *MSRB Reports* publishing the SEC-requested report on the progress achieved in the development of automated clearance and settlement systems (1983).
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