

MSRB REPORTS

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Municipal Securities Rulemaking Board

January 1990

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The Board reminds dealers that it will accept all official statements voluntarily provided by underwriters, with a completed form G-36, prior to the effective date of the rule.

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Revisions Filed

The filing would revise the Board's examination specifications and study outline for the Municipal Securities Principal Qualification Examination.

Recommendations for Board Nominations Requested

The process has begun for selecting five new Board members to serve three-year terms beginning October 1, 1990. Two public, one bank dealer and two securities firm representatives must be elected. Industry members and the general public are invited to participate. The instructions and form for making a recommendation and the names of members currently serving on the Board are published on pages 15 through 17 of this issue.

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ANNOUNCEMENT OF OPEN MEETINGS

System Concept for the Proposed MSRB Facility for Collection and Dissemination of Official Statements and Advance Refunding Documents

On January 17, the Board released a System Concept for its proposed facility to collect and disseminate official statements and advance refunding documents (See pages 3 through 10 of this issue). The System Concept explains the functions and technical requirements of the proposed facility and the Board's plans for acquiring services to proceed with the project.

The Board will solicit comment on the System Concept until March 16, 1990. To facilitate the comment process, the Board plans to conduct three open meetings to explain the System Concept and to accept comments on it. All interested persons are invited to attend and to participate.

Persons wishing to provide formal written comments at the meetings should submit a written copy to the Board by January 26. For more information, contact Harold L. Johnson at the Board's offices.

Wednesday, January 31, 1990

9:30 a.m. to 11:30 a.m.

Marriott Marquis

1535 Broadway

New York, New York

Thursday, February 1, 1990

10:00 a.m. to 12:00 noon

Holiday Inn North at Dallas-Fort Worth Airport

4441 Highway 114 at Esters Blvd.

Irving, Texas

Friday, February 2, 1990

10:00 a.m. to 12:00 noon

Hyatt at Los Angeles Airport

6225 West Century Blvd.

Los Angeles, California

Persons to Contact at Clearing Agencies and Depositories

The registered securities clearing agencies offering municipal securities services have provided the following names and telephone numbers of persons who can answer questions about the policies, procedures and operations of the clearing agencies relevant to municipal securities.

Depository Trust Company

Brokers and non-bank dealers may call:
Clifford Dean (212) 709-1120

Dealer banks may call:
Nick Reska (212) 709-1666 or
Everett Smith (212) 709-1614

Other institutions may call:
Nick Reska (212) 709-1666

Midwest Clearing Corporation/Midwest Securities Trust Company

Edward Gibbons (212) 785-1410

National Securities Clearing Corporation

John Fitzgerald (212) 510-0509

Philadelphia Depository Trust Company

Robert Z. Kreszswick (215) 496-5109

Stock Clearing Corporation of Philadelphia

Joseph Zibelman (215) 496-5095

Calendar

- January 1** — Effective date of SEC rule 15c2-12 on municipal securities disclosure
- Effective date of G-3 on qualification of FINOPs
- Effective date of G-3 revisions on the representative exam
- March 9** — Recommendations for Board nominations due
- March 16** — Comments due on System Concept for Municipal Securities Information Library
- July 1** — Revisions to the Principals Exam
- Pending** — G-36 and G-8 on delivery of official statements to the Board
- G-27 and G-9 on supervision requirements
- G-32 technical amendment
- G-35 on definitions of public and industry arbitrators
- G-35 on administrative changes to arbitration

In the coming months, a number of outdated notices and interpretive letters will be deleted and other revisions will be made to the MSRB Manual to provide for a more concise publication.



Route to:

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

System Concept for the Municipal Securities Information Library

Comments Requested

The Board requests comments on the System Concept for its proposed facility to collect, store and disseminate official statements and advance refunding documents.

An executive summary on the System Concept follows this notice.

On January 17, 1990, the Municipal Securities Rulemaking Board announced the release of the System Concept for the Board's proposed facility to collect, store and disseminate official statements and advance refunding documents. The System Concept explains the services to be offered, the technical requirements for the project, and the Board's plans for contracting with an entity to manage the facility. At a later date, the Board will publish a "Request for Proposals" (RFP) and begin the process of obtaining and evaluating proposals from potential facilities managers. In evaluating the proposals, the Board's goal will be to create a cost-effective information library, which will improve the accessibility of information about municipal securities and benefit all sectors of the market. The comments received on the System Concept will be instrumental in this process. The Board encourages all interested parties to comment on the System Concept. Comments will be accepted until March 16, 1990.

For advice on the design and implementation of the facility, the Board has contracted for the services of the MITRE Corporation. The MITRE Corporation has drafted the System Concept with the guidance of the Board's Repository Committee and the full Board. The remainder of this Notice states the background of the project and the Board's general approach to the design and implementation of the facility, as represented in the System Concept.

Project Background

The Municipal Securities Rulemaking Board is the self-regulatory organization charged with primary responsibility for regu-

lating the municipal securities activities of brokers, dealers and municipal securities dealers (dealers). Section 15B of the Securities Exchange Act, under which the Board was created, specifically directs the Board to write rules for dealers which are designed to

prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in processing information with respect to and facilitating transactions in municipal securities, to perfect the mechanisms of a free and open market in municipal securities and, in general, to protect investors and the public interest.¹

The Board's rules must be reviewed and approved by the Securities and Exchange Commission prior to becoming effective. The National Association of Securities Dealers, Inc., the Comptroller of the Currency, the Federal Reserve Board and the Federal Deposit Insurance Corporation inspect dealers under their respective jurisdictions for compliance with Board rules and carry out the enforcement function.

In the course of its rulemaking activities, the Board has observed a critical need for an improved flow of information about municipal securities issues into the market. Board rules require dealers to explain to a potential customer all material facts about a proposed transaction,² to recommend the transaction to the customer only if it is suitable for the customer³ and to price the transaction correctly.⁴ These requirements are for the protection of customers and are similar or identical to the requirements placed on dealers in other securities markets. However, the features and general credit structures of municipal securities have become increasingly complex in recent years, and it has become clear that dealers do not always have ready access to information on municipal securities necessary to meet these standards.

The Board believes that improved access to information about municipal securities is important to the municipal securi-

Comments on the System Concept should be submitted no later than March 16, 1990, and may be directed to Harold L. Johnson, Associate General Counsel. Written comments will be available for public inspection.

¹ 15 U.S.C. para. 78o-4(b)(2)(iv)(B).

² Rule G-17.

³ Rule G-19.

⁴ Rule G-30.

ties market not only so that dealers can comply with the Board's fair practice rules, but also to enhance the integrity and efficiency of the market in general. Because of the Board's role as the primary industry regulator, it has been asked to address a number of problems which touch on the activities of dealers, but which also relate to the municipal securities market in a more general manner. Examining these problems has involved numerous communications with diverse parties, including investors, issuers, bond trustees, bond insurance companies, registered securities clearing agencies and others. In addition to the information which comes to the Board through these channels, the dealer representatives, investor representatives, issuer representatives and other public representatives who have served on the Board also have brought their own expertise to the Board to address factors which affect the integrity and efficiency of the market. A recurrent theme in this process is that problems often result when market participants do not have ready access to official information about municipal securities issues.

Proposed Amendments to Provide Written Descriptive Information to Secondary Market Customers

In 1985-87, the Board held many discussions on the need for a central source of official, descriptive information on municipal securities. One area on which the Board focused was the increasing complexity of municipal securities issues (e.g., complicated put and call provisions). In many cases, secondary market investors were confused about the nature of call provisions in the securities they had purchased. In August 1986, the Board proposed a draft amendment to rule G-15 which would have required dealers to provide written descriptions of all call features, upon request, to secondary market customers.⁵ In May 1987, another draft amendment was published which would have required dealers to provide official statements to secondary market customers, upon request.⁶ The comment letters received from dealers revealed the inability of dealers to comply with these requirements without a reliable and readily available source of official information on issues, such as that found in official statements. Based on the comments received, the Board did not adopt the amendments.

Primary Market Distribution of Official Statements

Throughout this period, the Board also has spent considerable time addressing the manner in which official statements are provided to new issue customers. Board rule G-32 states that an official statement, if one is prepared by or on behalf of the issuer, must be delivered to new issue customers at or prior to the settlement of the transaction. However, the Board was aware that, in many cases, the documents were not provided to customers or were not provided in the timely manner required by the rule.⁷ The Board's ability to address this concern by further dealer regulation historically has been limited because of

the lack of any requirement for official statements to be produced within a specified time-frame, or to be produced at all. Only the Commission has the authority to write rules which address the production and timing of disclosure documents produced by municipal issuers.

Advance Refunding Information

The Board also has attempted to deal with problems in the secondary market caused by the lack of ready access to other official issuer documents. In 1986, the Board monitored a situation involving issues which are "escrowed to maturity." The situation resulted from an attempt which was made to substitute securities deposited for escrow in an "escrowed to maturity" issue and to change the effective maturity of the issue with a second advance refunding. This problem created a substantial negative effect on the market value of all "escrowed to maturity" securities—a problem which was exacerbated when market participants were unable to obtain ready information on the terms in the issuer documents that described the original advance refundings. Although the Board published a notice on the situation⁸ and adopted certain confirmation requirements to clarify which securities should be labeled as "escrowed to maturity,"⁹ it could not by rule change the fact that the market did not have ready access to the information that would allow the securities to be properly described.

Board's December 1987 Proposal

After extensive deliberation on these and other problems, the Board concluded that the difficulties could not be addressed effectively by writing additional rules for dealers, but only by better access for all market participants to official information about municipal securities issues. In December 1987, the Board wrote the Securities and Exchange Commission and suggested that the Commission adopt a rule that would require issuers to provide official statements and advance refunding documents to a central facility or "repository," where the documents would be made available to all parties requesting them.¹⁰

By requiring mandatory submission of documents, the proposed facility would provide for a comprehensive collection of official documents. This would serve the important purpose of ensuring that this information would be available to the secondary market in later years. In addition, by providing mandatory timing requirements for submission of the documents to the repository, the Commission could use its authority to facilitate the prompt production and dissemination of official statements for distribution into the primary market. Finally, the collection, storage and dissemination of documents in electronic form would greatly increase the ability of ultimate users of the repository to access the exact information needed quickly and inexpensively. The Board informed the Commission in its letter that it would be willing to serve a leadership role in creating such a facility. The Board also stated that it was committed to exercising

⁵ *MSRB Reports*, Vol. 6, No. 4 (September 1986), at 3-4.

⁶ *MSRB Reports*, Vol. 7, No. 3 (June 1987), at 3-5.

⁷ See, e.g., *MSRB Reports*, Vol. 7, No. 2 (March 1987), at 7-9.

⁸ *MSRB Reports*, Vol. 7, No. 2 (March 1987), at 19.

⁹ *MSRB Reports*, Vol. 7, No. 4 (September 1987), at 3-4.

¹⁰ Letter from James B.G. Hearty, Chairman of MSRB, to David S. Ruder, Chairman of SEC (December 17, 1987), *MSRB Reports*, Vol. 8, No. 1 (January 1988), at 7-10.

gives its full rulemaking authority to take whatever additional actions were necessary to bring improvements in the area.

The Board's letter to the Commission generated a number of comments among market participants on the idea of a repository. Although the Commission did not adopt the rule sought by the Board, it released proposed rule 15c2-12 in September 1988 and concurrently asked for comment on the general concept of a repository, as had been advanced by the Board.¹¹

Proposed rule 15c2-12 was aimed, in part, at prompt production of official statements for new issues and the prompt dissemination of those documents in the primary market. In effect, the rule would require official statements to be produced according to a specific timetable. The proposed rule, however, applied only to issues in excess of \$10 million in par value. The Board commented in support of the rule, but suggested that it should be applied to all issues with a par value of \$1 million or more.¹² The Board also reviewed a number of comments submitted to the Commission by other parties, many of which expressed support for the idea of a central repository of official issuer documents.

Board's June 1989 Letter

The Board was encouraged by the Commission's actions relative to the production and timing of official statements and by the positive comments the Commission received on the repository concept. The Board wrote the Commission on June 1, 1989, and stated that it would be willing to establish and manage a repository of official statements and advance refunding documents, contingent upon the SEC extending rule 15c2-12 to apply to issues of \$1 million par value or larger.¹³ The Board stated that the repository facility it envisioned would function in a manner similar to a public library, collecting and indexing documents and disseminating documents to any interested party. The Board noted that the facility would be funded by a combination of Board funds and user fees.

Board's Actions to Implement Information Library

On June 28, 1989, the Commission released the final version of rule 15c2-12.¹⁴ The Commission made the rule applicable to most issues of \$1 million par value or larger. For those issues, the rule effectively requires that official statements be prepared and be made available no later than seven business days after the date of sale. The effective date for rule 15c2-12 was set for January 1, 1990. Based on these developments, the Board immediately began the process of planning its facility for the collection and dissemination of official statements and advance refunding documents.

The Board appointed a Repository Committee to oversee the development of the project. The Board also contracted with the MITRE Corporation to provide technical advice on the planning and implementation of the facility. The Board, the Repository

Committee, the Board's staff and MITRE representatives have discussed the repository idea with numerous parties, including investors, issuers, rating agencies, dealers, analysts, private information providers, industry and trade groups, and several parties who have expressed interest in becoming involved in the information dissemination process. The input from these parties has been valuable in structuring the System Concept for the project, discussed below.

Proposed Rule G-36

In August 1989, the Board released for comment draft rule G-36, the mechanism by which official statements and advance refunding documents would be collected from underwriters for inclusion in the information library.¹⁵ The draft rule included a requirement that underwriters provide to the Board one copy of the official statement for each issue subject to SEC rule 15c2-12 sold after January 1, 1990. A similar requirement was proposed for "refundng documents" that describe the terms and conditions of advance refundings.

The Board received 10 comments on the proposed rule. After some modification based on those comments, the Board on November 13, 1989, filed the proposed rule with the Commission for approval.¹⁶ As filed, the proposed rule would apply to all issues, with certain exceptions for issues with limited placements, short-term issues and issues with short-term characteristics. The Board also plans for the information library to accept official statements not subject to the rule, if voluntarily provided by underwriters.

To make the information library as useful as possible, the proposed rule contains provisions which ensure that documents are provided by underwriters promptly after the documents are produced. For those issues subject to SEC rule 15c2-12, the requirement for underwriters to deliver the documents to the Board is keyed to the production and delivery requirements in rule 15c2-12. This should ensure that official statements will be mailed to the information library no later than two weeks after the date of sale for each issue. For the remaining issues, which would be subject to proposed rule G-36, but not subject to rule 15c2-12, the requirement is contingent upon the production of the document by the issuer and receipt of the document by the underwriter. This is necessary because there is no regulatory structure to ensure that official statements are produced for these issues or, if produced, to ensure that the documents are produced within a specified time-frame.

Proposed rule G-36 includes provisions which require that underwriters identify the issues on which they are submitting official statements with CUSIP numbers and certain other information. This will help to ensure that the information library can properly index the documents and make them available to users. Proposed rule G-36 also contains provisions to ensure

¹¹ Securities Exchange Act Release No. 26100 (September 22, 1988).

¹² Letter from John W. Rowe, Chairman of MSRB, to Jonathan G. Katz, Secretary of SEC (November 28, 1988), *MSRB Reports*, Vol. 8, No. 5 (December 1988), at 7-12.

¹³ Letter from John W. Rowe, Chairman of MSRB, to Jonathan G. Katz, Secretary of SEC (June 1, 1989), *MSRB Reports*, Vol. 9, No. 2 (August 1989), at 25.

¹⁴ Securities Exchange Act Release No. 34-26985 (June 28, 1989).

¹⁵ *MSRB Reports*, Vol. 9, No. 2 (August 1989), at 5-7.

¹⁶ SEC File No. SR-MSRB-89-9, *MSRB Reports*, Vol. 9, No. 3 (November 1989), at 3-7.

that the information library will receive any amendments to official statements which occur during the underwriting period and notification if an issue is cancelled after the official statement is provided. The requirement for advance refunding documents was deleted from the proposed rule to allow the Board to solicit additional comment on the specific documents that need to be collected and disseminated. The Board, however, continues to believe that documents describing the terms of advance refundings should be included in the information library and the System Concept includes this as part of the services to be offered. Proposed rule G-36 currently is pending review at the Commission.

System Concept for Implementing Information Library

In August 1989, the Board published a set of four principles by which it would be guided in establishing its information library, or "repository."¹⁷ These guiding principles have been observed in drafting the System Concept and will serve as a useful means to introduce the project.

The first guiding principle states:

The purpose of the repository is to collect, electronically store, and make available official statements and advance refunding documents for municipal securities issues to improve accessibility of information about municipal securities.

This principle recognizes that improving access to information contained in these documents will have near-term and long-term benefits to the market. In planning for the future, it has become clear that efficient access to information depends on the information being available in an electronic, digitized format. Since the Board cannot require issuers to produce official statements and advance refunding documents in an electronic format, the repository must be capable of accepting paper copies of documents and converting them into digitized form. In addition, it is clear that paper documents will be needed by at least some repository users (e.g., individual investors) for the foreseeable future.

The System Concept describes how this goal can be met by using digital imaging technology. The digital imaging process converts the image of each page of a paper document into digitized code. The page images are stored in this form on computer media such as optical disks. With the assistance of a computer, the images of the pages then can be retrieved and printed with a very high quality of reproduction, similar to that achieved by modern photocopying machines. The process allows for electronic storage of documents, while preserving the graphic characteristics of each page (styles and sizes of type, page structure, etc.). The digital imaging process is now used by many companies and government agencies for efficient storage, access and reproduction of paper documents.

The System Concept notes that those persons interested in purchasing documents in digitized form would be able to purchase documents processed by the information library each day on magnetic tape. This option might be chosen by

users interested in maintaining their own comprehensive libraries for private use, by users who wish to resell the documents through their own distribution channels, or by users who wish to summarize, abstract or extract the documents and sell the information in a more compact form. Of course, paper copies of documents and listings of the documents available also would be available from the information library. Requests for documents would be processed to allow for overnight mailing of the documents (by regular mail or next-day service).

The second guiding principle states:

The repository will be planned and operated in a manner that will provide equal access to documents in the repository to any interested person in a non-discriminatory manner, in a manner that will not confer special or unfair economic benefit to any person, and in a cost-effective manner supported by a combination of Board funds and user fees.

Through its rulemaking authority and rule G-36, the Board has a special ability to establish and maintain a complete collection of official statements and advance refunding documents. A crucial aspect of the guiding principles is the Board's recognition of the value of an easily accessible, comprehensive collection of information about municipal securities issues and the Board's obligation to ensure that the market receives this information in a scrupulously fair manner. The Board consistently has endeavored in all of its activities to ensure that its actions do not produce special or unfair economic benefit to specific parties. The Board accordingly will ensure that the information library makes the information available to all parties on an equal basis.

The System Concept notes that the service provider to the Board, i.e., the facilities manager, will be subject to detailed oversight by the Board, both to ensure that information is provided to all parties on an equal basis¹⁸ and to ensure that operations proceed in a cost-effective manner. The System Concept provides that the facilities manager, which will have the best access to information in the information library, will not be allowed to use this access for its own benefit in the market. To ensure this, the Board's contract with the facilities manager will prohibit the facilities manager from brokering or dealing in municipal securities or engaging in other activities which, in the judgment of the Board, would create a conflict of interest with the purposes of the Board or the library.

As noted above, the Board's intention to establish and operate the information library is based on both near-term and long-term benefits to the market in the form of readily accessible information. The Board believes that it is important to view the facility not only as a means to ensure that documents for new issues are available in the primary market in 1990, but also to ensure that twenty or thirty years later, there exists at least one facility which has a comprehensive collection of the official documents of outstanding issues, and that those documents will be accessible efficiently, under equal terms, by all market participants. The Board accordingly believes that it is neces-

¹⁷ MSRB Reports, Vol. 9, No. 2 (August 1989), at 3.

¹⁸ The requirement to provide documents on an equal basis to all parties does not, of course, require that bulk quantities of documents available on magnetic media be sold at the same price per document as paper copies. Rather, this requirement ensures that selected parties are not provided with services which are not made available to all interested parties.

ly to commit Board funds now to ensure that such a collection exists in usable form in the future. The Board does not intend or expect that the information library will generate net revenues to the Board.

After initial comment on the System Concept is received, the Board plans to release an RFP. The Repository Committee and the MITRE Corporation are working closely at this time to determine the likely cost figures which will be obtained when the proposals are made. The information contained in the proposals will assist the Board in initially pricing individual services, based on the costs of operation and the Board's goal to facilitate the dissemination of the information.

The third guiding principle states:

The Board will encourage and facilitate the development of information dissemination services by private vendors, but the repository will be planned and operated in a manner to preserve its flexibility to meet additional information needs, beyond dissemination of official statements and advance refunding documents, when there is a clear and continuing failure by private sector information sources to provide information that is essential to the integrity and efficiency of the market.

The Board recognizes that several private information vendors currently provide a variety of information services to the market, including sales of official statements as well as summary information. The System Concept restates the Board's commitment not to summarize documents and sell those summaries, as is now done by private sources. The Board, however, notes that official statements and advance refunding documents are not proprietary documents, but rather are official, public documents provided by municipal issuers. As such, the documents are crucial to a market in which securities are sold to the general public. The Board therefore believes that the role of its information library—assuring the continued accessibility of these documents—is an appropriate one, even though private vendors may also offer complete documents for sale. The Board believes that its role is critical because official statements may be needed over a 30 to 40 year period and there is a need to ensure the continuity and usefulness of the collection over this time.

A primary goal in operating the information library will be to increase dissemination of the documents through making the information available in electronic form, on an equal basis, to all interested parties. By doing this the Board hopes and intends to broaden the channels through which documents are supplied. The information library will seek to assist private information vendors in disseminating both complete documents and summary information by assuring that the vendors have access to a complete collection of official statements and advance refunding documents for all issues subject to rule G-36.¹⁹ The Board expects that the planned daily updates to this collection, available in digitized form, will create new efficiencies for the existing information vendors and may make it possible for other

information vendors to enter the market and offer information through their own channels.

The System Concept makes public the technical details of how the Board intends to store and index documents and how they will be made available. This is intended not only to inform those persons wishing to make proposals to be the facilities manager, but also to allow information vendors and other parties to comment on how the facility could best serve their needs for documents. Comments by information vendors on the technical provisions as well as other elements of the proposal will help the Board to assure that information will be made available to those parties in the most efficient and fair manner.

The Board also has stated in this guiding principle its intention to respond to market needs for information beyond official statements and advance refunding documents if the information essential to the integrity and efficiency of the market is not being provided by private information providers. In meeting with issuer and industry groups, investors, analysts, bond trustees and others, it has become clear that there is a critical need in the market for timely access to continuing disclosure information on municipal securities issues. It appears that some issuers, on a voluntary basis, would be willing to provide copies of continuing disclosure documents, such as annual reports, to a central facility that could ensure equal access to the information by all interested persons. In addition, an organization representing bank trustees formally has requested the Board to consider including in the information library pre-default information provided by trustees.¹⁸ The System Concept notes that the facility will be designed with the flexibility to accommodate these purposes and the Board intends to pursue these areas as immediate goals.

The fourth guiding principle states:

The repository will be planned and operated in a manner to ensure as much flexibility as possible in adjusting to changes in technology of document storage and dissemination and to changes in disclosure practices in the market.

The System Concept characterizes the information library as an evolving project. The intent is for the facility to accommodate foreseeable changes in information dissemination technology and municipal securities disclosure practices without the need for the initial, "core" system to be abandoned or redesigned. As an example, some issuers have expressed an interest in providing a document to the facility which later could be incorporated by reference in an official statement or other document submitted to the facility. The System Concept is designed to accommodate "modular submissions," in which separately submitted documents are combined into one document for dissemination. This should allow a quick evolution to accommodate issuers wishing to take this approach.

Considerable efficiencies in the collection, storage and transmission of information can be obtained if information is provided to a central source in standard, computer-readable for-

¹⁸ The Board notes that information vendors or other organizations that provide useful services to the industry generally have been able to obtain official statements voluntarily from dealers and will continue to do so. The Board encourages dealers to send official statements to information vendors prior to and after the Board's information library begins operation. See *MSRB Reports*, Vol 9, No. 3 (November 1989), at 5.

¹⁹ Letter from Timothy C. Crane (representing the Fiduciary and Securities Operations Division and Corporate Trust Committee of the American Bankers Association) to John W. Rowe, Chairman of MSRB (October 5, 1989).

mats similar to those used in common word-processing equipment. This would greatly enhance the ability of ultimate users of information to find and obtain the specific information needed with respect to an issue quickly and efficiently. For this reason, some issuers have expressed an interest in voluntarily providing information in computer-readable format. The System Concept is written to accommodate such developments if issuers show an interest and wish to do so on a voluntary basis.

The System Concept describes several other ways in which the information library might evolve to improve the manner in which information is accessed by the municipal securities market. The System Concept states the Board's intention that the information library will have the flexibility to prototype serv-

ices in which documents may be made available in form different from the daily computer tape or paper copies. Prototyping can establish whether information in various formats is feasible to offer and is desired by users of the information. The Board would look toward offering useful information services developed in this fashion, consistent with the guiding principles. It solicits comments on the System Concept from all interested parties who may have additional views on how the information library can remain flexible to possible changes in disclosure practices and technological developments.

January 17, 1990

EXECUTIVE SUMMARY OF THE SYSTEM CONCEPT FOR THE MUNICIPAL SECURITIES INFORMATION LIBRARY

by The MITRE Corporation

INTRODUCTION

The Municipal Securities Rulemaking Board (MSRB or Board) plans to establish and operate a Municipal Securities Information Library (MSIL or library) to improve accessibility of official statements (OSs) and advance refunding documents (ARDs), which describe municipal securities. This System Concept document identifies and describes the objectives, functional and technical requirements, and acquisition strategy for the MSIL.

The document is being released by the Board for comment by interested parties, after which a request for proposals will be developed and proposals obtained to operate the library beginning in the third quarter of 1990. Initially the MSIL will be operated under a service contract supervised by the Board. The initial contract will cover one year of MSIL operation, with options to the Board for a further two years. Improvements identified during this period will be embodied in a second contract, providing for continuous operation of the MSIL as an archive of OSs and ARDs.

SYSTEM OBJECTIVES AND OVERVIEW

The information library will be planned and operated under four guiding principles stated on the next page, which define its scope and intent. * The users of the library will be the municipal securities professionals, value-added resellers (VARs) of the information and individual members of the public. Two major restrictions apply to the MSIL. First, although there is a definite need in the market for the MSIL, no quantitative information about the demand for particular outputs is available. Second, the Board operates under several important legal and policy constraints:

- The Board has no legal authority to regulate the content or format of disclosure by issuers.
- It will not alter or summarize the issuers' submissions.

- It will not manipulate submitted data in any way that would be likely to introduce errors into the data.

The newness of the information library and the restrictions upon it have resulted in the definition of the following set of core system capabilities. The paper source documents submitted to the library will be converted to digitized electronic images, which can be computer processed and can be used to print a faithful copy of the original. They will be stored on WORM ("write once, read many") disks, which are optical storage media that can store many hundreds of page images per disk. Three initial outputs will be produced: single printed copies of OSs and ARDs; a magnetic tape containing all documents imaged in a day; and lists of MSIL contents.

The core system capabilities will be enhanced during the first three years of operation. The initial system will have the core capabilities just described and will also have the capability to implement planned enhancements without requiring redesign. Among the prototype capabilities that may be added are the following:

- Voluntary submissions by an issuer which are intended for later use as a segment or module of the issuer's OSs ("modular submissions").
- Voluntary submission of documents in electronic formats, such as predefault disclosures by bank trustees.
- The production of outputs on disks that can be read by personal computer systems.

The Board intends to move rapidly to implement the first of these enhancements, the modular submission of disclosure information. The second—voluntary submission of documents in electronic formats—would be more efficient to accept and store by the MSIL than is paper and would be a better format for manipulation, transmission, and production of derived information products by VARs. The Board and MITRE are working on the preliminary matters necessary to proceed toward this goal, such as the examination of computer standards necessary for documents to be included in the MSIL.

FUNCTIONAL REQUIREMENTS

The MSIL will be composed of three subsystems, specializing in document capture, dissemination, and administrative

* The Board's four guiding principals may be found on pages 6 through 7 of this notice.

functions. In the document capture subsystem the source documents will be received, indexed, scanned, quality checked, and stored. An index database will be built using information from the documents themselves, the MSRB form G-36, and issue identification data from the CUSIP Service Bureau. The document capture subsystem must accept current OSs and ARDs at the rate they are submitted to the MSIL. The rate of production varies from year to year; in 1988, an estimated 6,000 OSs and an unknown, but smaller, number of ARDs were produced. Historic OSs and ARDs, if available, and a backlog of documents produced since January 1, 1990 will be used to maintain a level daily workload to attain an annual processing rate estimated at one million pages annually.

The dissemination subsystem will produce the tape output with images and indices on a daily basis, the printed document copies on request, and the list of library contents daily and monthly. It will include capabilities to search the index database in order to support system operators in filling customer requests for documents, and to support MSRB's needs for system management information.

The administrative subsystem will provide customer service, billing, document tracking, and project management capabilities. It will accumulate and report data about the number of documents processed, their status, and the workload performed by the system.

TECHNICAL REQUIREMENTS

The technical requirements portion of the System Concept identifies the items needed to fulfill the functional requirements. These include capabilities to correct scanned images before they are stored on WORM disks, to perform image thresholding (contrast control), to verify manually entered identification numbers, to compress images, to convert grey picture elements to black or white, to store separately retrievable page images, to provide separate access to the table of contents of stored documents, if any, and to search the index database. Two scanning resolution levels are required: 300 dots per inch for pages consisting entirely of well printed text larger than 6 point type (about 90% of OS pages), and 400 dots per inch, for the remaining pages.

Image compression must be done according to at least the CCITT Group 3 facsimile standard, and preferably according to the Group 4 standard. All WORM disks in the initial system must be stored in a device known as a jukebox, which automatically moves the disks into the read drive, or they must all be stored individually in separate disk drives. To facilitate efficient processing of queries and image retrieval, the MSIL will have two physical data partitions. The image data partition will have a relatively high volume and slow access time, and will hold image data that is not to be changed after it is written. The character encoded partition will hold index and administrative data, which has a relatively low volume and fast access time, and whose data is changeable.

The required capacity of the system depends upon both the size and the number of documents in the database, and to a lesser degree on the size of the indices. MITRE estimates that the average official statement after compression will require about 5.1 megabytes of storage. A WORM disk such as might

be used in the information library, with a 12-inch diameter and a 2,000 megabyte capacity, could therefore store about 392 official statements. (Both larger and smaller WORM disks are available.) If 6,500 OSs and 3,500 smaller ARDs are produced annually, a year's worth of documents will require about 50,000 megabytes (50 gigabytes). If after 20 years as many OSs mature and leave the information library as new ones are added, the database size would level out at about 1,000 gigabytes of storage for OSs and ARDs, and an additional amount for continuing disclosure information, whose volume is presently unknown. The index data would grow at the rate of about 20 megabytes per year.

The most important performance requirements apply to the processing of inputs and the production of outputs. Within three business days of receipt of each new issue document, the MSIL must have completed processing it and make it available to customers. Printed documents produced in response to individual requests received by 4 PM each business day must be mailed, expressed or made available at the library the same day. The daily tape that includes documents and indices made available during a business day must be produced by the close of the same day.

The MSIL quality standards are intended to ensure that every document page is imaged and that the printed version is as legible as the original. Quality standards specified in the System Concept will be documented and maintained by the MSIL contractor, under the guidance of the Board and its systems engineer. Exception procedures will apply to problematic features of documents such as poorly printed text, foldouts, the use of color, and grey or halftone artwork.

ACQUISITION APPROACH

Since the Board is not a federal agency and is not subject to the Federal Acquisition Regulations, the contract with the service bureau will result in a commercial contract. A firm fixed price approach will be used to define the cost of the contract items, which include the use of the basic hardware and software; the development of custom software including indexing and query support; the imaging and indexing of the minimum expected volume of documents; the imaging and indexing of an additional volume of documents; the fulfillment of customer orders; and management and customer support staff. Task orders will be used for enhancements.

The source selection approach involves three steps. In step one the Board will select from submitted proposals a group of highly qualified, responsible offerors. In step two the proposals of the selected offerors will be evaluated and negotiations will be used to resolve all outstanding cost, technical and contractual issues. The Board will then determine a final qualitative technical score for each offeror and make a second selection to identify the offerors from which the MSIL contractor will be chosen. In step three best and final proposals will be evaluated and the contractor chosen.

SCHEDULE

The current schedule highlights are as follows.

January 31- February 2

Open meetings of the Board Repository Committee to explain

the System Concept and to accept comments
February 16
RFP released to obtain proposals from offerors
March 16
Comments due to MSRB on System Concept
March 23
Initial proposals due to Board
Late July
Contract award announced
Eight weeks
System start-up after award

Persons desiring a complete copy of the System Concept should contact Harold L. Johnson, Associate General Counsel. ASCII versions of the textual portions of the System Concept will be available for \$30.00 on Disk Operating System (DOS) formatted, 5.25 inch, high capacity, double density diskettes. All requests for written and ASCII versions of the System Concept should be submitted in writing.



Route to:

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

Delivery of Official Statements to the Board: Rules G-36 and G-8

Notice

The Board reminds dealers that it will accept all official statements voluntarily provided by underwriters, with a completed Form G-36, prior to the effective date of the rule.

On November 13, 1989, the Board filed with the Securities and Exchange Commission (Commission) proposed rule G-36, on delivery of official statements and Form G-36 to the Board or its designee, and proposed amendments to rule G-8, recordkeeping. Proposed rule G-36 would require underwriters to send official statements to the Board for inclusion in the Board's planned central electronic repository. The Commission has not yet approved the proposed rule. The Board wishes to remind dealers that it will accept all official statements voluntarily provided by underwriters, with a completed Form G-36, prior to the effective date of the rule. Please send such documents to the Board's offices at 1818 N Street, N.W., Suite 800, Washington, D.C. 20036-2491.

In addition, the Board notes that it has not filed with the Commission to become a Nationally Recognized Municipal Securities Information Repository (NRMSIR). Thus, underwriters that wish to reduce the period of time for delivery of final official statements to potential customers upon request, under Commission rule 15c2-12(b)(4), must ensure that such statements are available from one of the organizations granted NRMSIR status by the Commission.

For your information, proposed rule G-36 and proposed amendments to rule G-8, along with Form G-36, follow this notice.

January 4, 1990

Text of Proposed Rule, Amendments and Form G-36*

Rule G-36. Delivery of Final Official Statements and Form G-36 to Board or its Designee

(a) Definitions. For purposes of this rule, the following items

have the following meanings:

(i) The term "final official statement" shall mean a document or documents defined in Securities Exchange Act rule 15c2-12(e)(3).

(ii) The term "primary offering" shall mean an offering defined in Securities Exchange Act rule 15c2-12(e)(7).

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

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

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

(ii) This section shall not apply to primary offerings of municipal securities, regardless of the amount of the issue, if the issue qualifies for an exemption set forth in Securities

Questions about this notice may be directed to Diane G. Klinke, General Counsel.

* Underlining indicates new language.

Exchange Act rule 15c2-12(c).

(d) Amended Official Statements. In the event a broker, dealer, or municipal securities dealer provides to the Board or its designee an official statement pursuant to sections (b) or (c), above, and the official statement is amended or "stickered" by the issuer during the underwriting period, such broker, dealer, or municipal securities dealer must send to the Board or its designee, by certified or registered mail, or some other equally prompt means that provides a record of sending, the amended official statement within one business day of receipt from the issuer, along with a statement including: the CUSIP number or numbers for the issue; the fact that the official statement previously had been sent to the Board or its designee and that the official statement has been amended.

(e) Cancellation of Issue. In the event a broker, dealer or municipal securities dealer provides to the Board or its designee the documents and written information referred to in sections (b) or (c), above, but the issue is later cancelled, the broker, dealer, or municipal securities dealer shall notify the Board or its designee of this fact promptly in writing.

(f) Underwriting Syndicate. In the event a syndicate or similar account has been formed for the underwriting of a primary offering of municipal securities, the managing underwriter shall take the actions required under the provisions of this rule and comply with the recordkeeping requirements of rule G-8(a)(xv).

(g) Delivery of Final Official Statements and Form G-36 for Issues Prior to the Effective Date of Rule G-36. By [insert 60 days from the effective date of rule G-36], each broker, dealer and municipal securities dealer that acts as an underwriter in a primary offering of municipal securities shall send to the Board

or its designee by certified or registered mail, or some other equally prompt means that provides for a record of sending, the documents and written information referred to in sections (b), (c) or (d), above, for each primary offering of municipal securities sold on or after January 1, 1990 to [insert the effective date of rule G-36].

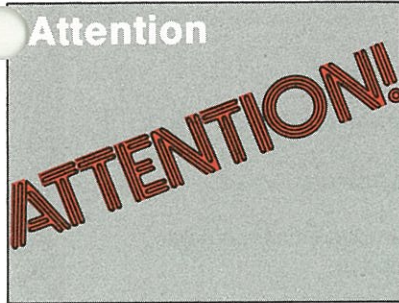
* * *

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

(a) *Descriptions of Books and Records Required to be Made*
(i) through (xiv) No change.

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

(b) through (g) No change.



Route to:

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

Recommendations Requested for Board Nominations

The 1990 Nominating Committee requests recommendations of persons to be considered for five Board positions opening on October 1, 1990.

Membership Requirements

The Board, established by Congress in 1975 to act as the primary rulemaking body for the municipal securities industry, consists of 15 members—five representatives of bank dealers, five representatives of securities firms and five public members. One public member must represent issuers and one investors. Public members may not be associated with a securities firm or bank dealer other than by reason of being under common control with, or directly controlling, any broker or dealer which is not a municipal securities broker or municipal securities dealer.

When making recommendations, keep these Board membership requirements in mind:

- Two public representatives, two securities firm representatives and one bank dealer representative must be elected this year to ensure equal representation in each category;

- Municipal securities brokers and municipal securities dealers of diverse size and type must be represented; and
- Wide geographic representation must be maintained.

Procedure for Recommending Candidates

1. Complete the form printed on page 5 or a photocopy of that form. (Additional forms may be obtained from the Board's offices.) The following information must be included on the form:

- The name, business affiliation, business address and telephone number, home address and telephone number and category (bank dealer, securities firm or public representative) of the individual recommended. (Item 1)
- The educational and professional background of the individual recommended. (Item 2)
- The proposer's name, business address, telephone number and professional relationship (if any) to the individual recommended. (Item 3)
- The affiliation (if any) of the individual with any broker, dealer or municipal securities dealer. (Item 4)

2. Determine in advance that the individual recommended is willing to serve on the Board.

3. Submit recommendations no later than **March 9, 1990** to:

Elizabeth A. Roistacher
Chair, Nominating Committee
Municipal Securities Rulemaking Board
1818 N Street, NW Suite 800
Washington, DC 20036-2491

Terms of Present Board Members

Terms Expire September 30, 1990

Eric N. Keber, Managing Director
BT Securities Corporation
New York, New York

David J. Master, President and Chief Executive Officer
Lovett Underwood Neuhaus & Webb, Inc.
Houston, Texas

Elizabeth A. Roistacher, Professor of Economics
Queens College
New York, New York

Thomas Sexton, Managing Director
First Boston Corporation
New York, New York

Richard S. West, President
American Syndicate Advisors
Boston, Massachusetts

Terms Expire September 30, 1991

John M. Gunyou, City Finance Officer
City of Minneapolis
Minneapolis, Minnesota

David E. Hartley, Senior Partner
Stone & Youngberg
San Francisco, California

R. Fenn Putman, Executive Vice President and Managing Director

Dean Witter Reynolds, Inc.
New York, New York

S. Ashton Stuckey, Executive Vice President
Southtrust Bank of Alabama
Birmingham, Alabama

Donald J. Stuhldreher, President
The Huntington Company, Investment Banking
Subsidiary of Huntington Bancshares, Inc.
Columbus, Ohio

Terms Expire September 30, 1992

Louis Betanzos, Executive Vice President
NBD Bancorp and National Bank of Detroit
Detroit, Michigan

John B. Cregan, Vice President
General Reinsurance Corporation
Stamford, Connecticut

Richard M. Evans, Director of Finance
City of Savannah
Savannah, Georgia

Harry R. Larson, President
First Chicago Capital Markets
Chicago, Illinois

Dean J. Torkelson, President
Seattle Northwest Securities Corporation
Seattle, Washington

Recommendation Form

1. Individual Recommended: _____

Business Address: _____

Home Address: _____

Telephone Number: _____

Telephone Number: _____

Category: Bank Dealer Representative

Securities Firm Representative

Public member

2. Educational and Professional Background

Professional: _____

Educational: _____

Associations: _____

3. Proposer: _____

4. Associated Person under Securities Exchange Act of 1934: _____

Filing With SEC

Route to:

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

Revision of Principals Examination

Revisions Filed

The filing would revise the Board's examination specifications and study outline for the Municipal Securities Principal Qualification Examination (Test Series 53).

On December 19, 1989, the Board filed with the Securities and Exchange Commission revised examination specifications and a revised study outline for the Municipal Securities Principal Qualification Examination (Test Series 53). The Board has requested that the Commission delay the effectiveness of the revisions until July 1, 1990, in order to permit the Series 53 question bank to be modified to reflect the revised examination specifications and to provide time for information concerning the revised examination to be circulated to the industry. Persons wishing to comment on the revisions should submit such comments directly to the Commission.¹ The Board will notify the industry when the revised study outline is available for distribution.

Background

Except as otherwise provided, rule G-3(c) requires anyone seeking qualification as a municipal securities principal to take and pass the Series 53 examination.² The examination contains questions which measure candidates' knowledge of the Board's rules, rule interpretations and other federal statutory provisions applicable to the municipal securities activities of a securities firm or bank dealer.

Summary of Revisions

The subject matter content of the revised study outline is nearly identical to the current outline. The study outline's format has been reorganized so that the presentation of topics more closely resembles the functional responsibilities of municipal securities principals. The intent is to make the presentation of the subject matter job-related and meaningful for candidates. To this end, the various topics have been expanded to include more detail than in the present outline, including more specific references to Board rules or other applicable federal regulations.

In addition, the following topics have been added:

- SEC rule 15c2-12 on municipal securities disclosure,
- SEC Release No. 34-26100 on municipal underwriter responsibilities,
- proposed Board rule G-36 on delivery of final official statements to the Board, and
- the purpose and coverage limitations of the Securities Investor Protection Corporation (SIPC).

The revised examination will remain a three-hour 100 question examination administered by the National Association of Securities Dealers, Inc. using the PLATO computer system.

January 4, 1990

Questions about this notice may be directed to Peter H. Murray, Assistant Executive Director, or Ronald W. Smith, Legal Assistant.

¹ SEC File No. SR-MSRB-89-14. Comments filed with the Commission should refer to the file number. An application for confidential treatment of the revised specifications was filed with the Secretary of the Commission.

² The Series 53 examination is the only examination a candidate may take to qualify as a municipal securities principal. Neither the General Securities Principal Examination (Test Series 24) nor the General Securities Sales Supervisor Examination (Test Series 8) may be substituted.



Route to:

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

Compressing the Settlement Period

The following is a reprint of the Group of Thirty's U.S. Working Group's report and recommendations for compressing the settlement period to three days by eliminating physical certificates through the use of book-entry only systems. Persons wishing to comment on the report should submit such comments in writing to: G-30 U.S. Working Group, c/o National Securities Clearing Corporation, 55 Water Street, New York, NY 10041.

November, 1989

**GROUP OF THIRTY
U.S. WORKING GROUP REPORT ON
COMPRESSING THE SETTLEMENT PERIOD**

The Group of Thirty (G-30), an organization devoted to increasing the understanding of international financial issues, recently released a report which focuses on clearance and settlement of corporate securities. The report offers nine recommendations, the objective of which is to reduce risk and to improve the efficiency of clearance and settlement processes throughout the world. Another goal of the recommendations is to foster harmony among the various systems employed in clearing and settling securities transactions. The United States is in compliance with seven of the recommendations. The other two recommendations, which are being reviewed by the U.S. Steering Committee and Working Group (list of members attached), are (1) moving to a T+3 settlement period for corporate securities by January 1, 1992, and (2) adopting a "same-day" funds payment convention for the settlement of corporate securities. The following report deals with the Working Group's findings on the implications of moving to a T+3 settlement period.

Working Group

The Working Group, which was formed in early June 1989, reviewed the implications of moving to a T+3 settlement period as its first task. Two subcommittees were established—one to focus on T+3 settlement at the institutional level and another for retail trades—since it was discovered early on in the Group's discussions that the requirements of compressing the settlement period are vastly different for these two segments of the industry.

In addition, the Working Group's analysis concerns principally corporate securities since the G-30's recommendations deal primarily with these instruments and do not address the full spectrum of products in local markets. Included in the Group's study, however, are municipals, given the major role these securities have in the United States retail market. There was also mutual agreement among Group members that there was no need to focus on current methods used to settle governments, money market securities, mortgage-backed securities, and options transactions, since they are all currently traded and settled within two days or less.

Institutional Findings

The Institutional Subcommittee defines the obstacles that would encumber the ability to accomplish T+3 settlement for the products that are currently in a T+5 mode. It was the Subcommittee's opinion that unlike the retail segment of the business, which still requires a high percentage of physical settlement, the vast majority of institutional transactions are settled by book entry through the facilities of national depositories. The noted exceptions are certain types of corporate transactions with regulated institutions which require physical delivery as a result of regulatory mandate or antiquated local or state statutes that necessitate physical possession of investment assets. Older outstanding municipal bond issues are another exception; these securities are not currently eligible in depositories and therefore cannot be settled through book entry. While these exceptions to book-entry settlement for institutional

transactions need to be addressed, it should be pointed out that in the opinion of the Subcommittee, they represent an insignificant percentage of our overall transaction volume.

The major issue to deal with in order to move to T+3 settlement is the current method of trade confirmation and affirmation with institutional clients. In today's environment, it is mandatory by virtue of the rules of our major markets, such as NYSE Rule 387, that institutional clients who desire delivery or receipt vs. payment privileges participate in trade confirmation/affirmation systems such as the Depository Trust Company's (DTC) Institutional Delivery System. Therefore, the Subcommittee focused on the ability of these systems to accelerate the confirmation/affirmation process from the current T+5 cycle to a T+3 cycle.

So that the Subcommittee could offer its opinion on the matter within the time frames specified by the U.S. G-30 Steering Committee, advice was sought from representatives of the Depository Trust Company and the National Securities Clearing Corporation (NSCC). With their help, the Subcommittee was able to determine by product type, the percentage of transactions that would be negatively impacted by a shorter settlement cycle. After reviewing the data supplied by both DTC and NSCC, the Subcommittee determined that it should concentrate on institutional trade comparison capabilities. The group concluded that the current broker/dealer trade comparison systems—which enjoy a 98% to 99% compared trade rate by T+3 and which are currently in the process of being modified by the major markets in an effort to further shorten the trade submission and confirmation process—will enable the street side of the business to comply with T+3 settlement. The Subcommittee's major concern, therefore, was the implication of T+3 settlement as it relates to customer institutional trade settlement.

Summarizing the findings of the Depository Trust Company for institutional client trade comparisons through ID indicates that at today's volume levels, approximately 75,000 institutional confirmations are processed on average each day. Of that total, 91% are submitted by broker/dealers by the close of business on trade date plus one. The remaining 9% are submitted on trade date plus two or later. Regarding affirmation performance, 80% of the submitted trades are affirmed by trade date plus two. If settlement were moved to T+3, approximately 20% of institutional transactions would remain unmatched by the morning of settlement date and could result in reduced automatic settlement and an increase number of nonsettlement.

The Subcommittee then focused on what could be done to improve the trade affirmation rate from 80% on trade date plus two to as close to the 91% rate of affirmed trades that automatically settle in the current T+5 cycle. How to obtain an affirmation rate as close to 100% as possible was also dealt with. In improving the confirmation/affirmation rate, it was obvious that broker/dealers who were submitting trade confirmation data beyond trade date plus one had to be encouraged to submit by the trade date or trade date plus one at the latest. The assumption here was that there would be a proportionate improvement in the institutional affirmation rate by trade date plus two.

The Subcommittee discussed several alternatives in order to address the need to accelerate by at least one day the overall institutional trade confirmation/affirmation process. Some considerations were:

- o Driving institutional trades into the NSCC trade comparison Continuous Net Settlement environment.
- o Utilizing a modified version of NSCC's correspondent clearing capability whereby broker/dealers would submit both sides of a transaction with an institution, which would utilize a negative response method of trade affirmation. This process would ultimately drive the trade into the NSCC comparison and trade netting system for settlement.

After considerable discussion on the above options, the Subcommittee concluded that the most logical approach would be to modify the existing ID system since this practice would have the least impact on institutional clients' behavior. DTC was asked to study this option and to recommend what they believe would be the optimal solution to accelerate the trade affirmation process. DTC proposed, with the Subcommittee's concurrence, that the only effective means of accomplishing this objective would be to change the current ID environment, which is basically a one-sided submission in a batch mode, to an intraday, interactive trade confirmation and error-matching system.

These modifications would enable broker/dealers to make multiple submissions on an intraday basis and would permit both broker/dealers and institutions to make inquiries of the system as to the most current status of a transaction. DTC's proposal would also enable institutional clients not only to bulk affirm recognized transactions but also to input into the system their version of a transaction. In the current system, unaffirmed trades with institutions require verbal follow-up on the part of the broker/dealer in order to determine true trade differences. The proposed system would provide both the broker/dealer and the institution with a summary of matched and unmatched transactions. It is the Subcommittee's belief that a capability of this type would also result in a dramatic improvement in the overall trade affirmation rate by trade date plus two.

DTC has estimated that if its participants preferred this course of action to the current ID processing method, implementing this system would take approximately 24 months. Moreover, if we proceed with this project by the beginning of 1990, the institutional business in the United States could comply with G-30's recommendations for T+3 settlement within the prescribed time frame.

Retail Findings

The Retail Subcommittee after much discussion concluded that the largest deterrent to achieving a shorter settlement at the retail level is the need for the physical presentation of certificates and the reliance on the postal system to accomplish this. Under current operating procedures, many retail customers selling securities will mail the certificates to the broker/dealer. (This assumes, of course, that the client does not custody the security with the selling broker/dealer or some other financial intermediary).

Nevertheless, substantial progress has been made in including retail investors in a more automated book-entry environment. A few large retail firms indicate that over 95% of all certificates sold are in their possession by T+4, indicating that a large segment of their investor base is held in custody within the firm. However, usually only the large broker/dealers or banks have this custody capability,

and unfortunately, there are millions of physical securities held by customers. Until these securities can be converted to book-entry form, achieving a shorter settlement period for retail trades within the G-30 guidelines would be difficult.

Additionally, when the client buys securities, he usually awaits receipt of a confirmation of the transaction before mailing a check to the broker. As in the case of physical securities, the elapsed mailing time makes a shorter settlement almost impossible. A small sample of retail customer behavior indicates that approximately 50% of purchases are paid for by check.

It appears that the only solution to the above problems is to immobilize the current and future supply of physical certificates in that they would be converted to book-entry form. Some progress has been made in this regard. Mutual funds and Treasury securities are available only in book-entry form for the retail investor. Additionally, approximately 30% of all newly issued municipal bonds are distributed in book-entry only (BEO) form. A few corporate bond issues also utilize the BEO format.

The Subcommittee believes, therefore, that a more realistic approach to shorter retail settlement would be to move to a certificateless society by 1992 which would lay the groundwork for T+3 settlement in 1992 or 1993. This approach would obviously require extensive educational efforts by the leading industry trade associations, along with a significant amount of legal and operational research and potential legislative action. Other concerns such as custody and recordkeeping of investments, covered in the following section, would also have to be dealt with. The Subcommittee believes, however, based upon some initial research, that the cost savings of such an effort would far outweigh the expense of implementation.

Additional Retail Issues

As a matter of public policy, the retail client, if all certificates are immobilized, will need a range of options for the custody and recordkeeping of investments. Currently, banks and brokers provide this service. It appears, however, that some other service or function, such as the current Treasury Direct system, will be needed for those investors who do not wish to leave their securities with a financial intermediary. Such a function must be in place before complete book entry is in effect.

The confirmation of transactions will have to become an "information only" document as is the case with other securities types (e.g., Treasuries and options). Retail investors will transmit proceeds on the basis of a telephonic communication from the investing agent. Increased use of money transfer methodology for payment must be encouraged.

Furthermore, statutes which mandate physical issuance or possession of certificates will need to be changed. Much effort has been made in this area, but a few states will have prohibitive legislation. In addition, the current requirements that certain fiduciaries have for legal restrictions and "lettered" or restricted securities would have to be accommodated in a BEO environment. Also, research needs to be undertaken to define the perfecting of security interests where certificates are currently used as collateral for loans. Despite the above problems, the Subcommittee believes that moving to a certificateless environment is achievable by January 1992 and is a desirable goal.

Recommendation

The Working Group recommends that after January 1, 1992, all new issues of corporate securities which include initial public offerings and secondary distributions be in BEO format. Also beginning January 1, 1992, all certificates tendered for sale will not be reissued in physical form but be converted to book entry. Securities purchased after this date would be in BEO form only.

The two-year planning period from January 1990 until implementation will be needed for extensive legal and operational research. Particular legal emphasis will be required for equities since municipal securities are well along in adopting the BEO convention. The Working Group also recommends that both institutional and retail markets move in tandem toward this shorter settlement period. Progressing at different rates would cause procedural problems and create artificial arbitrages between markets.

The above recommendations respond to the T+3 settlement issue in a realistic and positive manner. Adoption of such a program would not only produce cost savings but would also provide for a safer, more secure securities processing system.

GROUP OF THIRTY U.S. ADVISORY BOARD

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Mellon Bank

Howard M. Brenner
Senior Executive Vice President
Drexel Burnham Lambert
Incorporated

Bruce V. Carp
Managing Director
Salomon Brothers Inc.

Sheldon Fechter
President
Fechter, Detwiler &
Company Inc.

David A. George
Partner
Goldman Sachs & Co.

Alan D. Hogan
President
Administrative Group
Pru-Bache Securities Inc.

Karen Horn
Chairman of the Board
Chief Executive Officer
Bank One, Cleveland, N.A.

Edward A. Lesser
Executive Vice President
Bankers Trust Company

Continued on next page.

GROUP OF THIRTY
U.S. ADVISORY BOARD (continued)

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Senior Vice President
Wells Fargo Bank

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Senior Vice President
Fidelity Investments
Fidelity Accounting &
Custody Services Co.

Edward J. Miller
Senior Vice President
Senior Trust Officer
Manufacturers National
Bank of Detroit

H. Jack Runnion, Jr.
Chief Financial Officer
Treasurer
First Wachovia

Fenton R. Talbott
Managing Director
The First Boston Corp.

Raymond E. Woolridge
President and
Chief Operating Officer
Southwest Securities, Inc.

GROUP OF THIRTY
U.S. WORKING GROUP

Joseph Anastasio
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Rulemaking Board (MSRB)

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Continued on next page.

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Head, Operations Division
The Stock Exchange of
Hong Kong Ltd.

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National Securities
Clearing Corporation

Kurt Meuche
Senior Vice President
Union Bank of Switzerland
Secretary
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Lewis W. Bernard
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Incorporated

Joseph DiMartino
President and
Chief Operating Officer
The Dreyfus Corporation

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Chairman
State Street Bank and
Trust

Edward A. Fox
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Executive Officer
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John S. Reed
Chairman
Citicorp

William A. Schreyer
Chairman and Chief
Executive Officer
Merrill Lynch, Pierce,
Fenner & Smith, Inc.

Dennis Weatherstone
President
J.P. Morgan & Company,
Inc.

Notice of Approval



Route to:

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

Qualifications of Financial and Operations Principals: Rule G-3

Amendments Approved

The amendments eliminate the Board's FINOP examination and require all persons wishing to become municipal securities FINOPs to do so by qualifying with the NASD as a FINOP.

On November 17, 1989, the Securities and Exchange Commission approved amendments to rule G-3, on professional qualifications, to eliminate the Board's Financial and Operations Principal (FINOP) examination.¹ All persons wishing to become municipal securities FINOPs now must do so by qualifying with the National Association of Securities Dealers, Inc. (NASD) as a FINOP through its FINOP examination (Test Series 27). The amendments became effective on January 1, 1990.

Rule G-3 requires securities firms that engage in municipal securities transactions to have at least one associated person qualified as a FINOP.² A FINOP supervises the financial reporting and net capital compliance required by SEC rules and the processing, clearance, and safekeeping of municipal securities by the securities firm. Prior to the effective date of the amendments, rule G-3(d) permitted an individual to qualify as a FINOP by passing either the Board's Financial and Operations Principal Qualification Examination (Test Series 54) or by being qualified as a FINOP by the NASD through its FINOP examination.³ Over the past few years, use of the Board's FINOP examination has been negligible. Therefore, the Board determined to adopt the amendment to rule G-3 which eliminates the Board's FINOP examination.

The amendments also include certain technical revisions to rule G-3.

January 4, 1990

Text of Amendments*

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

(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) No change.
- (ii) The term "financial and operations principal" means a natural person associated with a broker, dealer ~~municipal securities broker~~ or municipal securities dealer (other than a bank dealer or a broker, dealer or municipal securities dealer meeting the requirements of paragraph (a)(2) or (3) of rule 15c3-1 under the Act or exempted from the requirements of rule 15c3-1 in accordance with paragraph (b)(3) thereof), whose duties include:

(A) through (G) No change.

(iii) and (iv) No change.

(b) *Numerical Requirements.*

- (i) No change.
- (ii) *Financial and Operations Principals.* Every broker, dealer, municipal securities broker and municipal securities dealer (other than a bank dealer and a broker, dealer, or municipal securities dealer meeting the requirements of paragraphs (a)(2) or (3) of rule 15c3-1 under the Act or exempted from the requirements of rule 15c3-1 in accordance with paragraph (b)(3) thereof), shall have at least one financial and operations principal, including its chief financial officer, qualified in accordance with section (d) of this rule, ~~provided, however, that the numerical requirements of this paragraph shall not apply to any municipal securities broker or municipal securities dealer meeting the require-~~

Questions about this notice may be directed to Diane G. Klinke, General Counsel.

¹ SEC Release No. 34-27453.

² The FINOP qualification category does not apply to individuals associated with bank dealers because the SEC's net capital requirements do not apply to bank dealers. The individual with policy-making authority for the processing and clearance of municipal securities for a bank dealer is required to qualify as a municipal securities principal. In addition, introducing brokers are not required to have an associated person qualified as a FINOP because they have limited contact with customer funds and securities and are exempt from most of the SEC's net capital requirements.

³ See *MSRB Reports*, Vol. 9, No. 1 (March 1989) p. 11 for a more complete description of these examinations.

* Underlining indicates new language, strikethrough indicates deletions.

ments of paragraphs (a)(2) or (3) of rule 15c3-1 under the Act or exempted from the requirements of rule 15c3-1 in accordance with paragraph (b)(3) thereof.

(c) No change.

(d) *Qualification Requirements for Financial and Operations Principals.*

(i) Except as otherwise provided in this section (d), every financial and operations principal shall take and pass the Municipal Securities Rulemaking Board Financial and Operations Principal Qualification Examination prior to being qualified as a financial and operations principal. The passing grade shall be determined by the Board. be qualified in such capacity in accordance with the rules of a registered securities association.

(ii) Any person who ceases to be associated with a municipal securities broker, dealer, or municipal securities dealer as a financial and operations principal for two or more years at any time after having qualified as such in accordance with this section (d) shall take and pass the Financial and Operations Principal Qualification Examination prescribed by the Board qualify in such capacity in accordance with the rules of a registered securities association prior to being qualified as a financial and operations principal.

(iii) The requirements of paragraph (d)(i) and (d)(ii) of this rule shall not apply to any financial and operations principal who is:

(A) registered and qualified in such capacity with a registered securities association, or

(B) associated with a municipal securities broker or municipal securities dealer meeting the requirements of paragraphs (a)(2) or (3) of rule 15c3-1 under the Act or exempted from the requirements of rule 15c3-1 in accordance with paragraph (b)(3) thereof.

(iv) (iii) The requirements of this section (d) may be waived for any associated person of a broker, dealer municipal securities broker or municipal securities dealer in circumstances sufficient to justify the granting of a waiver if such person were seeking to register and qualify with a member of a registered securities association as a financial and operations principal. Such waiver may be granted

(A) by a registered securities association with respect to a person associated with a member of such association, or

(B) by the Commission with respect to a person associated with any other municipal securities broker or municipal securities dealer (other than a bank dealer).

(e) through (i) No change.

Attention
ATTENTION!

Route to:

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

**Financial Statements—Fiscal Years
Ended September 30, 1989 and 1988**

**Coopers
& Lybrand**

certified public accountants

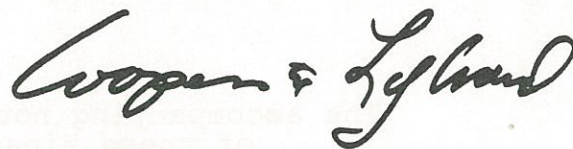
Report of Independent Accountants

To the Members of the
Municipal Securities Rulemaking Board, Inc.

We have audited the accompanying balance sheets of the Municipal Securities Rulemaking Board, Inc. as of September 30, 1989 and 1988, and the related statements of revenues and expenses and change in fund balance and cash flows for the years then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits using generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Municipal Securities Rulemaking Board, Inc. as of September 30, 1989 and 1988, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.



Washington, D.C.
November 10, 1989

MUNICIPAL SECURITIES RULEMAKING BOARD, INC.
BALANCE SHEETS
September 30, 1989 and 1988

	1989	1988
ASSETS		
Cash and cash equivalents (Note 1)	\$ 126,174	\$ 357,504
Investments (Note 1)	3,322,600	3,904,647
Assessment fees receivable (Note 1)	132,288	138,205
Accrued interest receivable	73,230	72,683
Other assets	17,297	25,440
Office furniture, equipment and leasehold improvements, at cost, less accumulated depreciation and amortization of \$305,278 in 1989 and \$228,154 in 1988 (Note 1)	114,303	147,507
	\$3,785,892	\$4,645,986

LIABILITIES AND FUND BALANCE

Accounts payable	\$ 78,336	\$ 84,111
Accrued salaries and vacation pay	56,320	60,444
Deferred rent credit (Note 2)	158,794	189,794
	293,450	334,349
Commitments (Notes 2 and 5)		
Fund balance	3,492,442	4,311,637
	\$3,785,892	\$4,645,986

The accompanying notes are an integral part
of these financial statements.

MUNICIPAL SECURITIES RULEMAKING BOARD, INC.
 STATEMENTS OF REVENUES AND EXPENSES AND
 CHANGE IN FUND BALANCE
 for the years ended September 30, 1989 and 1988

	1989	1988
Revenues:		
Assessment fees (Note 1)	\$1,201,776	\$1,044,489
Annual fees (Note 1)	280,400	278,500
Initial fees (Note 1)	34,000	30,600
Investment income	296,379	307,787
Board manuals and other	50,245	55,423
	1,862,800	1,716,799
Expenses:		
Salaries and employee benefits (Note 3)	987,323	881,735
Board and committee	721,483	674,644
Operations (Note 2)	427,888	427,492
Education and communication	328,814	332,137
Professional services	136,728	119,598
Depreciation and amortization (Note 1)	79,759	85,021
	2,681,995	2,520,627
Excess of expenses over revenues	(819,195)	(803,828)
Fund balance, beginning of year	4,311,637	5,115,465
Fund balance, end of year	\$3,492,442	\$4,311,637

The accompanying notes are an integral part
of these financial statements.

MUNICIPAL SECURITIES RULEMAKING BOARD, INC.
STATEMENTS OF CASH FLOWS
for the years ended September 30, 1989 and 1988

	<u>1989</u>	<u>1988</u>
Cash flows from operating activities:		
Excess of expenses over revenues:	\$ (819,195)	\$ (803,828)
Adjustments to reconcile excess of revenues under expenses to net cash provided by operating activities:		
Depreciation and amortization (Note 1)	79,759	85,021
(Increase) decrease in accounts receivable	5,917	(26,735)
(Increase) decrease in interest receivable	(547)	17,668
Decrease in other assets	8,143	15,262
Increase (decrease) in accounts payable and accrued expenses	(9,899)	6,983
Decrease in deferred credit	<u>(31,000)</u>	<u>(31,000)</u>
Total adjustments	<u>52,373</u>	<u>67,199</u>
Net cash used by operating activities	<u>(766,822)</u>	<u>(736,629)</u>
Cash flows from investing activities:		
Acquisition of office equipment	(46,843)	(55,340)
Proceeds from sale of office equipment	291	168
Purchase of U.S. Treasury Notes	(1,863,000)	(1,350,390)
Maturities of U.S. Treasury Notes	2,450,000	2,350,000
Amortization of investment premium/ (discount)	<u>(4,956)</u>	<u>60,151</u>
Net cash provided by investing activities	<u>535,492</u>	<u>1,004,589</u>
Net increase (decrease) in cash	(231,330)	267,960
Cash and cash equivalents, beginning of year	<u>357,504</u>	<u>89,544</u>
Cash and cash equivalents, end of year	<u>\$ 126,174</u>	<u>\$ 357,504</u>

The accompanying notes are an integral part of these financial statements.

MUNICIPAL SECURITIES RULEMAKING BOARD, INC.
NOTES TO FINANCIAL STATEMENTS

1. Accounting policies

The Municipal Securities Rulemaking Board (the Board) was established in 1975 pursuant to authority granted by the Securities Exchange Act of 1934, as amended by the Securities Acts Amendments of 1975, as an independent, self-regulatory organization charged with rulemaking responsibility for the municipal securities industry. Effective May 17, 1989, the Board became incorporated as a nonprofit, non-stock corporation in the State of Virginia.

Assessment fees

The underwriting assessment fee is equal to a percentage of the face amount of all municipal securities which are purchased from an issuer as part of a new issue by or through such municipal securities broker or municipal securities dealer, whether acting as principal or agent, and which have a final stated maturity of not less than two years and an aggregate par value of not less than \$1,000,000. This fee amounted to .001% of all such sales from July 1, 1987 through September 30, 1989. Revenue from assessment fees is recognized upon the sale of the issue and is payable within 30 days of settlement between the underwriter and the issuer.

Annual fees

Each municipal securities broker and municipal securities dealer is required to pay an annual fee of \$100 with respect to each fiscal year of the Board in which the municipal securities broker or municipal securities dealer conducts business. This fee is due by February 15 of the fiscal year for which the fee is paid.

Initial fees

The initial fee is a one-time fee of \$100, which is to be paid by every municipal securities broker or municipal securities dealer registered with the Securities and Exchange Commission.

Revenue from initial fees is recognized when received by the Board.

Continued

MUNICIPAL SECURITIES RULEMAKING BOARD, INC.
NOTES TO FINANCIAL STATEMENTS

Investments

Investments in securities are stated at amortized cost, which approximates market value.

Equipment, improvements, related depreciation and amortization

Furniture and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease period or the estimated useful life of the improvement.

When assets are retired or sold, the related cost and accumulated depreciation are removed from the accounts, and any profit or loss arising from such disposition is included as income or expense.

Cash and cash equivalents

The Board considers money market funds cash and cash equivalents for financial statement reporting purposes.

2. Lease agreements

On November 16, 1984, the Board leased new office space under a lease agreement expiring in November 1994. This agreement calls for the Board to receive a rent credit equal to one-half of the base monthly rent for the first 30 months of the lease. As a result, the monthly rental payments were \$9,350 through May 1987 and are \$18,700 a month for the remainder of the lease term, subject to an annual escalation based on the Consumer Price Index and a proportionate share of the increase in the costs of operating the building. For financial reporting purposes, the Board is recognizing rental expense evenly during the 10-year lease term at \$16,105 a month. The Board is required to maintain an irrevocable letter of credit of \$18,700, in lieu of a security deposit, payable to the lessor as part of the lease agreement. The lease may be renewed at the Board's option, for a period of five years, in accordance with the terms set forth in the lease agreement.

Continued

MUNICIPAL SECURITIES RULEMAKING BOARD, INC.
NOTES TO FINANCIAL STATEMENTS

Total lease expense for office space and equipment for the years ended September 30, 1989 and 1988, was \$271,213 and \$277,517, respectively.

3. Retirement plans

The Board has a defined-contribution retirement plan. All employees are eligible to participate upon attaining a minimum length of service. The Board makes contributions to an insurance company based on a percentage of the salaries of covered employees and their lengths of service. Retirement plan costs are funded as they accrue. Employees may also make voluntary contributions. Costs of the plan was approximately \$68,000 in 1989 and \$57,000 in 1988.

The Board also has a deferred compensation plan which covers all employees. The Board contributes \$.50 for every \$1 contributed by an employee, with a maximum Board contribution of 2% of the employee's annual salary. The cost of this plan was approximately \$13,000 in 1989 and \$12,000 in 1988.

4. Income taxes

Under provisions of the Internal Revenue Code and applicable income tax regulations of the District of Columbia, the Board is exempt from taxes on income other than unrelated business income. No provision for income taxes is required as of September 30, 1989 and 1988, since the Board had no unrelated business income.

5. Repository technical support agreement

On September 1, 1989, the Board entered into an agreement with an independent contractor which provides for the delivery of products and technical services in support of its development of a repository system for municipal securities information.

Estimated total costs for this cost plus fixed fee contract are \$419,958. The fixed fee component is \$25,092. Payment terms provide for the monthly billing of the contractor's actual costs plus a proportionate amount of the

Continued

MUNICIPAL SECURITIES RULEMAKING BOARD, INC.
NOTES TO FINANCIAL STATEMENTS

fixed fee. The duration of the contract is through April 1, 1992.

The conditions of the contract allow for either party to terminate the agreement at any time provided one party states an effective termination date in its written notice thereon.

Publications List

Manuals and Rule Texts

MSRB Manual

Soft-cover edition containing the text of MSRB rules, interpretive notices and letters, samples of forms, texts of the Securities Exchange Act of 1934 and of the Securities Investor Protection Act of 1970, as amended, and other applicable rules and regulations affecting the industry. Reprinted semi-annually.
October 1, 1989 \$5.00

Glossary of Municipal Securities Terms

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

Professional Qualification Handbook

A guide to the requirements for qualification as a municipal securities representative, principal, sales principal and financial and operations principal, with questions and answers on each category. Includes sections on examination procedures, waivers, disqualification and lapse of qualification, the text of MSRB qualification rules and a glossary of terms.
1989 5 copies per order no charge
Each additional copy \$1.50

Manual on Close-Out Procedures

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

Arbitration Information and Rules

Pamphlet reprinting SICA's *Arbitration Procedures and How to Proceed with the Arbitration of a Small Claim*, the text of rules G-35 and A-16, a glossary of terms and list of sponsoring organizations.
1989 no charge

Instructions for Beginning an Arbitration

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

The MSRB Arbitrator's Manual

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

Reporter and Newsletter

MSRB Reports

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

Examination Study Outlines

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

Study Outline: Municipal Securities Representative Qualification Examination

Outline for Test Series 52.
November 1989 no charge

Study Outline: Municipal Securities Principal Qualification Examination

Outline for Test Series 53.
May 1988 no charge

Brochures

MSRB Information for Municipal Securities Investors

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

MSRB Information

Brochure describing Board structure and responsibility, the rulemaking process, and communications with the industry.
1 to 500 copies no charge
Over 500 copies \$.05 per copy

Publications Order Form

Description	Price	Quantity	Amount Due
MSRB Manual (soft-cover edition)	\$5.00		
Glossary of Municipal Securities Terms	\$1.50		
Professional Qualification Handbook	5 copies per order no charge Each additional copy \$1.50		
Manual on Close-Out Procedures	\$3.00		
Arbitration Information and Rules	no charge		
Instructions for Beginning an Arbitration	no charge		
The MSRB Arbitrator's Manual	\$1.00		
Study Outline: Municipal Securities Representative Qualification Examination	no charge		
Study Outline: Municipal Securities Principal Qualification Examination	no charge		
MSRB Information	1 to 500 copies no charge Over 500 copies \$.05 per copy		
MSRB Information for Municipal Securities Investors (Investor Brochure)	1 to 500 copies no charge Over 500 copies \$.01 per copy		
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