MSRB REPORTS

Volume 5, Number 5 | Municipal Securities Rulemaking Board | August 1985

In This Issue

Important Announcements

The Board elected at its July meeting new members whose three-year terms begin October 1, 1985. The new members are listed on page 2 of this issue.

National Securities Clearing Corporation is scheduled to begin comparing when-issued transactions on October 1, 1985; contact NSCC for further information.

Michael M. Horn Elected to Vacated Board Seat

The Board announces that Michael M. Horn, State Treasurer for New Jersey, has been elected to fill the seat on the Board vacated by Morris C. Matson, who resigned from the Board in July of this year. Mr. Horn will serve on the Board until September 30, 1986.

Formerly New Jersey Commissioner of Banking and a New Jersey Assemblyman who served on the Assembly Banking Committee, Mr. Horn, who was appointed State Treasurer in 1984, oversees the collection of State taxes and the budgeting and spending of all State money. Mr. Horn also serves as Vice Chairman of the Executive Commission on Ethical Standards.

Also in This Issue

MSRB REPORTS (SSN-0277-0911) is published by the Municipal Securities Rulemaking Board, 1818 N Street, N.W., Suite 800 Washington, DC 20036-2491. POSTMASTER send address changes to Municipal Securities Rulemaking Board, 1818 N Street, N.W., Suite 800, Washington, DC 20036-2491.

MSRB REPORTS

Volume 5, Number 5 August 1985

Route To:

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

Board Elects Five to Three-Year Terms

The Board announces that five new Board members—two securities firm members, two bank members, and one public member—have been elected to serve three-year terms beginning October 1, 1985. The members chosen by the Board are:

- **W.J. Turner L. Cobden,** *Senior Vice President, Smith Barney, Harris Upham & Co., Inc.*—Mr. Cobden is a member of the PSA Syndicate Practices Committee and served on the Board's Professional Qualifications Committee.
- **Terrence E. Comerford,** *Managing Director, Paine-Webber Incorporated.*—Mr. Comerford is a member of the Technical Advisory Committee of the California Debt Advisory Commission and several municipal bond groups on the West Coast.
- **James B.G. Hearty,** *Vice President, Bank of Boston.*—Joining the Bank of Boston in 1977, Mr. Hearty has been involved in trading, underwriting, and sales and currently manages the bank's dealer unit.
- **Gerald Timothy Lane,** *Executive Vice President, Barnett Bank of Florida.*—Mr. Lane is presently Chairman of the Florida Bankers Association and a member of the Investment Committee of the American Bankers Association.
- **Thomas H. Locker,** *Comptroller, Orange County, Florida.*—Mr. Locker is a member of the Government Finance Officers Association and an active participant in local civic activities.

Calendar

July 1 —Effective date of amendments to G-8, G-9, G-10, and G-27 on supervisory responsibility

July 30 —Effective date of amendments to G-12 and G-15 on delivery ticket requirements

August 12—Effective date of amendment to G-34 on CUSIP number reassignment

August 30—Effective date of amendments to G-32, G-8, and G-9 on disclosures in connection with new issue securities

October 1 —Scheduled start-up of NSCC's automated comparison for when-issued transactions

Pending —SEC approval of amendments to rules:

- G-35 on arbitration
- G-12 and G-15 on interest payment claims
- G-12 on settlement dates for transactions in WAII securities

MSRB REPORTS

Volume 5, Number 5 August 1985

Notice of Approval

Route To:

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

Disclosures in Connection with New Issues: Rules G-32, G-8, and G-9

Principal Changes

The amendments require that—

- **rule G-32 disclosures in final form, which include an official statement if prepared, be delivered to a customer by settlement date of the transaction;**
- **a preliminary official statement be delivered only when no final official statement has been prepared, along with a written notice that a final official statement has not been prepared;**
- **if a final official statement has been prepared, the financial advisor or the managing underwriter make the final official statement available in a timely manner;**
- **the managing underwriter be prepared to provide to a broker, dealer or municipal securities dealer that has purchased the new issue and has requested an official statement, one copy of the final official statement and other rule G-32 disclosures and one additional official statement per $100,000 par value of the new issue purchased; and**
- **a dealer maintain a record of deliveries of rule G-32 disclosures and retain this record for not less than a 3-year period.**

On August 30, 1985 the Securities and Exchange Commission approved amendments to rule G-32 on disclosures in connection with new issues and to rules G-8 and G-9 on recordkeeping. The amendments are designed to delineate more clearly the responsibilities of dealers that sell new issue securities as well as to strengthen and facilitate enforcement of rule G-32. The Board filed the proposed amendments on March 14, 1985,[1] and on August 5, 1985 filed amendments to those provisions as summarized below. The amendments will become effective on August 30, 1985.

Summary of Amendments

The amendments require that the rule G-32 disclosures, including an official statement in final form if any, be delivered by settlement of the transaction with a customer. Rule G-32 prohibits a municipal securities broker or dealer from selling during the underwriting period[2] new issue securities to a customer unless a copy of the final official statement, if one is prepared by or on behalf of the issuer, and, in the case of negotiated sales, certain additional written information concerning the underwriting arrangements, are provided to the customer. The rule also requires dealers to furnish copies of official statements and other rule G-32 disclosures upon request to any broker, dealer, or municipal securities dealer to which it sells new issue municipal securities.[3] These requirements apply to all dealers who sell new issue securities, not solely to underwriters of the issue. The rule is designed to ensure that a purchaser of new issue securities is provided with all available information relevant to his investment decision.

The rule had required that the rule G-32 disclosures be provided to a customer with or prior to sending the final confirmation of the transaction. The amendments extend the deadline for delivery until settlement of the transaction with a customer. The Board has extended the deadline for delivering rule G-32 disclosures to assure that a dealer has adequate time to deliver the disclosures to a customer and that the customer will receive the disclosures prior to paying for the securities.

In addition rule G-32 has been amended to require that when a final official statement is being prepared by or on behalf of an issuer, the final statement must be delivered to a customer purchasing the new issue securities by the settlement of the transaction. For issues for which no final official statement will be prepared by or on behalf of an issuer, the amendments require that a dealer selling the new issue securities to a customer disclose that fact in writing by settlement of the transaction.

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

[1] *See MSRB Reports*, vol. 5, no. 3 (April 1985). Drafts of the amendments were published for comment in March and June 1984 (*MSRB Reports*, vol. 4, no. 2 (March 1984), *MSRB Reports*, vol. 4, no. 4 (June 84)). Amendments were filed with the SEC on October 23, 1984 (*MSRB Reports*, vol. 4, no. 6 (Nov. 1984)), which subsequently were withdrawn (*MSRB Reports*, vol. 5, no. 1 (Jan. 1985)).

[2] The underwriting period is defined in rule G-11(a) (ix) as:

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

[3] The Board has stated that if sufficient copies of official statements are not available, a dealer must reproduce the official statement at its own expense.

The Board has interpreted the requirement that the rule G-32 disclosures be provided to a customer by settlement of the transaction to presume that disclosures sent at least three business days prior to settlement have been received by a customer.

In addition the Board has exempted tax-exempt commercial paper from the definition of new issue securities for purposes of rule G-32. The Board has concluded that such an exemption is appropriate because typically written disclosures (although not necessarily official statements) are provided to investors in such programs on a periodic basis rather than at issuance of the securities.

The amendments eliminate, in most instances, the requirement that a preliminary official statement be sent. Rule G-32 previously provided that when a final official statement is not prepared in time to send with the money confirmation, the preliminary version, if any, must be sent and the final official statement must be sent as soon as it becomes available from the issuer. As noted above, the amendments require that the final version of the official statement be delivered by settlement of transactions in the new issue securities with customers. Under the amendments, therefore, there is no need to deliver a preliminary official statement except in those instances in which a preliminary official statement is the only disclosure document prepared by or on behalf of the issuer. The Board understands that in some competitive sales, the issuers may prepare preliminary official statements only. In those circumstances, the amendments require a dealer selling new issue securities to deliver the preliminary version along with written notice that no final official statement will be prepared by settlement of the transaction with the customer.

When a final official statement will be prepared by or on behalf of the issuer the amendments require the financial advisor and/or the managing underwriter to make the final official statement available in a timely manner. The amendments place responsibility on a managing underwriter to assure that rule G-32 disclosures are printed in final form no later than two business days prior to the date the securities are delivered by a manager to the syndicate members. A financial advisor that is subject to the Board's rules[4] and that prepares an official statement on behalf of an issuer but is not responsible for printing it must deliver the final version to the managing underwriter promptly after the award is made so that the managing underwriter can complete printing within two business days prior to the date it delivers the securities to the syndicate members. If the financial advisor is responsible for printing the official statement, it must provide sufficient copies (as defined in paragraph (b)(i) of rule G-32) of the final version to the managing underwriter no later than two business days before the date the manager delivers the securities to the syndicate members. The Board has adopted these provisions because it understands that many dealers settle their customer transactions on the day the securities are delivered to the syndicate. It, therefore, concluded that it was necessary to specify these printing deadlines to facilitate compliance with the rule by these dealers.

The amendments specify that a managing underwriter must be prepared to provide to any broker, dealer or municipal securities dealer which has purchased the new issue, one copy of the final official statement and other documents specified by subsection (a)(ii) of rule G-32 and one additional official statement per $100,000 par value of the new issue purchased. This provision also requires a manager to provide instructions how to obtain additional official statements from the printer to any dealer seeking a larger number of the documents than is specified by the rule. The Board adopted these provisions because it believes that managing underwriters should be responsible for ensuring that final official statements are printed in sufficient time and numbers to permit dealers to deliver them to customers by the settlement dates of transactions in the securities. At the same time, the provisions are designed to achieve some balance between the costs associated with dissemination of official statements borne by underwriters and those borne by dealers selling new issue securities.

The amendments retain the existing rule G-32 provision that purchasing dealers must request the rule G-32 disclosures. The Board determined that the current "on request" requirement should be retained. In addition, the Board believes that a dealer at the end of a chain of inter-dealer transactions, which sells to a customer, should be able to obtain the disclosures directly from the syndicate manager and thereby avoid any lengthy delivery delays attendant to its seeking them through the transaction chain. The amendments, therefore, require selling dealers and syndicate managers to provide rule G-32 disclosures promptly to such dealers on request. Thus, a purchasing dealer who must deliver rule G-32 disclosures to a customer may obtain them from the dealer which sold the securities to it or from the managing underwriter whichever way is appropriate to effect compliance with the rule.

The amendments impose certain recordkeeping requirements on dealers to facilitate enforcement of the new rule G-32 provisions. The amendments add a new section to rule G-8 requiring a dealer to maintain a record of deliveries of rule G-32 disclosures and to rule G-9 to require that these records be retained for a period of not less than three years. The provisions allow dealers flexibility to determine how to maintain records of deliveries of rule G-32 disclosures.

August 30, 1985

Text of Amendments*

Rule G-32. Disclosures in Connection with New Issues

(a) Disclosure Requirements. No ~~municipal securities~~ broker, dealer or municipal securities dealer shall sell, whether as principal or agent, any new issue municipal securities to a customer unless, ~~at or prior to sending a final written confirmation of the transaction to the customer indicating money amount due,~~ such ~~municipal securities~~ broker, dealer or municipal securities dealer ~~sends~~ delivers to the customer no later than the settlement of the transaction:

[4]The Board does not have jurisdiction over "independent" financial advisors who are not registered as broker, dealer or municipal securities dealers with the SEC.

*Underlining indicates additions; broken rule indicates deletions.

(i) a copy of the official statement in final form ~~voluntarily furnished~~ prepared by or on behalf of the issuer ~~(or an abstract or other summary of such statement which is prepared by such municipal securities broker or municipal securities dealer)~~ or if a final official statement will not be prepared by or on behalf of the issuer a written notice to that effect; and

(ii) in connection with a negotiated sale of new issue municipal securities, the following information concerning the underwriting arrangements:

(A) the underwriting spread;

(B) the amount of any fee received by the ~~municipal securities~~ broker, dealer or municipal securities dealer as agent for the issuer in the distribution of the securities;

(C) the initial offering price for each maturity in the issue that is offered or to be offered in whole or in part by the underwriters.

In the event an official statement in final form ~~is~~ will not be prepared by or on behalf of the issuer, ~~available at the time the final confirmation indicating money amount due is sent to a customer,~~ an official statement in preliminary form, if any, shall be sent to the customer, ~~provided that an official statement in final form, or an abstract or summary thereof, must be sent to the customer promptly after such official statement becomes available to the municipal securities broker or municipal securities dealer.~~ with a written notice that no final official statement is being prepared.

Every ~~municipal securities~~ broker, dealer or municipal securities dealer shall promptly furnish the documents and information referred to in this section (a) to any broker, dealer or municipal securities dealer to which it sells new issue municipal securities, upon the request of such broker, dealer or municipal securities dealer.

(b) Responsibility of Managing Underwriters, Sole Underwriters and Financial Advisors.

(i) Managing Underwriters and Sole Underwriters. When a final official statement is prepared by or on behalf of an issuer, the managing underwriter or sole underwriter, upon request, shall provide all brokers, dealers and municipal securities dealers that purchase the new issue securities with an official statement and other information required by paragraph (a)(ii) of this rule and not less than one additional official statement in final form per $100,000 par value of the new issue purchased by the broker, dealer or municipal securities dealer and shall provide all purchasing brokers, dealers and municipal securities dealers with instructions how to order additional copies of the final official statement directly from the printer. A managing underwriter or sole underwriter that prepares an official statement on behalf of an issuer shall print the final official statement and other information required by paragraph (a)(ii) of this rule and make them available promptly after the date of sale of the issue but no later than two business days before the date all securities are delivered by the syndicate manager to the syndicate members.

(ii) Financial Advisors. A broker, dealer or municipal securities dealer that, acting as financial advisor, prepares a final official statement on behalf of an issuer, shall make that official statement in final form available to the managing underwriter or sole underwriter promptly after the award is made. If the financial advisor is responsible for printing the final official statement, it shall make adequate copies of the final official statement available to the managing underwriter or sole underwriter promptly after the award is made but no later than two business days before the date all securities are delivered by the syndicate manager to the syndicate members to permit their compliance with paragraph (b)(i) of this rule.

~~(b)~~ (c) Definition of New Issue Municipal Securities and Official Statement. For purposes of this rule, the following terms have the following meanings:

(i) the term "new issue municipal securities" shall mean securities of an issue that are sold by a ~~municipal securities~~ broker, dealer or municipal securities dealer ~~to a customer~~ during the underwriting period defined in rule G-11 of the Board, but shall not include issues of tax-exempt commercial paper, and

(ii) the term "official statement" shall mean a document prepared by the issuer or its representatives setting forth, among other matters, information concerning the issuer and the proposed issue of securities. A notice of sale shall not be deemed to be an "official statement" for purposes of this rule.

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

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

(i) through (xii) No change.

(xiii) Records Concerning Deliveries of Official Statements. A record of all deliveries, to purchasers of new issue securities, of official statements or other disclosures concerning the underwriting arrangements required under rule G-32.

Rule G-9. Preservation of Records

(a) No change.

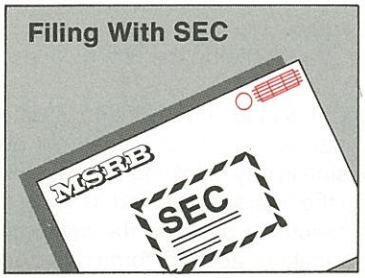
(b) Records to be Preserved for Three Years. Every municipal securities broker and municipal securities dealer shall preserve the following records for a period of not less than three years:

(i) through (ix) No change.

(x) all records of deliveries of rule G-32 disclosures required to be retained as described in rule G-8(a)(xiii).

(c) through (g) No change.

MSRB REPORTS
Volume 5, Number 5 August 1985



Route To:

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

Settlement Dates for When, As and If Issued Transactions: Rule G-12

Principal Changes Proposed

The proposed amendments would require for when, as and if issued transactions compared through automated comparison facilities, that a managing underwriter—

- **provide the clearing agency with not less than six business days' notice of settlement date,**
- **specify that the settlement date for when-issued transactions would be not less than five business days following the date the clearing agency provides the notice of settlement to its participants, and**
- **delete provisions permitting acceleration of settlement of when-issued transactions when issuer has accelerated delivery to managing underwriter.**

On August 13, 1985, the Board filed with the Securities and Exchange Commission proposed amendments to rule G-12(b)(ii)(C) and (iii) concerning settlement dates for when, as and if issued ("when-issued") transactions. The amendments would standardize settlement dates for when-issued transactions that are compared and settled either under rule G-12 or through automated facilities provided by a clearing agency registered with the SEC. The amendments also would delete provisions that permit syndicate managers and members to accelerate settlement dates for intra-syndicate trades when an issuer accelerates settlement with the managing underwriter.

Background—Current rule G-12(b)(ii)(C) and (iii)

Rule G-12(b)(ii)(C) provides that settlement dates for "when, as and if issued" transactions, shall be—

> a date agreed upon by both parties, which date shall not be earlier than the fifth business day following the date the confirmation indicating the final settlement date is sent, or, with respect to transactions between the manager and members of a syndicate or account formed to purchase securities from an issuer, a date not earlier than the sixth business day following the date the confirmation indicating the final settlement date is sent; *provided, however,* that if the issuer gives notice of pending delivery within less than six business days before delivery, the settlement date for transactions with respect to such issue of securities may be accelerated
>
> (1) for transactions between the manager and members of the syndicate or account, as determined by the manager,
>
> (2) for transactions between members of the syndicate or account, as determined by each seller, but by not more than the number of days of acceleration by the syndicate manager, and
>
> (3) for all other transactions, as may be determined by agreement between the parties to such transactions; . . . .

Thus, if an issuer notifies a syndicate manager that it would like to go to settlement in less than six days, the manager, in turn, can accelerate its deliveries to syndicate members. Syndicate members may not force other dealers to accept accelerated settlements unless the dealers agree to them, and, of course under rule G-15, a dealer may not accelerate a settlement with a customer unless the customer agrees.[1]

Rule G-12(b)(iii) provides that a manager who receives notice from an issuer of an accelerated settlement and who wishes to accelerate delivery of the securities to syndicate members under paragraph (b)(ii)(C), shall give immediate notice to the syndicate members of the new settlement date.

Summary of Amendments

The Board traditionally has sought to provide the industry with sufficient flexibility to accommodate various trading practices on a day-to-day basis. The Board recognizes, however, that as automated comparison, clearance and settlement of municipal securities transactions becomes the norm, some of the flexibility currently enjoyed by the industry will be lost while operational efficiencies and cost savings should increase. The Board was informed that automated comparison facilities soon will be available for when-issued transactions that meet the criteria of rule G-12(f). It also has learned that this system does not distinguish between intra-syndicate transactions and transactions between syndicate members and other dealers ("street trades") for purposes of specifying settlement dates for when-issued transactions. After considering this issue, the Board has concluded that it would be appropriate to amend rule G-12(b) to specify

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

[1]Rule G-15(a)(ii)(C) requires the parties to a transaction to agree to a settlement date.

standardized settlement dates for all when-issued inter-dealer transactions.

The proposed amendments would retain the current definition of settlement date for when-issued transactions compared pursuant to rule G-12 (*i.e.* five business days, or six business days in the case of transactions between a manager and syndicate members, after the date the final confirmation is sent). In addition, for transactions compared through the automated comparison facilities of a registered clearing agency, the rule would require a managing underwriter to provide the registered clearing agency with not less than six days' notice of settlement for the issue and would specify that the settlement date would be not less than five business days following the date notice indicating the final settlement date is provided by the clearing agency. The amendments would delete the provisions that, when a manager receives less than six business days' notice of settlement from an issuer, permit acceleration of when-issued transactions. The rule amendments, however, would not limit the ability of a syndicate manager to accept an accelerated delivery from an issuer.[2]

The Board concluded that it was appropriate to adopt these provisions in light of the need to standardize settlement dates to accommodate the current automated clearance systems. It believes that substantial cost savings should be realized from comparing when-issued trades on an automated basis. In addition, the Board understands that instances in which issuers accelerate settlements are rare and that in most instances final confirmations of when-issued transactions are sent well in advance of the six- and five-day minimum time periods. The Board urges all syndicate managers to take appropriate steps in settling settlement dates with issuers to avoid unnecessary settlement accelerations by issuers.

Comments on the amendments should be filed directly with the Secretary, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Please refer to file no. SR-MSRB-85-16.

August 13, 1985

Text of Proposed Amendments*

Rule G-12. Uniform Practice

(a) No change.

(b) Settlement Dates.

(i) No change.

(ii) Settlement Dates. Settlement dates shall be as follows:

(A) for "cash" transactions, the trade date;

(B) for "regular way" transactions, the fifth business day following the trade date;

(C) for "when, as and if issued" transactions, a date agreed upon by both parties, which date shall not be earlier than the fifth business day following the date the confirmation indicating the final settlement date is sent, or, with respect to transactions between the manager and members of a syndicate or account formed to purchase securities from an issuer, a date not earlier than the sixth business day following the date the confirmation indicating the final settlement date is sent; *provided, however,* that ~~if the issuer gives notice of pending delivery within less than six business days before delivery, the settlement date for transactions with respect to such issue of securities may be accelerated~~

~~(1) for transactions between the manager and members of the syndicate or account, as determined by the manager,~~

~~(2) for transactions between members of the syndicate or account, as determined by each seller, but by not more than the number of days of acceleration by the syndicate manager, and~~

~~(3) for all other transactions, as may be determined by agreement between the parties to such transactions; and~~

for when, as and if issued transactions compared through the automated comparison facilities of a registered clearing agency under section (f) of this rule, a managing underwriter shall provide the registered clearing agency with not less than six business days' notice of settlement for the issue, and the settlement date shall be not less than five business days following the date notice indicating the final settlement date is provided by the registered clearing agency; and

(D) No change.

~~(iii) Notice of Accelerated Delivery. In the event the issuer gives notice of pending delivery of securities within less than six business days before delivery, the manager of a syndicate or account formed to purchase the securities from the issuer shall, immediately upon determination of the accelerated delivery date pursuant to subparagraph (b)(ii)(C) hereof, give immediate notice to the members of the syndicate or account of the settlement date for transactions between the manager and the members.~~

(c) through (k) No change.

[2]The Board has discussed with SEC staff whether a manager that has accepted an accelerated delivery from an issuer and which is not able to redeliver new issue securities to the syndicate members until the notice period has elapsed, would suffer any adverse net capital effects and understands that as long as it has offsetting commitments to deliver the securities no adverse net capital effects would accrue.

*Underlining indicates new language; broken rule indicates deletion.

MSRB REPORTS

Volume 5, Number 5 August 1985

Notice of Approval

Route To:

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

CUSIP Number Assignment: Rule G-34

Principal Change

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

On August 12, 1985, the Securities and Exchange Commission approved the Board's amendments to rule G-34 regarding the assignment of CUSIP numbers to issues of municipal securities. The amendments require municipal securities brokers and dealers to arrange for the assignment of CUSIP numbers in circumstances in which previously assigned numbers no longer designate a single, fully fungible issue of securities as a result of actions taken by the municipal securities broker or dealer. The amendments became effective on approval by the Commission.

Background

Rule G-34 currently requires that municipal securities brokers or dealers underwriting or participating in the placement of a new issue of municipal securities must apply for the assignment of CUSIP numbers to the new issue, if it is eligible for a CUSIP number assignment, and must arrange for the affixing of the numbers to the securities certificates of the new issue once the numbers are assigned. Such dealers must make application as promptly as possible, but in no event later than, in the case of competitive sales, the business day following the date of award, or, in the case of negotiated sales, the business day following the date on which the contract to purchase the securities from the issuer is executed. The rule is intended to further the goals of the CUSIP numbering system—facilitating the identification of securities issues through the assignment of a unique alphanumeric security number to each discrete, fungible issue of securities—by providing for the inclusion in the CUSIP numbering system of all eligible issues of municipal securities. The rule also promotes the use of the CUSIP number as a securities identification device by ensuring, through the affixing of assigned numbers to all issues, that the number is readily available for use throughout the securities handling process.

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

Summary of Amendments

The amendments require municipal securities brokers and dealers to arrange for the assignment of CUSIP numbers in circumstances in which previously assigned numbers no longer designate a single, fully fungible issue of securities as a result of actions taken by such municipal securities broker or dealer. Such circumstances include: (1) issues which have been advance refunded in such a way that portions of what was once a single, fully fungible issue or matu-

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

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

rity with a single assigned CUSIP number are refunded to different redemption dates and prices; (2) the purchase of bond insurance on a portion of an issue or maturity; or (3) the sale of a portion of an issue or a maturity subject to a put option or tender option written by a person other than the issuer or an agent of the issuer.

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

August 12, 1985

Text of Amendments*

Rule G-34. CUSIP Numbers

(a) New Issue Securities.

(i) Assignment of Numbers.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

~~(b)~~ (ii) Number Affixture. Each municipal securities broker or municipal securities dealer who acquires, whether

*Underlining indicates new language; broken rule indicates deletion.

as principal or agent, a new issue of municipal securities from the issuer of such securities for the purpose of distributing such new issue shall, prior to the delivery of such securities to any other person, affix to, or arrange to have affixed to, the securities certificates of such new issue the CUSIP number assigned to such new issue. If more than one CUSIP number is assigned to the new issue, each such number shall be affixed to the securities certificates of that part of the issue to which such number relates.

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

(b) Secondary Market Securities.

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

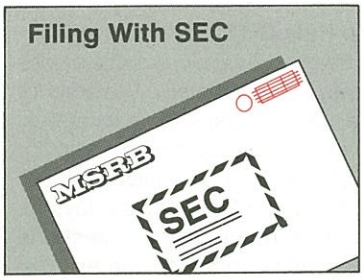
(ii) The municipal securities broker or municipal securities dealer shall make the application required under this section (b) as promptly as possible, and shall provide to the Board or its designee information sufficient to identify the previously assigned CUSIP number and to describe the nature of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

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

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

MSRB REPORTS

Volume 5, Number 5 August 1985



Route To:

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

Processing of Interest Payment Claims: Rules G-12 and G-15

Principal Changes Proposed

The proposed amendments would provide that the parties filing interest payment claims—

- **direct them to the appropriate municipal securities broker or dealer,**
- **provide specified items of information, and**
- **receive a response in a specified time limit.**

On August 14, 1985, the Board filed with the Securities and Exchange Commission proposed amendments to rule G-12 on uniform practice and rule G-15 on confirmation, clearance and settlement of transactions with customers. The amendments would create a standard procedure for interest payment claims made between municipal securities brokers and dealers ("dealers") and would set certain time limits for responding to these claims as well as interest payment claims made by customers. The amendments will not become effective until 30 days following the date of Commission approval.

Background

Board rules currently do not provide dealers with a standard procedure for making claims for misdirected interest payments on municipal securities. In November 1984 the Board published for public comment draft amendments regarding the attachment of interest payment checks to deliveries of registered securities and requested comment whether it would be advisable to provide in Board rules a standard procedure for making interest payment claims.[1] After receiving favorable comment on the creation of a standard claim procedure from the commentators, the Board, in April 1985, circulated for comment draft amendments that would create such a procedure.[2] The Board considered the comments received on the April 1985 exposure draft at its July 1985 meeting and incorporated several of the suggestions received in the final amendments filed with the Commission.

Summary of Amendment to Rule G-12

The amendment to rule G-12 proposes a standard interest payment claim procedure that may be used by dealers to determine the party to which a claim should be directed, the information to be included in the notice of claim and the time limits for responding to claims made under the procedure.[3]

The procedure requires that parties making interest payment claims based on deliveries of registered securities must direct claims to the registered owner if the registered owner is a dealer and to the first signature guarantor that is a dealer if the registered owner is not a dealer. The Board recognizes that a dealer receiving a registered security on or immediately prior to the record date may not be able to reregister the security prior to the closing of the register for the security's next interest payment[4] and may therefore be required to file an interest payment claim on the security. The Board also notes that the dealer delivering the security in such a case may not be the registered owner of the security and may have obtained the security from another dealer in whose name the security is registered (or may have obtained the security as part of an even longer "chain" of transactions occurring after the record owner sold the security). In cases in which a dealer is the registered owner the Board believes that it would be most efficient for the dealer seeking the interest payment to make its claim directly with that dealer. If the registered owner is not a dealer, the procedure would require the claim to be directed to the dealer that guaranteed the signature of the registered owner. This dealer generally will have a dealer-customer relationship with the registered owner and therefore will be in the best position to obtain the misdirected interest payment from the registered owner.

In the relatively rare cases in which neither the registered owner nor the signature guarantor of the registered owner is a dealer, the procedure would require the claim to be directed to the first dealer whose signature guarantee appears on the security or accompanying transfer documents. The Board

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

[1] *MSRB Reports*, vol. 4, no. 6 (November 1984) at 7-8.
[2] *MSRB Reports*, vol. 5, no. 3 (April 1985) at 19-20.
[3] The amendments do not prohibit the use of other claim procedures. For example, several commentators indicated that members of National Securities Clearing Corporation ("NSCC") use a service known as Dividend Settlement Service to make interest payment claims against other members of NSCC.
[4] An inter-dealer delivery of a registered security occurring after record date would be required to be accompanied by an interest payment check pursuant to rule G-12(e)(xiv)(G).

recognizes that this dealer may not have a dealer-customer relationship with the registered owner in such a case and may have to initiate its own claim, outside the procedure offered by the amendments. However, this dealer would be identifiable from the security (and any accompanying transfer documents) as being the dealer in the chain of transactions closest to the party that actually received the misdirected interest payment and therefore would be in the best position to locate and identify the registered owner and request the misdirected interest payment.

The procedure requires that claims made based on deliveries of bearer securities received without an appropriate interest payment check be directed to the dealer that delivered the security and that claims based on an erroneous attachment of an interest payment check be directed to the dealer that received the delivery. In situations in which the dealer making the claim realizes after a delivery that a mistake has been made with regard to the interest payment check normally attached to such a delivery, the dealer must direct its claim to the party that failed to include the interest payment with the delivery or to the party that received the interest payment that was erroneously attached.

The procedure requires a written notice of claim to be sent to the dealer against which the claim is made, including certain standard information. The items required to be included in the notice of claim include information identifying the parties involved in the claim, the securities and the interest payment which are the subject of the claim, a statement of the basis on which the claim is made, and, if the claim is based on a delivery of a registered security, a photocopy of the security on which the claim is based or a written statement from the paying agent for the security identifying the party that received the interest payment that is the subject of the claim. For claims made against dealers that delivered the security to, or received the security from, the claimant, the notice of claim also must include the delivery date or the settlement date of the transaction. The Board concluded, based on the comments received, that this information is necessary for the dealer receiving a claim to research the validity of the claim and respond within the time frame required by the procedure.

The amendment would require prompt responses to claims made under the procedure and would set definite time limits for such responses. The amendment would require dealers receiving a claim made under the proposed procedure to send a check or bank draft in the amount of the interest payment, or a statement containing the reasons that the claim is denied, to the claimant within 10 business days of receipt of the written notice of claim. If the claim is based on an interest payment which occurred more than 60 days prior to the date of the claim, 20 business days would be allowed for such response. The Board believes that dealers receiving interest payment claims including the information required by the proposed procedure should be able to determine the validity of the claim and respond within these time limits. The additional 10 days for responses to older claims is provided since additional research time might be needed to locate records and other data pertaining to these interest payments and associated securities transactions.

Summary of Amendment to Rule G-15

The amendment to rule G-15 would require prompt response to interest payment claims made by customers. The amendment would set the same time limits for responding to interest payment claims made by customers as would exist for responding to inter-dealer claims—10 business days for claims not more than 60 days old and 20 business days for claims older than 60 days. This requirement to respond promptly would not be contingent upon the customer's use of any standard interest claim procedure.

August 14, 1985

Text of Proposed Amendments*

Rule G-12. Uniform Practice

(a) through (k) No change.

(l) Interest Payment Claims. A broker, dealer or municipal securities dealer seeking to claim an interest payment on a municipal security from another broker, dealer or municipal securities dealer may claim such interest payment in accordance with this section. A broker, dealer or municipal securities dealer receiving a claim made under this section shall send to the claimant a draft or bank check for the amount of the interest payment or a statement of its basis for denying the claim no later than 10 business days after the date of receipt of the written notice of the claim or 20 business days in the case of a claim involving an interest payment scheduled to be made more than 60 days prior to the date of the claim.

(i) Determining Party to Receive Claim. A claimant making an interest payment claim under this section shall direct such claim to the party described in this paragraph (i).

(A) Previously Delivered Registered Securities. An interest payment claim made with respect to a registered security previously delivered to the claimant which is registered in the name of a broker, dealer or municipal securities dealer at the time of delivery shall be directed to such broker, dealer, or municipal securities dealer. A claim made with respect to a previously delivered registered security not registered in the name of a broker, dealer or municipal securities dealer shall be directed to the broker, dealer or municipal securities dealer guaranteeing the signature of the registered owner or, if neither the registered owner nor its signature guarantor is a broker, dealer or municipal securities dealer, to the broker, dealer or municipal securities dealer that first placed a signature guarantee on any assignment or power of substitution accompanying the security.

(B) Previously Delivered Bearer Securities. An interest payment claim made with respect to a bearer security previously delivered to the claimant shall be directed to the broker, dealer or municipal securities dealer that previously delivered the security.

(C) Securities Delivered by Claimant. An interest payment claim made with respect to a security previously delivered by the claimant shall be directed to the broker,

*Underlining indicates additions.

dealer or municipal securities dealer that received the securities.

(ii) Content of Claim Notice. A claimant seeking to claim an interest payment under this section shall send to the broker, dealer or municipal securities dealer against which the claim is made a written notice of claim including, at minimum:

(A) the name and address of the broker, dealer or municipal securities dealer making the claim;

(B) the name of the broker, dealer or municipal securities dealer against which the claim is made;

(C) the amount of the interest payment which is the subject of the claim;

(D) the date on which such interest payment was scheduled to be made (and, in the case of an interest payment on securities which are in default, the original interest payment date);

(E) a description of the security (including any CUSIP number assigned) on which such interest payment was made;

(F) a statement of the basis of the claim for the interest payment;

(G) if the claim is based on the delivery of a registered security, the certificate numbers of each security on which the claim is based and a photocopy of the certificate(s) on which the claim is based or (in lieu of such a photocopy) a written statement from the paying agent identifying the party that received the interest payment which is the subject of the claim; and,

(H) if the claim is made against the broker, dealer or municipal securities dealer that previously delivered the security on which the claim is based, or the broker, dealer or municipal securities dealer that received such security, the delivery date or settlement date of the transaction.

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

(a) through (d) No change.

(e) Interest Payment Claims. A broker, dealer or municipal securities dealer that receives from a customer a claim for the payment of interest due the customer on securities previously delivered to (or by) the customer shall respond to the claim no later than 10 business days following the date of the receipt of the claim or 20 business days in the case of a claim involving an interest payment scheduled to be made more than 60 days prior to the date of the claim.

MSRB REPORTS

Volume 5, Number 5 August 1985

Route To:

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

Syndicate Managers—Designated Sales Fees

Summary of Interpretation

The Board cautions syndicate managers that they may violate rule G-17 if fees charged for handling designated sales do not reflect actual costs.

The Board has received inquiries concerning situations in which syndicate managers charge fees for designated sales that do not appear to be actual expenses incurred on behalf of the syndicate or may appear to be excessive in amount. For example, one commentator has described a situation in which the syndicate managers charge $.25 to $.40 per bond as expenses on designated sales and has suggested that such a charge seems to bear no relation to the actual out-of-pocket costs of handling such transactions.

G-17 provides:

> In the conduct of its municipal securities business, each broker, dealer, and municipal securities dealer shall deal fairly with all persons and shall not engage in any deceptive, dishonest, or unfair practice.

The Board wishes to emphasize that syndicate managers should take care in determining the actual expenses involved in handling designated sales and may be acting in violation of rule G-17 if the expenses charged to syndicate members bear no relation to or otherwise overstate the actual expenses incurred on behalf of the syndicate.

July 29, 1985

Question concerning this notice may be directed to Diane G. Klinke, Deputy General Counsel.

MSRB REPORTS

Volume 5, Number 5 August 1985

Notice of Approval

Route To:

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

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

Principal Change

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

On July 1, 1985, the Securities and Exchange Commission approved amendments to Board rules G-8 and G-9 concerning recordkeeping, rule G-10 concerning designation of persons responsible for maintenance of books and records, and rule G-27 on supervision. The amendments became effective upon approval by the Commission.

The amendments incorporate the provisions of rule G-10, pertaining to the designation of persons responsible for maintenance of books and records, into rule G-27, the Board's rule on supervision. Prior to these amendments, rule G-10 required that a municipal securities broker or dealer designate one or more persons to be responsible for the maintenance and preservation of the records required to be maintained and preserved under the Board's general recordkeeping requirement. Rule G-10 also specified that a record be kept showing the name, title, and business address of each person designated under the rule and that this record be kept during the period of the designation and for at least six years thereafter. In addition to incorporating these requirements into rule G-27, the amendments add to rules G-8 and G-9 cross-references to the former rule G-10 recordkeeping and record preservation requirements now included in rule G-27.

These technical amendments do not change the requirements of Board rules, but rather consolidate and clarify the language of the rules. Rule G-10 has been withdrawn and reserved by the Board for future rulemaking.

July 2, 1985

Text of Amendments[1]

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

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

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

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

(b) through (g) No change.

Rule G-9. Preservation of Records

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

(i) through (vi) No change.

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

(b) through (g) No change.

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

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

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

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

Rule G-27. Supervision

(a) No change.

(b)(i) No change.

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

(c) No change.

MSRB REPORTS

Volume 5, Number 5 August 1985

Notice of Approval

Route To:

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

Delivery Tickets—Requirements Conformed: Rules G-12 and G-15

Principal Changes

The amendments require that—

- **an inter-dealer delivery ticket designate whether securities are "called" or "prerefunded" and**
- **delivery tickets for zero coupon bonds, compound interest, and multiplier securities state the maturity value of the securities.**

On July 30, 1985, the Securities and Exchange Commission approved amendments which make changes to the delivery ticket requirements of the "good delivery" provisions of rules G-12 and G-15. The amendments require that an inter-dealer delivery ticket designate, as is required for the customer delivery ticket, whether securities are "called" or "prerefunded" and that customer and inter-dealer delivery tickets for zero coupon bonds, compound interest, and multiplier securities state the maturity value instead of the par value. The amendments became effective on approval by the Commission.

Background

The "good delivery" provisions of rules G-12 and G-15 require that deliveries of securities be accompanied by a delivery ticket setting forth certain information about the transaction on which the delivery is made. These parallel provisions of rules G-12 and G-15 impose delivery ticket requirements by reference to the confirmation content requirements as specified in paragraphs (c)(v) and (vi) of rule G-12 and paragraph (a)(i) of rule G-15. Before the rule change, the provisions differed in that rule G-15 required that the delivery ticket designate whether the securities are "called" or "prerefunded" and rule G-12 did not. Since, under both rules, a delivery ticket is required to provide a substantive description of the securities, the Board conformed the delivery ticket provisions of rule G-12 to the more detailed requirements of rule G-15.

Rules G-12 and G-15 both provide that a delivery ticket include the information set forth in subparagraphs G-12(c)(v)(D) and G-15(a)(i)(D), the primary confirmation content provisions, which require that the par value of the securities be stated. In most circumstances, requiring that the par value of the securities be stated is appropriate but, as the Board previously determined, in the case of zero coupon, compound interest, and multiplier securities, maturity value rather than par value should be used as the measure of quantity of securities.

The Board concluded it was appropriate that the information already required to be placed on customer delivery tickets should be required for inter-dealer delivery tickets and, reaffirming its earlier position in regard to zero coupon, compound interest, and multiplier securities, should be the most meaningful available.

July 31, 1985

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

Text of Amendments*

Rule G-12. Uniform Practice

(a) through (d) No change.

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

(i) through (ii) No change.

(iii) Delivery Ticket. A delivery ticket shall accompany the delivery of securities. Such tickets shall contain the information set forth in subparagraphs (A), (B), (D) (except in the case of transactions in zero coupon, compound interest and multiplier securities, in which case the maturity value shall be shown), (E) through (H), (M) and (N) of paragraph (c) (v) and, to the extent applicable, the information set forth in subparagraphs (A), ~~(B), (D), (E) and (F)~~ through (G) of paragraph (c)(vi) and shall have attached to it an extra copy of the ticket which may be used to acknowledge receipt of the securities.

(iv) through (xvi) No change.

(f) through (k) No change.

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

(a) through (b) No change.

(c) Deliveries to Customers. Except as provided in section (d) below, a delivery of securities by a broker, dealer, or municipal securities dealer to a customer or to another person acting as agent for the customer shall, unless otherwise

*Underlining indicates new language; broken rule indicates deletions.

agreed by the parties or otherwise specified by the customer, be made in accordance with the following provisions:

(i) No change.

(ii) Delivery Ticket. A delivery ticket shall accompany the delivery of securities. Such ticket shall contain the information set forth in subparagraphs (A), (B), (D) (except in the case of transactions in zero coupon, compound interest and multiplier securities, in which case the maturity value shall be known), (E) through (H), ~~(M)~~ (L) and ~~(O)~~ (N) of paragraph (a)(i) and, to the extent applicable, the information set forth in subparagraphs (A), (B), (C), and (E), ~~(F) and (G)~~ through (H) of paragraph (a)(iii).

(iii) through (xii) No change.

(d) No change.