

# MSRB REPORTS

Volume 10, Number 3

Municipal Securities Rulemaking Board

July 1990

## The MSIL System—Increased Disclosure in the Market

On June 22, the Board filed with the SEC its proposed Municipal Securities Information Library, or MSIL, system. We filed it because we think the time has come for making disclosure documents on municipals readily accessible to everyone in the market for the life of the issues. The value of a municipal is determined by the information available in the market. Without complete information, municipals held in a portfolio cannot always be valued precisely and municipals sold in the market cannot always be priced accurately. We all have suffered from the lack of information—investors, issuers and dealers alike.

The system will store, on optical disks, official statements and escrow agreements used in advance refundings for all municipals issued since January 1, 1990 that are expected to trade on the market. The electronic images on the disks will be sent to subscribers daily on a computer tape which will contain all documents imaged each day. Paper copies also will be available on request. The MSIL system will transmit, to news

services and subscribers over telephone lines, notices and reports affecting municipals in the secondary market that are voluntarily sent to the system by issuers or their agents. Initially, the system will take in time-critical notices from bank trustees.

The MSIL system will not only increase the efficiency and integrity in the market, it can increase secondary market activity and save issuers money by helping to remove uncertainties about municipal issues. I ask that you read the notices in this issue describing these filings carefully. We think that you will agree that the MSIL system will greatly improve the flow of information in the municipal market. I also urge you to write to the SEC supporting the filings. Your letters will be a crucial factor in making the MSIL system a reality.

Sincerely,

Thomas Sexton  
MSRB Chairman

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#### Facility Filed

The Board has filed with the SEC a plan for the collection and dissemination of official disclosures about municipal securities issues in the secondary market.

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#### Facility Filed

The Board's proposed MSIL™ system would collect, store and make available on paper and computer tape, official statements and advance refunding documents.

- **Delivery of Advance Refunding Documents to the Board** ..... p. 15

#### Amendments Filed: Rules G-36 and G-8

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

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### IMPORTANT !

Rule G-36, on delivery by underwriters of two copies of official statements to the Board became effective on July 1 for securities sold on or after July 1. The amendments will become effective on August 30 for all issues sold from January 1, 1990 to July 1. For details, see pages 25 through 30 of this issue.

## Staff Contacts at MSRB

The following persons may be contacted at the MSRB's offices at 1818 N Street, NW, Suite 800 Washington, DC 20036-2491, telephone (202) 223-9347, to answer questions about the application of Board rules to the subjects listed under their names below:

### The Board

**Christopher A. Taylor, Executive Director**—Board administration, press inquiries.

**Gloria H. Bunting, Comptroller**—annual fees, underwriter assessment fees.

### Dealer Practices/Legal

**Diane G. Klinke, General Counsel**—advertising, close-outs, confirmations, fair practice, financial advisors, pricing, suitability, supervision, syndicate practices, recordkeeping.

**Harold L. Johnson, Deputy General Counsel**—calculations, clearance and settlement, close-outs, confirmations, operations, recordkeeping.

**Jill C. Finder, Assistant General Counsel**—fair practice, operations.

**Ronald W. Smith, Legal Assistant**—fair practice, financial advisors, suitability, supervision.

### The Municipal Securities Information Library System

**Thomas A. Hutton, Director of MSIL**—delivery of official statements to the Board, the MSIL system, public access facility.

**Harold L. Johnson, Deputy General Counsel**—the MSIL system.

**Diane G. Klinke, General Counsel**—delivery of official statements to the Board, public access facility.

### Arbitration

**James McCabe, Director of Arbitration**—arbitration procedures, case management.

**Denise P. Person, Arbitration Administrator**—arbitration procedures, case management.

### Professional Qualifications

**Peter H. Murray, Assistant Executive Director**—Board forms, Board registration, grandfathering, representative and principal examinations.

**Ronald W. Smith, Legal Assistant**—Board forms, Board registration, grandfathering, representative and principal examinations.

### Publications

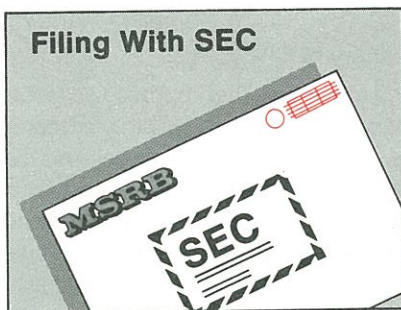
**Mary C. McQuilliams, Office Supervisor**—publication orders.

**Loretta J. Rollins, Office Assistant**—publication orders.

## Calendar

- July 1** — Effective date of G-36 on delivery of official statements for issues sold on or after July 1 to the Board
- July 1** — Effective date of revisions to principal exam
- July 16** — Effective date of G-27 and G-9 on supervision requirements
- August 30** — Effective date of G-36 on delivery of official statements for issues sold from January 1, 1990 to July 1 to the Board
- Pending** — MSIL CDI/ES system  
— MSIL OS/ARD system  
— G-36 on delivery of advance refunding documents to Board





**Route to:**

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

## Continuing Disclosure Information/ Electronic Submission System

### Facility Filed

The Board has filed with the SEC a plan for an electronic system for the collection and dissemination of official disclosures about municipal securities issues in the secondary market. The proposed system would:

- accept disclosures voluntarily made by issuers and trustees in specified electronic formats;
- electronically disseminate those disclosures to all system subscribers simultaneously, within minutes after the disclosure is released by the issuer or trustee; and
- recoup the operational costs of the system from fees paid by subscribers.

On June 22, 1990, the Board filed with the Securities and Exchange Commission a proposed facility to accept and to disseminate disclosures made by issuers and trustees concerning municipal securities issues in the secondary market. The proposed system is called the "CONTINUING DISCLOSURE INFORMATION/ELECTRONIC SUBMISSION" system (the "CDI/ES system").<sup>1</sup> The facility will not be operational until it is approved by the Commission. The Board requested that the Commission approve the proposed rule change by October 1, 1990, at which time the Board believes that the system can be ready for operation. The request for approval by this date is based on the Board's observation of problems relating to investor protection which currently exist because of the unavailability of certain types of disclosure information in the

market. The Board believes that the proposed facility will help to address those problems.

### Background

In the course of its rulemaking activities, the Board has observed a critical need for improved access to information about municipal securities bought and sold in the secondary market. In particular, the Board has observed that market participants often do not have access to official disclosure documents that have been prepared by issuers and trustees during the life of the an issue ("Continuing Disclosure Information" or "CDI").

Examples of CDI include periodic financial reports prepared by issuers, reflecting the credit quality of the issuer's outstanding securities. Other types of CDI may be provided by the trustee for an issue. The security for many outstanding issues is structured around revenue from specific sources or specific assets (e.g., a hospital, a retirement center, a housing project). Trustees for these "structured" issues sometimes generate CDI in the form of notices or reports which relate to the financial status of these issues and the likelihood of the issue defaulting or being redeemed early.

Board rules require dealers to explain to a potential customer all material facts about a proposed transaction,<sup>2</sup> to recommend the transaction to the customer only if it is suitable for the customer,<sup>3</sup> and to price the transaction correctly.<sup>4</sup> These requirements are for the protection of customers and are similar or identical to the requirements placed on dealers in other securities markets. It has become apparent to the Board that, in today's market, access to CDI is necessary for dealers to determine the material facts about a transaction, to determine if

**Questions about this notice may be directed to  
Harold L. Johnson, Deputy General Counsel.**

<sup>1</sup> SEC File No. SR-MSRB-90-4. Comments filed with the Commission should refer to the file number and should be addressed to Jonathan G. Katz, Secretary, U.S. Securities and Exchange Commission, 450 5th Street, N.W., Washington, D.C. 20549.

<sup>2</sup> Rule G-17.

<sup>3</sup> Rule G-19.

<sup>4</sup> Rule G-30.



a transaction is suitable for a specific customer, and to price the transaction correctly. The Board believes that, in many cases, lack of ready access to CDI is preventing dealers from fully satisfying their investor protection obligations under Board rules.

As an example of a typical problem, trustees currently produce notices, sometimes called "pre-default" notices, which are designed to inform bondholders of certain facts that are within the direct knowledge of the trustee, e.g., that a reserve fund has been invaded by the trustee. The events described in these notices, once known by the market, may significantly affect the price of the issue. However, the notices often are made available exclusively to bondholders, providing an opportunity for bondholders to sell the securities before the information reaches the market. The market may not become aware of the existence of the notices until weeks or even months after the trustee has provided the information to bondholders. Dealers who are buying and selling the securities during this time may not be providing their customers with the full disclosures required by Board rules. Similar situations may occur when an issuer makes known its intent to pre-refund one of its outstanding issues.

#### **ABA Activities**

In August 1989, the Board wrote the American Bankers Association (ABA) regarding the Board's market regulation concerns stemming from trustee disclosure practices. In October 1989, representatives of the ABA informed the Board that their organization was engaged in efforts to establish voluntary guidelines for trustee disclosure. The ABA noted the need for a central repository to accept trustee disclosure notices and to provide the notices to the market. In January 1990, the Board stated that providing this capability would be an immediate priority for the Board. The ABA continued its work on guidelines for trustees and, in May 1990, Board representatives attended an ABA-sponsored drafting meeting on the guidelines. These meetings included representatives from a number of issuer groups, the National Association of Bond Lawyers (NABL), the Public Securities Association, rating agencies, and other groups. After considering comments offered at this meeting, the ABA, in June 1990, released "Proposed Disclosure Guidelines for Corporate Trustees," for comment (ABA Draft Guidelines).<sup>5</sup>

The ABA Draft Guidelines are designed to assist trustees in determining the content and timing of various types of disclosures on a voluntary basis. The intent of the Draft Guidelines is to ensure that appropriate disclosure notices are made available to the entire market. The Draft Guidelines state that the establishment of a central repository to receive CDI should be mandated by legislative or regulatory action.

#### **Need for Central Repository of CDI**

As noted above, the Board believes that improved access to CDI is necessary so that dealers can comply with the Board's investor protection rules. In addition, the Board believes that this will enhance the integrity and efficiency of the market. Lack of access to CDI not only creates problems in specific transactions, but also creates general inefficiency in the market. Market participants who are aware that their transactions may be based on incomplete or erroneous information necessarily take that fact into account when making bids and offers on municipal securities, thereby eroding the accurate pricing of those securities and the general efficiency of the market.

Finally, the Board believes that the existence of a central repository for CDI, by providing a neutral, fair and timely dissemination mechanism for disclosure information, would not only increase the availability of the CDI currently produced, but also would spur voluntary efforts in the municipal securities market to improve the content and timing of CDI. As evidenced by the ABA efforts, the existence of a central repository, which provides a neutral, fair and timely dissemination mechanism for disclosure information, will encourage production of CDI by issuers and trustees and will facilitate voluntary efforts to address the information problems that continue to exist in the municipal securities market.

#### **CDI/ES System**

Based upon the considerations above, the Board has determined that it should establish a central facility to accept voluntary submissions of CDI from issuers and trustees and to provide those disclosures to any interested party in a manner that will ensure accurate, quick and fair access. Because CDI may have an immediate effect on the market price of securities, the Board believes that it is important for a system to exist which can disseminate information within minutes of its receipt. In addition, it is important for any system operated by the Board to provide total accuracy in reproducing information. These requirements have led the Board to conclude that a system for electronic submission and dissemination of the CDI is required. The Board therefore is proposing to establish and operate the CDI/ES system to accomplish these objectives.

#### **Relationship to MSIL System**

The Board plans to operate the CDI/ES system as part of the Board's planned MUNICIPAL SECURITIES INFORMATION LIBRARY™, or MSIL™, system.<sup>6</sup> The MSIL system includes the OFFICIAL STATEMENT/ADVANCE REFUNDING DOCUMENT system (OS/ARD system).<sup>7</sup> The OS/ARD system will accept and electronically record paper copies of official statements and advance refunding documents. The OS/ARD system will

<sup>5</sup> The ABA Draft Guidelines are reprinted on pages 31 through 34 of this issue.

<sup>6</sup> MUNICIPAL SECURITIES INFORMATION LIBRARY and MSIL are trademarks of the Board. The MSIL system was filed with the Commission on June 22, 1990 (File No. SR-MSRB-90-2).

<sup>7</sup> The Board's general plan for the MSIL system and the OS/ARD system is discussed on pages 7 through 14 of this issue.



disseminate those documents electronically and on paper, with the purpose of increasing the availability of descriptive information on municipal securities issues. The CDI/ES system will accept only electronic submissions. The Board later may develop plans to accept paper submissions of certain types of CDI or electronic submissions of official statements and advance refunding documents.

CDI will be offered from the CDI/ES system only in electronic format because of the time-sensitive nature of the documents. The Board expects that private information vendors will be actively engaged in disseminating CDI obtained from the CDI/ES system and that these information vendors will provide individual market participants and end users with a variety of services, including services which convert CDI to paper form for end users.

The following is an explanation of the operation of the CDI/ES system.

### **Use of System to Make Disclosures**

Any use of the CDI/ES system would be completely voluntary on the part of the information provider. During the initial operations phase, input to the CDI/ES system would be limited to issuers and trustees (CDI providers). If parties other than issuers or trustees seek to become CDI providers, the Board will consider the appropriate policies and procedures to determine whether such sources are authorized by the issuer of the securities to provide official documents with respect to an issue.

Prior to accepting CDI from any source, CDI/ES personnel will establish a CDI provider file which includes the name of the organization, the person or persons responsible for the CDI and certain other information, including telephone numbers of the responsible persons. Procedures followed by CDI/ES personnel will ensure that any person seeking to establish a CDI provider file, in fact, does represent an issuer or trustee of municipal securities issues.

Once the authenticity of the CDI provider is established, a file will be created in the CDI/ES system for that information provider. The CDI provider will be given a password and telephone number that will allow access to the input side of the CDI/ES system. The CDI provider then can input information using established input procedures. Use of CDI/ES to input information will, as described below, require the CDI/ES provider to have access to a personal computer, modem and certain software. CDI/ES personnel will work with the CDI provider to ensure that the system can be readily used.

There would be no charge to issuers or trustees to use the CDI/ES system to make disclosures. As discussed below, the Board will assess fees from persons receiving information from the system.

In its initial operations phase, the CDI/ES system will accept short (one to three pages) textual disclosure documents (disclosure notices) that may be of immediate interest to the market. An example would be an issuer's intent to pre-refund an issue. The system also is being designed to accept standardized

electronic files of information as may be generated by commercially available electronic spreadsheet programs (electronic files). This capability may be added during the initial operations phase. An issuer's financial reports, for example, may be put in this form. The technical specifications and certain other format standards for electronic files would have to be established prior to incorporation in the system. This would be necessary to ensure that the system can process the files accurately and to ensure that recipients of the files are able to use them properly. The Board will work with issuers, trustees and their organizations to arrive at formats of electronic files that can be accepted and disseminated by the CDI/ES system. The Board will focus on inclusion of electronic files that meet uniform formats arrived at by issuer and trustee organizations.

Bank trustees would be able to use the system to disseminate disclosure notices that market participants sometimes refer to as "pre-default notices." By disseminating the notices through the proposed CDI/ES system, trustees will be able to ensure that all market participants have equal access to the same information at the same time and reduce the possibility that their release of information will cause inequities in the market.

After the initial operations phase, the Board also may expand the system to incorporate longer, more complex textual documents, which include charts and tables and images. Analysis and development of this system enhancement will proceed during the initial operations phase.

### **Input Procedures**

The CDI/ES input procedures provide that CDI will be "echoed back" to the CDI provider to verify that the information received is an exact electronic copy of the information which an authorized CDI provider wishes to disseminate. The planned input procedures are described below.

- The CDI provider enters the CDI into a personal computer at the CDI provider's office. The CDI provider will use special, public domain software (provided by the Board free or at nominal cost) to convert the notice into an electronic format that can be accepted and disseminated by the system. The software will prompt the CDI provider to include information with the notice which identifies the CDI provider and the issue to which the CDI relates. This will include CUSIP numbers. Using a commercially available computer modem (approximate cost \$200 to \$500), the CDI provider dials the CDI/ES input telephone number, enters a password or personal identifying number, and sends the disclosure notice to the CDI/ES system. A two page notice should take several seconds to send. (The modem need not be dedicated to CDI/ES use.)
- CDI/ES system personnel receive the CDI over a personal computer, index the CDI, and assign a unique control number to it. The CDI is then printed out in hard copy form, with the identifying information and control number printed on it.
- CDI/ES system personnel telefax the hard-copy notice, with



control number, to a telefax number which the CDI provider previously has provided and which is contained in the CDI provider file. (This and the preceding step may be further automated by use of the modem to "echo back" the CDI to the CDI provider.)

- The CDI provider reviews the telefaxed CDI. If the notice is correct, the CDI provider uses the modem to provide the control number and his password.
- Upon receipt of the control number from the CDI provider, CDI/ES personnel have established that the CDI came from a legitimate source, is an accurate copy of the CDI which the provider intended to release, and is ready for dissemination. CDI/ES personnel then release the CDI to the output side of the system, where it is immediately ready for electronic dissemination to persons who have requested this service. The system will be designed so that the time period between authorization of release and dissemination is a maximum of a few minutes.

### Dissemination of Information

The Board will operate the output side of the CDI/ES system to ensure that the information is available in a fair and non-discriminatory manner to all interested parties who wish to subscribe to the service. This service will be provided via a modem-to-modem telephone link with the subscriber. It is anticipated that the time-critical nature of the information will require subscribers to have dedicated telephone lines and modems at the CDI/ES facility to ensure immediate receipt of information. CDI would be sent simultaneously to each subscriber. As with all MSIL system services, this service would be available, on equal terms, to any party who requests it.

The Board believes that the parties interested in subscribing to the CDI/ES service will include information vendors who wish to resell the CDI through their own distribution networks. The Board also is looking at means to ensure that CDI/ES information is made available on computer network services that serve the general public as well as through information vendors specializing in the municipal securities market.

CDI will be stored by the CDI/ES system for three months. This will accommodate subscribers who may have missed transmission of the data due to technical problems. The Board also intends to index and archive the notices in the MSIL system for the life of the issue.

The CDI/ES system will be available to accept and disseminate CDI on business days on which the Board's offices are open (generally all business days except for federal holidays). The hours of operation will be from 9:00 a.m. Eastern Time until 4:30 p.m. Eastern Time.

### Principles for Operation of the CDI/ES System

In August 1989, the Board announced the guiding principles for design and operation of a repository of official statements

and advance refunding documents.<sup>8</sup> The Board will operate the CDI/ES system consistent with those guiding principles, as made applicable to CDI. The guiding principles for the CDI/ES system are:

1. The purpose of the CDI/ES system is to collect, electronically store and disseminate CDI for municipal securities issues to improve accessibility of information about municipal securities.

2. The CDI/ES system will be planned and operated in a manner that will provide equal access to documents 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.

3. The Board will encourage and facilitate the development of information dissemination services by private vendors, but the CDI/ES system will be planned and operated in a manner to preserve its flexibility to meet additional information needs, beyond electronic dissemination of CDI, 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.

4. The CDI/ES system 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.

In addition, the Board's operation of the facility will be subject to several important legal and policy constraints:

1. The Board has no statutory authority to regulate the content of disclosure by municipal securities issuers or trustees or to require these parties to submit CDI to the system.

2. The CDI/ES system will not alter the substance of the CDI received or summarize the submissions.

3. The CDI/ES system will not store or transmit documents in any way that would be likely to introduce errors into the data.

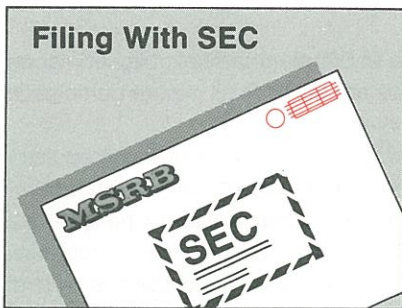
### Costs and Fees for Use of the System

Although Board funds will be expended to initiate the project, the Board intends that the operational costs of the CDI/ES system ultimately will be supported entirely from yearly subscription fees paid by persons who receive information from the system. The Board anticipates that operational costs will be in the range of \$100,000 per year or less. The Board plans to begin with an annual subscription fee of \$5,000 and to review costs and fees annually thereafter. The Board does not intend or expect to operate the CDI/ES system to generate net revenues for the Board. During its annual review of fees, the Board will adjust subscription fees in accordance with this principle.

July 2, 1990

<sup>8</sup> MSRB Reports, Vol. 9, No. 2 (August 1989), at 3.





**Route to:**

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

## Municipal Securities Information Library™ System

### Facility Filed

The Board's system would provide for a facility that will collect, store and make available on paper and computer tape, official statements and advance refunding documents.

On June 22, 1990, the Board filed with the Securities and Exchange Commission its plan for a facility that will collect, store and make available on paper and computer tape, official statements and advance refunding documents. This facility, the Official Statement and Advance Refunding Document –Paper Submission (OS/ARD) system of the Municipal Securities Information Library™ (MSIL™) system<sup>1</sup> will provide market participants and information vendors with better access to more information regarding the description of municipal securities and the issuers of these securities. The Board believes that the MSIL system will increase the efficiency and fairness of the municipal securities market and protect investors and the public interest. This increased market efficiency should result in lower costs for issuers in the primary market and fairer prices in the secondary market reflecting all available information about the issue.<sup>2</sup>

The Board has asked the Commission to approve this facility by October 1, 1990, because, at that time, the Board hopes to begin the final phase of its development of the OS/ARD system during which it plans to choose one of the proposals from potential service providers for operation of the system. The MSIL system can begin operation within six months of Commission approval.

### Introduction

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. The municipal securities market is quite diverse. At year-end 1989, there were approximately 1.1 million outstanding issues comprising \$740 billion in state and local government debt (excluding short-term notes). In 1989 alone, about 8,500 issues comprising \$122.5 billion in state and local debt were issued. These issues include not only general obligation bonds, but revenue and conduit bonds as well. The features of many municipal securities have become quite complex. There are a wide variety of call provisions that operate under specified conditions. In addition, put provisions often contain preconditions which the holder must satisfy prior to exercising the put. The credit structures of these securities, particularly revenue and conduit bonds, also can be complex.

Board rules require dealers to explain to a potential customer all material facts about a proposed transaction,<sup>3</sup> to recommend the transaction to the customer only if it is suitable for the customer<sup>4</sup> and to price the transaction correctly.<sup>5</sup> These requirements are for the protection of customers and are similar or identical to the requirements placed on dealers in other securities markets. However, it has become clear that dealers do not always have ready access to information on municipal securities necessary for them to meet these standards. Such information includes the official statement or OS (the only document which provides a complete, official description of the terms of the security which applies for the up to 40 year life of the security); advance refunding documents or ARDs (information regarding a change in the credit of the security brought about by

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

<sup>1</sup> MUNICIPAL SECURITIES INFORMATION LIBRARY and MSIL are trademarks of the Board.

<sup>2</sup> SEC File No. SR-MSRB-90-2. Comments filed with the Commission should refer to the file number and should be addressed to Jonathan G. Katz, Secretary, U.S. Securities and Exchange Commission, 450 5th Street, N.W., Washington, D.C. 20549.

<sup>3</sup> Rule G-17.

<sup>4</sup> Rule G-19.

<sup>5</sup> Rule G-30.



an advance refunding) and continuing disclosure information or CDI (secondary market information regarding the securities or the credit of the issuer, such as an issuer's annual financial report or a trustee's report on the status of a structured financing).

Information about municipal securities exists. Under SEC Rule 15c2-12, issuers must prepare an OS for most issues over \$1 million. OSs also generally are voluntarily prepared for many issues under \$1 million.<sup>6</sup> In addition, in recent years, more issuers are following the suggestions of issuer and analyst groups and providing CDI.<sup>7</sup> Finally, as noted above, trustees, pursuant to trust indentures for municipal securities issues, provide information to bondholders on the status of structured issues.

Such information, however, is not being made available to the market in any organized manner. Municipal securities are exempt from any Commission filing requirement. Thus, there is no central location containing a complete set of disclosure documents. Rule G-36 will enable the Board to collect OSs for most issues. They are available, however, only for review and copying in the Board's public access facility. OSs for issues subject to SEC Rule 15c2-12 also are being provided by underwriters to Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) in order to limit the period of time after the end of the underwriting period underwriters must provide the information to potential customers. However, Rule 15c2-12 does not apply to issues under \$1 million or certain private placements and short-term issues. Also, each NRMSIR does not necessarily have a complete set of OSs because underwriters may provide OSs to any of the three current NRMSIRs and there is no linkage among them. In addition, there is currently no central source of ARDs or CDI.<sup>8</sup> Finally, trustees often provide notices on the status of issues exclusively to bondholders, creating an opportunity for bondholders to buy or sell in advance of the news reaching the market.<sup>9</sup>

The Board believes that improved access to information about municipal securities is important to the municipal securities 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. When information is not readily available to the market, issuers may have to pay more in order to sell their securities. So too, in the secondary market, bonds are being priced on incomplete information. It is just as important to ensure a fair price to a customer purchasing a \$5,000 retirement home bond from a \$900,000 issue as it is to

a customer purchasing a \$5,000 state general obligation bond. Such market inefficiencies are costly to all market participants—issuers, dealers, and investors.

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, dealers, 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 address factors which affect the integrity and efficiency of the market. The Board has seen that market inefficiencies and other disclosure problems often result when market participants do not have ready access to official information about municipal securities issues.

The Board believes that the municipal securities market needs a central facility through which important information regarding municipal securities and their issuers is made more readily available to market participants and information vendors. Thus, the Board plans to establish and operate the Official Statement and Advance Refunding Document—Paper Submission system (OS/ARD) of the MUNICIPAL SECURITIES INFORMATION LIBRARY system or MSIL system to provide market participants and information vendors with better access to more information regarding the description of municipal securities and the issuers of these securities. The Board believes that the MSIL system will increase the efficiency and fairness of the municipal securities market and protect investors and the public interest. This increased market efficiency should result in lower costs for issuers in the primary market and fairer prices in the secondary market reflecting all available official information about the issue.

The Board, pursuant to rule G-36, currently collects and stores OSs for most municipal securities issues in paper form. In addition, the Board plans to add other documents in paper form to the MSIL system—ARDs provided by underwriters<sup>10</sup> and CDI voluntarily provided by issuers and their agents.<sup>11</sup> Thus, complete up-to-date information on municipal securities will be available from a central source. The Board's role in the MSIL system will be analogous to the SEC's role in collecting, storing, and providing access to corporate securities documents. However, it is important to emphasize that all CDI will be

<sup>6</sup> Pursuant to Board rule G-32, dealers must deliver a copy of the final OS to new issue customers by settlement.

<sup>7</sup> See, Government Finance Officer's Association, *Disclosure Guidelines for State and Local Government Securities* (January 1988); National Federation of Municipal Analysts, *Disclosure Handbook for Municipal Securities* (January 1990); and National Council of State Housing Agencies, *Quarterly Reporting Format for Housing Bonds*.

<sup>8</sup> See, Municipal Disclosure Task Force Report of the National Association of Auditors, Comptrollers and Treasurers (May 25, 1990).

<sup>9</sup> In response to this problem, the American Bankers Association has proposed *Draft Voluntary Disclosure Guidelines for Corporate Trustees* that seek to ensure more timely dissemination of information to the municipal securities market.

<sup>10</sup> In File No. SR-MSRB-90-3, the Board has filed with the SEC an amendment to rule G-36 to require underwriters to provide certain ARDs (*i.e.*, escrow agreements) to the Board.

<sup>11</sup> The Board intends to develop its plans to accept paper copies of CDI voluntarily provided by issuers once the OS/ARD system is operational.



provided voluntarily to the MSIL system.

Through its public access facility, any interested party may review and copy OSs at the Board's offices. The OSs are available within one business day of receipt by the Board. Because of the limited accessibility the Board's public access facility provides and because of the inefficiencies of storing paper or microfilm/microfiche documents, the Board plans to store these documents (along with ARDs and CDI) electronically. The Board also plans, through the MSIL system, to make these documents available on paper and computer tape. The users of the MSIL system will be value-added resellers, municipal securities professionals and individual members of the public. The MSIL system is intended to foster "value-added" information products. Vendors will be able to resell the whole documents and/or information from those documents (e.g., extracts, summaries) in any format the vendor chooses (e.g., paper, CD-ROM, optical disks). The daily tape can be translated into character-coded form to allow for computerized text searches of documents (as one vendor has proposed to do). Demand for new products will occur as market participants seek to ensure that they have full access to the information found in the MSIL system database and will be shaped by availability of documents in electronic format.

The Board does not intend, through its MSIL system, to be the sole source of information regarding municipal securities or to provide value-added services; rather it seeks to broaden access to existing public information through a variety of channels that are responsive to the needs of market participants. In this regard, the Board welcomes the plans of other groups to develop or serve as collectors and disseminators of municipal securities information. The Board does not believe that its efforts will inhibit the efforts of these groups to increase the availability of municipal securities information. In fact, the Board believes that the MSIL system will assist others in their important information collection and dissemination activities because of the completeness of the information in the MSIL system and its easy accessibility in a useful format.

The Board believes that it is imperative that the MSIL system start providing access to municipal securities information as soon as possible. Within approximately six months of Commission approval, the MSIL system can begin operation.<sup>12</sup>

### System Objectives and Overview

The MSIL system will be planned and operated under four guiding principles which define its scope and intent.

1. The purpose of the MSIL system is to collect, electronically store, and make available OSs and ARDs for municipal securities issues to improve accessibility of information about municipal securities.
2. The MSIL system will be planned and operated in a manner that will provide equal access to documents 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.

3. The Board will encourage and facilitate the development of information dissemination services by private vendors, but the MSIL system will be planned and operated in a manner to preserve its flexibility to meet additional information needs, beyond dissemination of OSs and ARDs, 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.

4. The MSIL system 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 Board's operation of the facility will be subject to several important legal and policy constraints:

1. The Board has no statutory authority to regulate the content or format of disclosure by municipal securities issuers.
2. It will not alter the substance of the documents or summarize the submissions.
3. It will not store or transmit documents in any way that would be likely to introduce errors into the data.

These restrictions require that the MSIL system be capable of accepting paper copies of OSs and ARDs, in any format, and of producing exact paper copies of these documents, upon request. The Board has concluded, after receiving the advice of its technical advisor, the MITRE Corporation, that electronic document storage by use of the digital imaging process is the best method of meeting these requirements while, at the same time, offering the best means for inexpensive long-term storage of and easy access to the documents. Electronic storage is far superior to that of paper or microfilm/microfiche. The digital imaging process is now used by many companies and government agencies for efficient storage, access and reproduction of paper documents.<sup>13</sup> The MSIL system can be expanded and improved to facilitate the purposes of the MSIL system and the guiding principles. In the system, the paper source documents submitted will be converted to digitized electronic images which can be used to print a faithful copy of the original. Two initial outputs will be produced: single printed copies of OSs and ARDs and a magnetic tape containing all documents imaged in one day.

The central computer index, discussed below, and the imaging technology have been designed to include the possibility of accepting paper copies of CDI, such as annual financial reports, submitted on a voluntary basis. The systems regarding CDI also will be operated according to the Board's guiding principles. As noted previously, the Board will begin develop-

<sup>12</sup> The Board suspended its contracting schedule to await Commission approval of the MSIL system. Prior to the suspension, the Board received a number of bids from service providers.

<sup>13</sup> For example, copies of individual American Express charges are imaged and reprinted for inclusion with the monthly bill.



ing its plan for accepting voluntary submissions of paper CDI, and pricing related output, soon after the OS/ARD system is operational. This plan will be filed with the Commission for its review and approval.

The Board also intends to move rapidly to implement the capability to accept voluntary submissions of, and to provide access to, electronic submissions of certain CDI.<sup>14</sup> Electronic submissions would be more efficient to accept, store and process than paper documents and would be in a better format for manipulation, transmission and production of derived information products by value-added resellers. Of course, the MSIL system always will accept paper copies of OSs, ARDs and CDI.

### Computer Index

The MSIL system computer index will be developed to ensure that all documents received by the Board will be tracked efficiently and accessed quickly. In addition, because a number of documents may relate to the same issue (e.g., an OS, ARD and CDI), the computer index also must record relationships between documents. The basic concept is that of an electronic "file folder"—all documents pertaining to an issue will be related through the index. This will facilitate the identification of documents which relate to specific issues.

The computer index will, of necessity, be complex. While it will be based on the CUSIP numbering system, these numbers can change over time. Also, there are numerous relationships between documents (e.g., CDI must be related to a particular issue and that issue's other documents) and documents may relate to one or more than one issue (e.g., refunded and refunding issues). The MSIL system computer index, however, will provide the necessary means for the Board to identify documents in a comprehensive and complete storage and access facility.

### System Operations

The MSIL system will be composed of subsystems which capture and disseminate documents, as well as administer the system. In the document capture subsystem, the source documents will be received, indexed, scanned, quality checked and stored. A computer index database will be built using information from the documents themselves, the Board's Form G-36 (provided by underwriters pursuant to rule G-36), and issue identification data from the CUSIP Service Bureau. Within three business days of receipt of each new issue document, the system will have completed its processing and will make the document available in both tape and paper form. The document capture subsystem will accept current OSs and ARDs at the rate they are submitted to the MSIL system. The rate of production of these documents varies from year to year. For purposes of sizing the system, the Board used an annual estimate of 10,000 OSs and 3,000 ARDs. A backlog of OSs and

ARDs produced since January 1, 1990, also will be entered. These documents, in addition to historic OSs and ARDs, if made available, will be used to maintain a level daily workload. Based on these factors, the system has been designed to accommodate easily an annual processing rate of one million pages. The priorities for entering documents into the system will be (1) new issue documents; (2) the back-log of documents from January 1, 1990 received pursuant to rule G-36; and (3) certain other OSs and ARDs which have been made available. Thus, the Board expects that new issue documents generally will be processed in the MSIL system and available on the daily tape and by request within three days of receipt and, in most cases, probably earlier. Of course, documents received by the Board will be available at its public access facility within one business day of receipt.

MSIL quality standards are intended to ensure that every document page is imaged and that the printed version is as legible as the original. Exception procedures will apply to problematic pages of documents containing poorly printed text, foldouts, the use of color, and grey or halftone artwork. In general, the imaging technology employed will store any information contained on a page with the same degree of accuracy as a high-quality photocopying machine. Paper copies of inputted documents will be retained for one year, then discarded.

The dissemination subsystem will produce a tape output with images on a daily basis and the printed document copies on request. The daily tape will contain an index of the documents included. The dissemination subsystem will include capabilities to search the computer index database to support system operators in filling individual requests for documents and to support the Board's needs for system management information. Printed documents produced in response to individual requests received by 2:30 p.m. each business day will be mailed, express mailed or made available at the MSIL system the same day. The daily tape that includes documents made available during the day will be produced by the close of business the same day. The MSIL system customer service operation will be operated from at least 9:00 a.m. Eastern time to 4:30 p.m. Eastern time, the same hours of operation of the Board's public access facility.

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

### Pricing

In planning the MSIL system, the Board believed that the average annual cost of contracting with a service provider for this facility would be \$.01 or less per \$1,000 par value of the

<sup>14</sup> In a separate filing with the Commission (File No. SR-MSRB-90-4), the Board has proposed a system to electronically receive and disseminate CDI (the CDI/ES system). The Board also will examine the possibility of collecting electronic submissions of all or part of OSs and ARDs and paper submission of CDI. The Board plans for the MSIL system to include a complete and comprehensive computerized index of all documents related to an issue in both systems.



bond based on current bond volume. The MITRE Corporation provided estimates to the Board that ranged between \$700,000 and \$1 million, depending on the volume of documents that were processed.

The Board has received a number of bids in response to its request for proposal. Some bids were above and some below these estimates. Since the Board will be negotiating with the potential service providers, it is not in a position to provide further details. However, based on the bids, the Board believes that these estimates are correct.

The Board plans to use general revenues of the Board for the collecting, indexing, and storing costs of MSIL system documents. The costs of providing paper copies and the daily tape will be paid for by user fees. This is consistent with the Commission's policy to require that SRO fees be based on the expenses it incurs in providing the information, *i.e.*, cost-based.<sup>15</sup> The Board believes that this dissemination cost-based pricing plan is in the public interest because it will ensure that a complete collection of important municipal securities information will be available, at a fair price, for the life of the municipal securities.

Based on the information currently available to the Board, the Board believes that it will charge approximately \$15.00 for a paper copy of an OS or an ARD. The daily tape will be provided on an annual subscription basis of approximately \$12,000. Postage or delivery fees also will be added to the tape or document price. Based on an average of 25 documents per daily tape, this will result in a per document cost of less than \$2.00 per OS or ARD. The Board will review the MSIL system prices annually to ensure that the MSIL system dissemination costs are paid for from user fees. The Board does not expect to make a profit from the MSIL system.

Upon the Commission's approval of the MSIL system, the Board believes that a \$.01 fee increase (bringing the total fee to \$.03 per \$1,000 par value of municipal securities underwritten) will be necessary to cover MSIL system expenses. The Board does not foresee additional fee increases based on MSIL system expenses. Any further enhancements should be self-supporting.

### Competition

The Board does not believe that the MSIL system would impose any burden on competition. The barriers to entry for municipal securities information vendors traditionally have been high because of the costs involved in locating official documents from hundreds of dealers and thousands of issuers, and receiving, sorting, storing, and processing these paper documents in a timely fashion. These factors help to explain why the municipal securities market has few of the information products that are commonplace in the corporate securities market. The MSIL system is pro-competitive because it will offer

potential and existing vendors, for the first time, an inexpensive and comprehensive source for official documents. This will dramatically lower the cost of entering this information market and the cost of providing new and existing products. While existing vendors may not welcome increased competition by other vendors, documents in the MSIL system are important public documents containing vital information regarding municipal securities and their issuers. The Board's role is not to compete with vendors or to protect existing vendors from competition with other vendors but to act to increase market efficiency and investor protection.

The Board encourages information vendors to disseminate information acquired from the MSIL system. The Board believes that the creation of the MSIL system will not impose any burden on competition among such information vendors or between the Board and such vendors because, as noted by the Board in its guiding principles, the Board will operate the facility in a manner that: (1) will provide equal access to documents to any person; (2) will not confer special or unfair economic benefit to any person; and (3) will encourage and facilitate the development of information dissemination services by private vendors. By providing information vendors with a comprehensive collection of documents in electronic form at a fair and reasonable price, the MSIL system will encourage the dissemination of OSs and ARDs, as well as the creation of new municipal securities information products. This may well increase the number of vendors providing such products.

Certain commentators have stated that the MSIL system, in effect, could give the Board a monopoly in the sale of certain documents and thus negatively impact those entities involved in the sale of such documents. The Board strongly disagrees with such characterizations. The information available in the MSIL system is public information available from issuers, underwriters, and others. The Board's system will be a central access location for much of this information, and the entire database will be made available in both paper and electronic form at a fair and reasonable price. Re-dissemination of the documents and the information therein will not only be permitted but encouraged. No "monopoly" of information can exist if it is freely available on this basis. In addition, the MSIL system will not become a "bottleneck" for such information because all documents will be made available within one business day of receipt in the Board's public access facility and within three business days of receipt electronically and by paper, upon request.

As noted above in the section on pricing, the Board currently plans to charge more than NRMSIRs currently charge for paper copies of OSs. Thus, the Board believes that it will not be competing with vendors in the sale of paper OSs because its "market" for paper OSs will be only those persons who are not able to obtain the document from other entities. Because of the

<sup>15</sup> See *e.g.*, Securities Exchange Act Rel. No. 20874 (April 17, 1984) *aff'd*, *NASD v. SEC*, 801 F.2d 1415 (D.C. Cir 1986). This "cost-based" concept applies when an SRO is competing with private-sector information vendors. The Board does not believe that the MSIL system is competing with any such vendors. It has determined, however, to use this cost-based approach because it should result in a fair price for MSIL system services.



\$12,000 annual subscription rate for the daily tape containing all OSs and ARDs for that year, vendors should be able to keep their own prices low for the sale of documents and other information services. The Board believes that the subscription rate represents an amount less than the amount necessary for a typical vendor to collect the documents and to ensure that all documents are received, even with the existence of the Board's public access facility. In addition, over the long-term, electronic storage of this information, on tape, will be at a lower cost than storage in paper form.

In addition, the Board does not plan to offer any "value-added" services. The daily tape will be a series of "imaged" documents provided in the order in which the documents are received by the Board. Because of this and the computer storage requirements of imaged format, it is unlikely that end users generally will turn to this format in preference to the formats that can be offered by private vendors. This leaves ample room for vendors to market a variety of products to customers. One vendor has announced a product (a CD-ROM Service) that it indicates may be derived directly from the daily tape. This service would be in a "character coded" format which is more commonly used by end users of electronic data and which, unlike "imaged" format, allows computerized text searches. As noted previously, no vendor currently supplies OSs in an imaged form so there is no competitive impact on Board activities in this area.

The Board wishes to emphasize that OSs and ARDs are public documents that now are and will continue to be available, upon request, through a number of channels, such as issuers and underwriters. In addition, pursuant to SEC Rule 15c2-12, underwriters wishing to reduce the period of time they must deliver copies of OSs to potential customers can do so only by providing a NRMSIR with a copy of the document. The Board will not seek NRMSIR status to ensure that this benefit to NRMSIRs is not reduced. The Board welcomes and seeks to encourage vendor involvement in disseminating municipal securities information.

### **Summary of Comments**

The Board received 17 comments on the MSIL system.

#### **General Support for or Opposition to Project**

The vast majority of commentators support the MSIL system. For example, seven commentators note the critical need for improved access to information about municipal securities and believe that the MSIL system can address this need. Two commentators are interested in the Board moving ahead quickly to deal with trustee disclosure problems. Two commentators ask that the Board move quickly in voluntarily obtaining CDI from issuers. One investor commentator states that currently the delivery system for CDI is unsatisfactory and must be remedied quickly. One issuer commentator notes that, given the direction of the system, issuers will be able to participate and the MSIL system will assist frequent issuers in terms of pricing

and market growth. The commentator also offers to transmit its latest OS electronically to test such a system. Two commentators state that the Board's MSIL system will enhance the integrity and efficiency of the municipal securities market. Another commentator adds that the MSIL system will assist individual and institutional investors in analyzing and evaluating municipal securities. However, one commentator is concerned that the MSIL system will negatively affect its municipal securities information services and one argues that the Board is moving too fast and using unproven technology to deal with information dissemination problems currently being addressed by NRMSIRs.

#### **Costs**

Three commentators are concerned about the costs of the MSIL system. Cost information has been included in this notice. As noted previously, the Board believes that the MSIL system will increase the efficiency and fairness of the municipal securities market and protect investors and the public interest. This increased market efficiency should result in lower costs for issuers in the primary market and fairer prices in the secondary market reflecting all available official information about the issue. The Board believes that these cost savings more than outweigh the cost of the MSIL system.

While two commentators state that Board prices for the MSIL system services should be competitive with NRMSIRs, the Board believes that the price it will charge for paper copies of OSs will be higher than that currently charged by NRMSIRs. Thus, the Board believes that the MSIL system will service mainly those customers who cannot use the MSIL system tape output or cannot obtain the necessary documents from vendors.

#### **Timely Availability of Information**

Three commentators are concerned that the MSIL system information may not be available quickly enough after receipt by the Board. One commentator states that the documents should be processed within one business day of receipt. Currently, the system plan for OS/ARD is to have documents imaged and indexed within three days of receipt. This parameter was determined by cost considerations. If, for example, 50-75 OSs are received in one day, the extra machinery and personnel required to handle the scanning and indexing of these documents in one day could greatly increase current cost estimates. Allowing three days for this process reduces the necessary personnel and machinery. Of course, during periods when fewer OSs are received at the OS/ARD system, the input process probably could be concluded within one or two days. (Once in the system, a request for a document already scanned and indexed would be processed for same-day or next-day mailing.) In addition, OSs would be available in the Board's public access facility within one business day of receipt.

The Board notes that OSs are public documents which should be available to dealers and customers prior to availabil-



ity from the MSIL system since the system will receive them, pursuant to the requirements of rule G-36, up to two weeks after the date of sale. As one commentator notes, even after the MSIL system is operational, investors still need direct access to issuers and underwriters to obtain securities and issuer information. While the Board views the MSIL system as a central source for such information, since the documents are public, issuers and underwriters should continue to provide information directly to investors whenever possible.

### **Competitive Concerns**

Two commentators are concerned about the competitive implications of the MSIL system in regard to NRMSIRs. In fact, one suggests that the Board sell bulk information only to NRMSIRs since sales to others will hurt its business. However, another commentator notes that the MSIL system will not compete with its information services but, in fact, will help information vendors do their job better because it will ensure that market participants are on a more equal footing in regard to information. One commentator notes that there is still room for private vendors to provide additional value-added information to securities dealers. One commentator states that it is a benefit that the Board, a public body, will provide a central source for the information. It adds that this will help to protect the industry should a private vendor exit the business or possibly become the sole vendor. Two commentators note that a current information service limits access to competitors and state that the MSIL system's equal access approach to information would benefit market participants. As discussed above, the MSIL system will provide very basic services and be operated under guiding principles adopted by the Board which call for equal access by all to the MSIL system information. This will provide vendors with the ability to sell whole documents to the market in the formats and in collections for which there is demand. It also will strongly promote other summary and evaluative information services to the municipal securities market.

### **Technical Issues**

One commentator states that the Board is utilizing a technology that is flexible and adaptable to the rapidly changing communications environment. Another commentator notes that "imaging" will ensure optimum issuer participation while the future goals of electronic transmission and dissemination should assist frequent issuers in terms of pricing and market growth. One commentator states that the technology is too advanced. As noted above, imaging is used extensively as an efficient electronic data storage system.

One commentator suggests that the Board add text search capabilities to the MSIL system. The Board previously decided to use imaging technology and allow value-added resellers to use optical character reading (OCR) to code the information in a manner suitable for text searching. One vendor has announced a service to OCR OSs. As noted previously, OCR does not guarantee 100 percent accuracy of information

—imaging does.

Two commentators ask that the MSIL system information be available on personal computers. Again, this is a value-added service which the Board hopes vendors soon will offer. Two commentators also state that the MSIL system should provide facsimile delivery of documents. Because OSs are, on average, 50-100 page documents, it would not be practical at this time to send such documents by facsimile machine. Again, vendors could provide this service to customers.

### **Comments at Meetings on System Concept**

Three Open Meetings were conducted to explain the System Concept and to solicit comment on it. At each meeting, the background of the project and the System Concept were explained. Members of the audience wishing to make formal comments then were heard, followed by a less formal question and answer session. The meeting on January 31, 1990, in New York was attended by approximately 50 persons. Five persons attended the meeting in Dallas on February 1, 1990, and 10 persons attended the meeting in Los Angeles on February 2, 1990.

### **General Support for or Opposition to the Project**

Four commentators generally endorsed the Board's efforts to create a central electronic library as a means to improve disclosure in the municipal securities market. Several of these commentators noted that obtaining official documents in a timely manner was difficult and that a central electronic library would help to remedy this deficiency. Two commentators emphasized the need for the Board to include continuing disclosures by issuers in the MSIL system. One commentator expressed qualified support for the Board's efforts.

Two commentators expressed opposition to the MSIL system. They noted that the Board has not announced cost figures, prices and the financing strategy for the project, except to state that the project will be funded with a combination of Board funds and user fees. One suggested that issuers would pay for the project, while the other suggested that dealers would pay. One commentator questioned whether the expense of the electronic library is justified by demand for electronic dissemination. Two commentators were concerned that the Board might operate the MSIL system in a manner which would discourage the development of services by private information vendors.

### **Technical Issues**

Of the commentators who spoke on the technical aspects of the System Concept, most were positive. One commentator noted that the Board's approach generally was consistent with her firm's approach of moving away from paper storage to electronic storage of documents. One commentator expressed the opinion that the technology was too advanced for market needs, while one commentator indicated that it might



not be sufficiently advanced. Neither offered suggestions on how or whether the technology should be changed.

One commentator from the audience in Dallas indicated a desire to obtain OSs through a terminal or personal computer. Another stated his need for a state-by-state collection of OSs in electronic form. One commentator suggested that the Board look into storing OSs for 20 years, rather than six years, after maturity. The Board believes that these services can be provided by private vendor services.

**Miscellaneous**

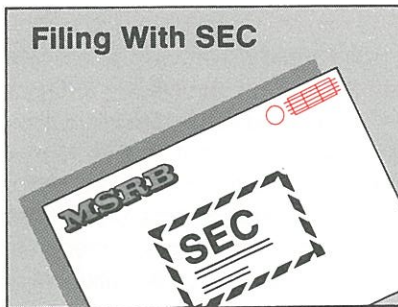
One commentator stated that the Board should waive under-

writing assessments for dealers underwriting deals in which the issuer agrees to provide continuing disclosure information.

During the question and answer sessions in New York and Dallas, audience members asked why the Board could not simply require issuers to provide documents in a specific format in order to simplify electronic document storage. Apparently, they did not understand the statutory constraints under which the Board operates. Several persons expressed opinions which indicated confusion over the respective roles of NRMSIRs and the Board's MSIL system.

**June 25, 1990**




**Route to:**

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

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

### Amendments Filed

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

On June 22, 1990, the Board filed with the Securities and Exchange Commission proposed amendments to rule G-36, regarding sending advance refunding documents to the Board, revisions to Form G-36, and proposed amendments to rule G-8, on recordkeeping. The Board has asked the Commission to delay the effective date of the proposed amendments for 30 days after approval to allow dealers time to develop procedures to comply with the new requirements.<sup>1</sup>

### Background

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 refunding. Although the Board published a notice on the situation,<sup>2</sup> and adopted certain

confirmation requirements to clarify which securities should be labeled as "escrowed to maturity,"<sup>3</sup> 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.

In response to a letter from the Board on this topic, in 1988, the SEC noted that, before a security is sold as "escrowed to maturity" or "pre-refunded to a call," the dealer "should have conducted a reasonable investigation to satisfy itself that the documents relating to the prior bond issue and the refunding bond issue, including the official statement and escrow trust agreement, support such characterization."<sup>4</sup>

As a result of these activities, the Board determined that refunding documents should be provided to the Board for inclusion in its public access facility and the planned Municipal Securities Information Library™ (MSIL)™ system because of the importance of such information to the purchase and sale of the refunded issue.<sup>5</sup>

In August 1989, the Board requested comment on draft rule G-36 which, among other things, would have required underwriters to deliver to the Board certain refunding documents. The August 1989 version of rule G-36 defined refunding documents as those documents that "set forth the terms and conditions under which an issue of municipal securities is advance refunded, including the refunding escrow trust agreement, or its equivalent, and the notice of defeasance." The draft rule required the underwriter to deliver such documents within one business day of receipt from the issuer or its agent but no later than eight business days after the date of the final agreement to

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

<sup>1</sup> SEC File No. SR-MSRB-90-3. Comments filed with the Commission should refer to the file number and should be addressed to Jonathan G. Katz, Secretary, U.S. Securities and Exchange Commission, 450 5th Street, N.W., Washington, DC 20549.

<sup>2</sup> *MSRB Reports*, Vol. 7, No. 2 (March 1987), at 19.

<sup>3</sup> *MSRB Reports*, Vol. 7, No. 4 (September 1987), at 3-4.

<sup>4</sup> June 24, 1988 letter from Richard Ketchum, Director, Division of Market Regulation, SEC, to H. Keith Brunnemer, Jr., Chairman, MSRB. *MSRB Reports*, Vol. 8, No. 4 (August 1988), at 9-11. The SEC also noted that "an issuer that wishes to reserve its contractual right to exercise optional redemption provisions in the prior bonds should clearly and conspicuously disclose its intention in the defeasance notices and official statement for the refunding bonds."

<sup>5</sup> Municipal Securities Information Library and MSIL are trademarks of the Board. The MSIL system has been filed with the SEC (File No. SR-MSRB-90-2).



purchase, offer or sell the municipal securities.

A number of commentators on the draft rule expressed general approval for the delivery of refunding documents. Two commentators, however, were opposed to the definition of refunding documents in the rule. One commentator noted that the definition was vague, unnecessarily broad and placed an unwarranted burden on underwriters, as well as on the future users of the repository, because it could include a number of lengthy documents (e.g., bond ordinances, legal opinions, escrow agreements and arbitrage certificates) that would not be useful but would have to be collected and delivered by underwriters. This commentator stated that the information regarding the escrow and scheduled redemptions of refunded bonds typically is available in the notice of defeasance and notice of call and suggested that the rule require the filing only of these documents for refunded issues. One commentator stated that the refunding documents called for in the rule often were beyond the control of the underwriter to obtain, at least prior to closing, and that refunding documents often are incomplete without reference to the documents of the refunded issue, for example, the refunded issue's official statement. The commentator noted that these documents would not necessarily be available in the repository. Both commentators also questioned the timing of the delivery requirement, citing the possibility of changes in these documents until the closing of the issue.

Prior to adopting a delivery requirement for refunding documents, the Board decided to solicit further comment on a revised definition of refunding documents and the timing of delivery of these documents. In November 1989, the Board proposed revised draft amendments to rule G-36 which would define refunding documents to include the refunding escrow trust agreement, notice of defeasance, and trust indenture for the refunded issue (or their equivalents). The draft amendments also would require underwriters to send the refunding documents to the Board within one business day of closing of the issue. In its notice, the Board requested comment on whether additional information should be required (e.g., the accountant's report on the adequacy of the escrow account and the official statement for the refunded issue). In addition, the Board asked for comment on whether it should consider requiring trust indentures for all issues, not just refunded issues, to be sent to the Board.

### Summary of Proposed Amendments

After reviewing comments received on the notice, the Board adopted the proposed amendments to rule G-36. The proposed amendments would require underwriters of refunding issues to send two copies of the refunding escrow trust agreement, or its equivalent, if prepared by or on behalf of the issuer, and, if the escrow agreement is prepared, two copies of com-

pleted Form G-36(ARD), to the Board within five business days of the closing of the issue.<sup>6</sup> For issues not subject to SEC Rule 15c2-12, the requirement to send advance refunding documents only applies if an official statement in final form is prepared for the refunding issue. In addition, within 60 days of the effective date of the proposed amendments, underwriters must provide two copies of advance refunding documents and Form G-36(ARD)s for refunding issues underwritten since January 1, 1990. This "look-back" provision is identical to that currently included in rule G-36 regarding sending official statements to the Board.

Prior to the effective date of the rule, the Board will accept all escrow agreements for refunding issues underwritten since January 1, 1990, voluntarily provided by underwriters, with a completed Form G-36(ARD). The documents will be available in the Board's public access facility.

Finally, the proposed rule change revises Form G-36 and provides for two forms—one form (Form G-36(OS)) to be sent with official statements and one (Form G-36(ARD)) to be sent with advance refunding documents. Technical amendments to rule G-8 also have been proposed to correspond with the two new forms.

### Summary of Comments

As noted above, in August 1989, the Board published for comment draft rule G-36, including a provision to deliver advance refunding documents to the Board. The Board received 10 comments in response to the draft rule which are discussed above. In November 1989, the Board published for comment revised draft amendments. The Board received five comments on these amendments.

### Inclusion of Refunding Documents in MSIL

While three commentators support the Board's attempt to include refunding documents in the Board's public access facility and its planned MSIL system, two oppose it. One of the opposing commentators notes that, because the refunding issue's official statement typically contains a plan of refunding section, the information on the refunding that is material to investors will be filed with the Board. It also states that there are insufficient problems in disclosure regarding advance refunding issues to impose the additional requirement on the dealer community to send refunding documents to the Board. It recommends that information be sent on a voluntary basis. In addition, it states that the requirement to send certain documents (i.e., the refunded issue's official statement and trust indenture) would be unfair to underwriters that may have no association with or access to the documentation for the refunded issue. One commentator adds that, particularly for competitive refunding issues, the underwriter may not be able

<sup>6</sup>The requirement that two copies of the advance refunding documents be provided was included because of the Board's public access facility. The Board is concerned that excessive handling of the documents in the public access facility would adversely affect their quality and thus impair the Board's ability to electronically store the documents in the planned MSIL system. Thus, one copy will be provided in the public access facility and one will be used in the MSIL system.



to obtain a copy of the original trust indenture.<sup>7</sup> One commentator states that requiring underwriters to send refunding documents to the Board may conflict with the Tower Amendment since it may foreclose issuers from access to the municipal underwriting market for advance refundings unless they provide the specified documents to underwriters for filing with the Board.<sup>8</sup>

One of the opposing commentators notes that the sending of refunding documents will result in the disclosure of what it considers to be "proprietary" information. It adds that many of the new financing techniques found in refundings are described in the escrow agreement or appendices. If such agreements are included in the public access facility or the planned MSIL system, an investment banker could copy a competitor's technique by ordering the document. In addition, it states that, while investors should have access to information necessary to determine the security for the bond, when it will be repaid and, perhaps, the name of the escrow trustee or paying agent, refunding documents contain a great deal of information unrelated to these purposes.

While the commentators are divided on the benefits of including refunding documents in the Board's public access facility and its planned MSIL system, the Board continues to believe that such documents should be included. An advance refunding changes the credit for an outstanding issue of municipal securities. It is important that investors and dealers have information about these refunding plans. As noted above, the Commission has stated that dealers selling escrowed to maturity bonds should conduct a reasonable investigation to satisfy themselves that the official statement and the escrow agreement support such characterization—which materially impacts the price of the securities. While the escrow agreement generally is summarized in the official statement for the refunding issue, bondholders of the refunded issue do not receive this new official statement, which obviously contains a great amount of information on the refunding issue not relevant to the bondholders of the refunded issue. The most convenient way for investors and dealers to receive important information on refunded issues is to include certain specified refunding documents in rule G-36.

The Board does not believe that requiring underwriters to provide the documents would violate the Tower Amendment. The Board has defined advance refunding documents to include only escrow agreements. Such agreements would have to be provided only if they are "prepared by or on behalf of the issuer." This language is identical to that in rule G-32, regarding delivery of official statements. In addition, the Board believes that an escrow agreement, or its equivalent, is prepared for every refunding. It explains material information regarding a refunding and generally is available upon request. The escrow

agreement is a "closing" document, which, the Board believes, underwriters have the right to, and, in fact, do receive a copy of at closing or shortly thereafter. Thus, the Board is not placing any disclosure requirements on issuers in violation of the Tower Amendment. Only if an escrow agreement is prepared would underwriters be required to provide it to the Board.

While one commentator is concerned that proprietary information may be disclosed in the escrow agreement, the Board believes that most escrow agreements are standard fare and, if there is any part of the document the underwriter believes is proprietary, the interests of investors in receiving information on the issue's credit outweigh any alleged proprietary financing techniques of the underwriter.

### **Definition of Refunding Documents**

#### **Escrow Agreements and Notices of Defeasance**

One commentator notes that the escrow agreement and notice of defeasance would be useful documents for inclusion in the MSIL system. One states that escrow agreements for refunded issues are lengthy, complex documents of only marginal utility for investors interested in the terms of the refunding. It notes that the material information on the refunding generally will be contained in the refunding issue's official statement and in the notice of defeasance. It adds that the notice of defeasance will probably be filed with the Board voluntarily. One commentator notes that, with appendices, such as the accountant's report, the length of escrow agreements can run from eight or 10 pages to more than 50 pages, resulting in unnecessary and lengthy documents being filed with the MSIL system.

#### **Trust Indentures**

Two commentators note the importance of the inclusion of the authorizing bond resolution and/or trust indenture in the MSIL system, since this is the document that represents the contract between the issuer and bondholders. Two commentators state that the trust indenture for the refunded issue, and trust indentures for all issues, probably should not be provided to the Board because underwriters may not have access to these documents and because the documents usually are summarized in official statements.

One commentator states that the original trust indenture contains a great deal of information unrelated to the refunding, most of which no longer applies once the bond is defeased by the refunding. It adds that inclusion of these documents will result in delivery of 20 to 100 pages of additional and unnecessary information. In addition, one commentator notes that trust indentures are subject to being amended over time. Thus, the initially-filed indenture may become outdated and inaccurate and, since it is unlikely that the underwriters will be involved in

<sup>7</sup> It also notes that the underwriter may not be able to locate the CUSIP numbers for the original issue, which are required to be included on Form G-36. The Board believes that all dealers should be able to determine CUSIP numbers for any issue.

<sup>8</sup> Section 15B(d)(2) of the Securities Exchange Act of 1934, the "Tower Amendment," prohibits the Board from requiring municipal securities issuers, directly or indirectly through dealers, to furnish to the Board any document with respect to the issuer; except that the Board may require dealers to furnish such documents to the Board if they are "generally available from a source other than such issuer."



the amendment, the Board will not be in a position to require the filing of updates.

#### Other Documents

One commentator states that the official statement for the refunded issue (if not already on file), along with the relevant legal opinion, also should be included in the MSIL system. One commentator states that the official statement for the refunded issue should not be filed because the underwriter may neither have access to the document nor the ability to verify its accuracy or completeness. It notes that, over time, these official statements will have already been filed with the Board.

In addition, one commentator notes that other closing documents, like arbitrage certificates, should not be included in the refunding documents definition. One notes that the accountant's report usually is not needed by investors. It states that, if a problem arises, one should be able to locate the information.

#### Discussion

The Board has decided to define refunding documents to include the escrow agreement but not the notice of defeasance or trust indenture for the refunded issue or any additional information. Most escrow agreements the Board has reviewed are only eight to 10 pages long and include material information regarding the security for the refunded issue which should be available in the Board's public access facility and planned MSIL system.<sup>9</sup>

While most escrow agreements include the notice of defeasance as an attachment, the Board does not recommend a separate filing of this document. It is not clear that a notice of defeasance is required for every issue or, if required, that it is published at or around closing. The Board believes that most notices of defeasance are published within 48 hours of closing; however, it has reviewed certain escrowed agreements which require the trustee to publish the notice only "within a reasonable period of time after the creation of the trust." The Board believes it would not be fair to require underwriters to send the notice to the Board within a certain period of time after closing unless the Board could be confident that the notices are sent at or shortly after closing. The Board also does not recommend a required filing "after receipt from the issuer" because there is no requirement that the issuer provide the notice to the underwriter since the notice, in final form, generally is not a "closing" document.

The Board also decided against the requirement that dealers send trust indentures for the refunded issue to the Board because of their length and the fact that, once an issue is refunded, little of the indenture remains relevant. Even though the Board is not recommending including indentures at this time, the Board may review this situation at some later time to

determine if there is a demand for such documents. None of the other suggested additions (e.g., accountant's report, refunded issue's official statement) garnered enough support among the commentators to add any additional requirements.

#### Timing of Delivery of Refunding Documents

Two commentators state that any requirement for underwriters to deliver documentation under rule G-36 should hinge upon receipt of the document from the issuer. One notes that this is particularly true of refunding documents since they are issuer documents and, unlike official statements from issues subject to SEC Rule 15c2-12, underwriters have no regulatory basis to impose and enforce contractual provisions governing the delivery of refunding documents by issuers. It recommends that the rule be revised to require underwriters to send the required documents within a specified number of days after receipt of the final refunding documents from the issuer. It also notes that, if the Board wishes to retain the requirement for sending after closing, it should extend the time to at least three business days after closing to allow underwriters to obtain the necessary documents.

One commentator notes that the timing of delivery requirement in the draft amendment may be reasonable in most cases but it does not accommodate situations where the underwriter may not have access to the documents at closing because there may be last minute problems in production or dissemination. It states that voluntary filing would eliminate this timing problem; alternatively, the draft amendments could allow several days after closing for filing.

The Board determined to require that underwriters send the escrow agreement to the Board within five business days of closing. Documents for the issue are finalized at closing, or shortly thereafter.<sup>10</sup> A requirement to send them to the Board within five business days should not be onerous on the underwriting community. Although one commentator recommends that the delivery requirement be keyed to receipt from the issuer, underwriters do receive the document at closing (or at least a marked-up version). Any requirement using some more formalized delivery of the document from the issuer to the underwriter could raise problems similar to those found in enforcement of rule G-32, *i.e.*, if the issuer delays in "formally" providing the document, the underwriter would not receive it on time and would be unable to comply with the rule.

#### Miscellaneous

One commentator suggests that, as an alternative to a Board requirement that refunding documents be provided to the MSIL system, the Board should develop a form, much like Form G-36, which would include important information regarding the re-

<sup>9</sup> Escrow agreements may be amended over time (e.g., if securities are substituted or if the escrow agent is changed). While this happens infrequently, underwriters of the refunding issue would not necessarily have knowledge of such amendment, much less a copy to send to the Board. The Board plans, however, to ask issuers to send any such amendments voluntarily to the Board.

<sup>10</sup> Usually, any changes made at closing must be typed into the document.



funding which would be of interest to investors.<sup>11</sup> It adds that, if possible, for competitively offered refunding issues, the responsibility to complete the form should be shifted to the financial advisor structuring the issue rather than the underwriter who will merely purchase and market the bonds.

One commentator suggests that if the Board determines to require a filing for advance refunded issues, it be limited to information furnished to the underwriter by the issuer describing the plan of refunding (typically this would be in the official statement already required to be filed and might be in a press release prepared by the issuer or an opinion of counsel delivered with respect to the defeasance) and any notice of defeasance provided by the issuer or the trustee.

The Board determined to require the sending of the complete escrow agreement. The Board's goal is to collect, store and make available the original documents, not summaries. Also, the use of a summary form for refunding information would raise the possibility of incorrect information being provided by the Board to the municipal securities market.

In addition, one commentator notes that the draft amendments require the sending of refunding documents for issues not subject to SEC Rule 15c2-12, even if no official statement is prepared. It states that this imposes a burden on small issues and suggests that no documents should be required to be sent unless an official statement is prepared and sent. The Board has revised the draft amendments such that underwriters for issues not subject to Rule 15c2-12 will be required to send official statements, refunding documents, and the appropriate form only when an official statement, in final form, is prepared.

June 25, 1990

## Text of Proposed Amendments\*

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

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

(i) and (ii) No change.

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

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

(i) Each broker, dealer or municipal securities dealer that acts as an underwriter in a primary offering of municipal securities subject to Securities Exchange Act Rule 15c2-12 shall send to the Board or its designee by certified or registered mail, or some other equally prompt means that

provides a record of sending, within one business day after receipt of the final official statement from the issuer or its designated agent, but no later than 10 business days after any final agreement to purchase, offer, or sell the municipal securities, the following documents and written information: two copies of the final official statement; and two copies of completed Form G-36(OS) prescribed by the Board, including the CUSIP number or numbers for the issue.

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

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

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

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

<sup>11</sup> The form would include a description of the refunded bonds and the refunding bonds; a listing of each maturity of the refunded bonds and whether that bond maturity is refunded to maturity, refunded to a (specified) call date or not refunded; the CUSIP numbers of the refunded bonds; whether or not the issuer reserves any rights to prior redemption of bonds refunded to maturity; a description or listing of the securities placed in escrow; and the name of the escrow trustee. Much of this information currently is provided in the escrow agreement.

\* Underlining indicates new language



advance refunding documents are prepared, two copies of completed Form G-36(ARD) prescribed by the Board, including reassigned CUSIP number or numbers for the refunded issue, if any.

(ii) (iii) No change.

(d) through (f) No change.

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

(ii) Delivery of Advance Refunding Documents for Issues Prior to the Effective Date of Rule G-36(b)(ii) and (c)(ii). By [insert 60 days from effective date of proposed rule change], each broker, dealer and municipal securities dealer that acts as an underwriter in a primary offering of municipal securities shall send to the Board or its designee by certified or registered mail, or some other equally prompt means that provides for a record of sending, the following documents and written information: advance re-

funding documents and Form G-36(ARD) referred to in sections (b) and (c), above, for each primary offering of municipal securities sold on or after January 1, 1990, to [insert the effective date of the proposed rule change].

\* \* \*

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

(a) Descriptions of Books and Records Required to Be Made

(i) through (xiv) No change.

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

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





DO NOT STAPLE THIS FORM

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

DESCRIPTION ESCROW AGREEMENT

DATE

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

REFUNDED ISSUE

NAME OF ISSUER(S)

(1)

(2)

DESCRIPTION OF ISSUE

DATED DATE

REFUNDING ISSUE

NAME OF ISSUER(S)

(1)

(2)

DESCRIPTION OF ISSUE

DATED DATE

MANAGING UNDERWRITER

NAME PHONE

FIRM

PREPARED BY PHONE
(If other than above)

SUBMIT COMPLETED FORM, ALONG WITH OFFICIAL STATEMENT TO:

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

(OVER)









**DO NOT STAPLE THIS FORM**

**FORM G-36(OS)—FOR OFFICIAL STATEMENTS**

NAME OF ISSUER(S)

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

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

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

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

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

AMENDED OR STICKERED OS?   
(Enter Y or N)

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

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

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

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

MATURITY DATE	CUSIP NUMBER	MATURITY DATE	CUSIP NUMBER
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_____	_____	_____	_____
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_____	_____	_____	_____
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MANAGING UNDERWRITER \_\_\_\_\_

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

FIRM \_\_\_\_\_

PREPARED BY \_\_\_\_\_ PHONE \_\_\_\_\_  
(If other than above)

**SUBMIT COMPLETED FORM, ALONG WITH OFFICIAL STATEMENT TO:**

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

**(OVER)**







**Notice of Approval**

**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

### Amendments Approved

**Rule G-36 requires underwriters to send official statements to the Board. The amendment to rule G-8 requires underwriters to keep certain records regarding compliance with the rule.**

On June 1, 1990, the Securities and Exchange Commission approved 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, on recordkeeping.<sup>1</sup> The rule and amendments will be effective on July 1, 1990. The official statements will be available in a public access facility at the Board's offices. The Board hopes to include these official statements in its planned central electronic repository, the MUNICIPAL SECURITIES INFORMATION LIBRARY™ (MSIL™) system.<sup>2</sup>

### Summary of Rule and Amendments

#### Rule G-36

Rule G-36(b) requires underwriters of issues subject to Securities Exchange Act Rule 15c2-12 to provide to the Board or its designee two copies of the final official statement and two completed Form G-36s which include CUSIP numbers for these issues to permit the information to be indexed by CUSIP number.<sup>3</sup> In addition, rule G-36(c) requires underwriters of certain issues not subject to Rule 15c2-12 to send to the Board two copies of the official statement in final form if prepared by or on behalf of the issuer, along with two completed Form G-36s. These issues include those less than \$1 million, but not those

qualified for the exemption set forth in Rule 15c2-12(c), regardless of the amount of the issue (e.g., certain privately-placed and short-term issues).<sup>4</sup> Official statements for issues exempt from rule 15c2-12 pursuant to section (c) are not required to be sent to the Board because the Board believes that such documents may not be very useful. Privately-placed securities probably will not be heavily traded in the secondary market and short-term issues will mature soon after the official statement is placed in the repository. The Board, however, urges underwriters to provide official statements for such issues voluntarily, along with two completed Form G-36s.

The official statements must be sent, by certified or registered mail, or some other equally prompt means that provides a record of sending. For issues subject to Rule 15c2-12, official statements must be sent within one business day of receipt from the issuer, but no later than 10 business days after the date of the final agreement to purchase, offer or sell the municipal securities. For other issues, official statements must be sent within one business day of settlement or closing of the issue.

In addition, rule G-36(d) requires underwriters to send to the Board two copies of amended or "stickered" official statements if the issuer provides the amendment during the underwriting period. Underwriters also must provide two copies of a statement including the CUSIP number or numbers for the issue, the fact that official statements previously had been sent to the Board and that the official statement has been amended.

Rule G-36(e) provides that, if an issue is cancelled after documents are provided to the Board or its designee, the underwriter must notify the Board promptly, in writing, of this

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

<sup>1</sup> SEC Release No. 34-28081.

<sup>2</sup> Municipal Securities Information Library and MSIL are trademarks of the Board. The Board has filed its plans for the MSIL system with the SEC for approval (SR-MSRB-90-2).

<sup>3</sup> If a syndicate is formed for the underwriting of the issue, rule G-36(f) would require the managing underwriter to take the actions required under rule G-36.

<sup>4</sup> Rule 15c2-12(c) exempts from the rule issues in denominations of \$100,000 or more if such securities: (1) are sold to no more than 35 financially sophisticated persons; or (2) have a maturity of nine months or less; or (3) at the option of the holder may be tendered to the issuer for redemption or purchase at least as frequently as every nine months until maturity, early redemption, or purchase by the buyer.



fact. This ensures that the Board does not unknowingly collect and disseminate documents for cancelled issues. Finally, as discussed below, rule G-36(g) requires that, by August 30, 1990, underwriters deliver the documents and written information referred to in rule G-36 for each offering of municipal securities from January 1, 1990 to July 1, 1990, the effective date of rule G-36.

#### Public Access Facility

The Board has determined to provide a public access facility through which interested members of the public may review and acquire copies of official statements collected by the Board pursuant to rule G-36. Starting July 2, 1990, the public access facility will be located at the Board's offices at 1818 N Street, N.W., Suite 800, Washington, D.C. 20036. The facility will be available from 9:00 a.m. to 4:30 p.m., local time, when the Board's offices are open (generally, weekdays other than federal holidays). The official statements will be available no later than one business day after receipt by the Board. A photocopy machine also will be available for members of the public to copy official statements, with a per page charge of \$.20. In addition, a list of official statements obtained by the Board, by issue name and by dated date, will be available at the Board's offices. Members of the public also may telephone the Board's offices to inquire if an official statement for an identified issue currently is available from the public access facility. The Board's telephone number is (202) 223-9347.

#### Amendments to Rule G-8

The amendments to rule G-8 require the underwriter to keep a record of the name, par amount and CUSIP number or numbers of all issues subject to rule G-36, along with 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. For issues subject to Rule 15c2-12, the date of the final agreement to purchase, offer, or sell the municipal securities also must be included. The amendments are designed to assist in ensuring compliance with certain of the requirements of SEC Rule 15c2-12 and rule G-36.

#### Compliance with Rule G-36(g)—Providing Two Copies of Official Statements for Issues between January 1, and July 1, 1990

As noted above, rule G-36(g) requires underwriters, by August 30, to send to the Board two copies of official statements, Form G-36s, and amended official statements for each offering of municipal securities from January 1, 1990 to July 1, 1990, the effective date of the rule. In order to assist underwriters in determining which issues are subject to this requirement, the Board plans to review its file of Form A-13s, on underwriting

assessments, and provide dealers with a list of the issues they underwrote from January 1, 1990 to July 1, 1990.<sup>5</sup> Previously, the Board asked underwriters voluntarily to provide copies of official statements to the Board starting January 1, 1990, and a number of underwriters have done so. The Board will include in the list sent to underwriters those issues for which the Board has already received official statements and will note only if an additional copy for purposes of the public access facility is needed.

#### Miscellaneous

The Board wishes to remind underwriters that it does not intend to apply to the SEC 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 under SEC Rule 15c2-12(b)(4) must ensure that such statements are available from one of the organizations granted NRMSIR status by the Commission.

June 25, 1990

#### Text of Amendments\*

##### Rule G-36. Delivery of 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: two copies of the final official statement; and two copies of 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

<sup>5</sup> The Board notes that this list may be incomplete and underwriters are required also to review their own files to determine if additional issues are subject to the rule.

\* Underlining indicates new language.



municipal securities dealer that acts as an underwriter in a primary offering of municipal securities not subject to Securities Exchange Act rule 15c2-12 shall send to the Board or its designee, by certified or registered mail, or some other equally prompt means that provides a record of sending, within one business day of delivery of the securities by the issuer to the broker, dealer, or municipal securities dealer, the following documents and written information: two copies of the official statement in final form, if prepared by or on behalf of the issuer; and, if an official statement in final form is prepared, two copies of completed Form G-36 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 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, two copies of the amended official statement within one business day of receipt from the issuer, along with two copies of 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 August 30, 1990, each broker, dealer and municipal securities dealer that acts as an underwriter in a primary offering of municipal securities shall send to the Board or its designee by certified or registered mail, or some other equally prompt means that provides for a record of sending, the 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 July 1, 1990.

\* \* \*

#### **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.

Turn page for Form G-36





# FORM G-36

FULL NAME OF ISSUER AND DESCRIPTION OF ISSUE

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STATE \_\_\_\_\_

CITY/COUNTY \_\_\_\_\_

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

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

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

CUSIP NUMBERS (and corresponding maturity dates)

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

Prepared by \_\_\_\_\_ Telephone No. \_\_\_\_\_

Send form along with the official statement to: Municipal Securities Rulemaking Board, 1818 N Street, NW, Suite 800, Washington, DC 20036-2491.







**Route to:**

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

## ABA's Proposed Disclosure Guidelines for Corporate Trustees

Reprinted below is the American Bankers Association's Corporate Trust Committee's Proposed *Disclosure Guidelines for Corporate Trustees*. Any questions or comments on the *Guidelines* should be directed to either of the following individuals by September 30, 1990:

**Terry L. McRoberts**  
Chairman, ABA Corporate Trust Committee  
Executive Vice President  
Security Pacific State Trust Company  
333 South Grand Avenue  
Los Angeles, CA 90071  
Telephone: (213) 229-2912  
Fax: (213) 229-2802

**Gordon Glaza**  
Assistant Division Manager  
American Bankers Association  
Fiduciary & Securities Operations Division  
1120 Connecticut Avenue, NW  
Washington, DC 20036  
Telephone: (202) 663-5281  
Fax: (202) 828-4544

**ABA DRAFT FOR DISCUSSION PURPOSES**  
6/12/90

**AMERICAN BANKERS ASSOCIATION**  
**CORPORATE TRUST COMMITTEE**

**PROPOSED DISCLOSURE GUIDELINES**  
**FOR CORPORATE TRUSTEES**

**PURPOSE:** Proposed on behalf of the corporate trust industry as represented by the Corporate Trust Committee of the American Bankers Association, to establish voluntary disclosure guidelines for corporate trustees. The guidelines are intended to complement other disclosure efforts as proposed by industry groups, such as the Government Finance Officers Association, the National Federation of Municipal Analysts, the National Association of Bond Lawyers, the National Council of Health Facilities Financing Authorities, the National Council of State Housing Agencies, or any other interested party.

**SCOPE:** The guidelines would apply to secondary market information concerning all varieties of municipal debt issues with an appointed corporate trustee (e.g., housing, hospital, IDR bonds, etc.). The guidelines are not intended to apply to corporate debt issues, such as issues qualified under the Trust Indenture Act of 1939. The guidelines are intended to apply on a voluntary basis to all corporate trustees who provide indenture trustee services for municipal debt issues.

It is intended that the guidelines be incorporated into documents for new security issues by reference to the voluntary guidelines then in effect or as may be modified by the Corporate Trust Committee of the American Bankers Association to accommodate industry standards. It is also intended that the guidelines not be limited to new issues, but be extended to cover



current information on all issues outstanding as of the effective date of the establishment of the repository as hereinafter described.

**REPOSITORY:** The establishment of a central repository to receive information should be mandated by legislative or regulatory action. Standards should be established for the type of information to be received by the repository. The responsibility for supplying information to the repository should be assigned to the originator of that information.

Unless otherwise noted, it is intended that the information identified in the guidelines will only be released to the repository. Only current information received on or after the effective date of the establishment of the repository will be provided. Disclosure of historical information dating from prior to the establishment of the repository will not be required. Certain information may be required to be provided to the repository by electronic transmission, while other information may be provided in hard copy.

Through the proposal of these guidelines, the corporate trust industry seeks to demonstrate its support for the concept of information disclosure. The health of the securities market can only be served by the efficient flow of information, available to all at the same time. To this end, ABA's Corporate Trust Committee supports a movement toward standardized disclosure practices. Additionally, trustees support the establishment of a national repository, to provide equal access to information for all. This will better serve the markets and the investing public.

The Corporate Trust Committee believes that industry-wide acceptance and support of voluntary guidelines is essential and preferable to mandatory disclosure achieved through legislative or regulatory initiatives.

These guidelines are not intended to establish legal standards of conduct. No implication is intended that previously prepared or future documents to which a trustee is a party have been or will be inadequate solely because of failure of the documents to comply with the recommendations contained herein.

#### **DISCLOSURE GUIDELINES FOR CORPORATE TRUSTEES**

1. All draws from debt service reserve funds and other established reserve funds that are under the control of the trustee for the purpose of funding regularly scheduled interest or principal payments, except those draws which are scheduled to fund a regularly scheduled interest and principal payment. Notification should also be sent at the times reserve funds, within the control of the trustee, are partially or fully replenished. Notice will be provided only to the repository. Standard trustee turnaround time frame should be within three business days of the occurrence. Information provided electronically.
2. Failure of Issuer or Obligor to make regularly scheduled payments to any fund or account in accordance with the terms of the trust documents. The trustee will give notice upon the expiration of any grace period as provided in the trust documents. Notice should be given to the repository within three days of expiration of the grace period. After the required grace period lapses, notification should be given to the bondholders and repository for principal and interest payment failures. Information provided electronically.
3. Any draws by the trustee on Credit Enhancements at the time of the draw, except those which are structured to fund regularly scheduled interest or principal payments, or other normally scheduled payments for funding requirements. Notification will be made to the repository only. Standard turnaround time should be three days from the time of the draw. Information provided electronically.
4. Any notice of an Event of Default or notice of default which has been sent to the issuer or obligor from which the Trustee had actual knowledge. All copies of Event of Default Notices should also be sent to the registered holders of securities in accordance with the terms of the trust documents. Notices for technical defaults will be provided only upon expiration of any grace period as established in the trust documents. Notices will be sent to the repository and to bondholders. Notices would be provided by hard copy only within three days of the mailing of the notice.
5. Copies of all written status reports filed by the Trustee with Bondholders regarding activities occurring during the period of default and/or bankruptcy. Notice to the repository will be by hard copy only. Notice will be provided to both bondholders and the repository. Standard turnaround should be three days from the date the notice is ready for distribution.
6. Any failure to perform by a third party guarantor, insurer, GIC or Investment Agreement provider, or an obligor of security



or collateral backing an issue, except for single family mortgages for individual mortgage defaults under those programs. Only situations that the trustee has actual knowledge of will be reported. Notice should be given to the repository only. Notice will be given within three days of the occurrence of the event when made known to the Trustee. Notice should be given electronically.

7. Any bond counsel, special tax counsel or other established counsel opinions received by the Trustee which would deal with an adverse impact on the tax exempt status of tax exempt securities. Notice should be provided by hard copy only. Notice should be provided to the repository. Notice should be provided within three business days of the receipt of the opinion.
8. Failure by the obligor or issuer to comply with a specific document provision relating to the tax exempt status of municipal securities (e.g., failure to compute and fund Arbitrage Rebate Amounts). This information would be disclosed only when the trustee has knowledge of such events. Notice should be provided to the repository and to bondholders. Notice should be provided by hard copy. Notice should be provided within three days of the trustee obtaining knowledge of the event.
9. Notice of resignation and replacement of trustees or paying agents. Notice of resignation or replacement of remarketing agent. Notice provided by hard copy. Notice provided three business days after an event occurs. Notice provided to the repository only.
10. Notices of any amendment to the indenture or other financing documents which the trustee is made aware of. Notice will be provided by hard copy only. Notice will be provided to the repository and to bondholders as specified in the documents. Notice will be provided three business days after amendment has been effective.
11. Notices of any changes in credit enhancement instruments including substitutions, letters of credit or insurance expirations as made known to the trustee. Notice provided electronically. Notice provided to the repository only. Notice provided within three business days of the event becoming known by the trustee.
12. Notices of all bond calls. Notice provided by hard copy. Notice provided to the repository and the bondholders immediately upon required mailing of the notice per the indenture.
13. Notices of any material release, substitution or sale of properties securing a bond issue, as well as any credits or property additions, except for mortgage revenue bonds. Notices provided by hard copy. Notices provided to the repository only. Notice provided within three business days of the completion of the substitution or release.
14. Notice of interest rate and mode changes. Notices of any interest rate change on a variable rate bond. Notice provided electronically. Notices provided to the repository and to bondholders if required by the trust documents. Notice provided immediately upon the trustee having knowledge of the event.
15. Notices regarding mandatory puts or remarketing of securities. Notice provided by hard copy only. Notice provided to the repository and to bondholders. Notice provided on the date of notices to be mailed according to the terms of the indenture.
16. Notices of defeasance. Notices provided by hard copy. Notice provided to the repository and to bondholders. Notice provided according to the terms of the indenture upon the mailing requirements.

**RECOMMENDATIONS TO ISSUERS AND  
OTHER THIRD PARTIES FOR DISCLOSURE**

1. Financial reports. Copies of financial reports will be provided by the issuer or other entities in the transaction as required by the documents directly to the repository.
2. Funds statements. Copies of any accounting or funds statements on acquisition funds or construction funds provided by the issuer directly to the repository.
3. Funds statements or trust accounts held by the trustee. (e.g., summary statements of the current assets and investments held, current construction fund amounts paid and amounts remaining to be paid).
4. Rating downgrades. Any reduction, withdrawal, or upgrade of a rating will be reported to the trustee, issuer and



repository directly by the rating agency effecting the change.

**FILING WITH THE MUNICIPAL SECURITIES RULEMAKING BOARD  
OR OTHER SIMILARLY SITUATED ORGANIZATION**

Securityholders of record or other interested parties requesting information provided by a Trustee to the Municipal Securities Rulemaking Board or other similarly situated organization (hereinafter collectively referred to as the "Repository") will be referred to such Repository for information. Interested parties can receive information directly from the Trustee by prepaying a fee to the Trustee.

It is anticipated that corporate trustees will only need to disclose secondary market information to one Repository. It is the understanding of the ABA Corporate Trust Committee that the Repository will share information on a daily basis with other information providers.

All corporate trust information will be provided to the Repository with a full description of the obligor or issuer, with reference to the base CUSIP number excluding the CUSIP series and check digit.

**TRUSTEE COMPENSATION**

It is anticipated that trustees will require increased compensation from issuers to cover the ongoing costs of providing secondary market disclosure information to the Repository.

**TRUSTEE DISCLAIMERS**

Appropriate disclaimers will be developed and presented in future drafts of the guidelines.



# Publications List

## Manuals and Rule Texts

### MSRB Manual

Soft-cover edition containing the text of MSRB rules, interpretive notices and letters, samples of forms, texts of the Securities Exchange Act of 1934 and of the Securities Investor Protection Act of 1970, as amended, and other applicable rules and regulations affecting the industry. Reprinted semi-annually.  
April 1, 1990 ..... \$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

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

## Brochure

### MSRB Information for Municipal Securities Investors

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



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Glossary of Municipal Securities Terms	\$1.50		
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Manual on Close-Out Procedures	\$3.00		
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Instructions for Beginning an Arbitration	no charge		
The MSRB Arbitrator's Manual	\$1.00		
Study Outline: Municipal Securities Representative Qualification Examination	no charge		
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MSRB Information for Municipal Securities Investors (Investor Brochure)	1 to 500 copies no charge Over 500 copies \$.01 per copy		
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