MSRB REPORTS

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New Issues of *MSRB Manual* and *MSRB Rules*

Updated issues of the *MSRB Manual* and *MSRB Rules*, dated April 1, 1986, are now available.

The *MSRB Manual*, published by Commerce Clearing House, includes the texts of the Securities and Exchange Act of 1934, the Securities Investor Act of 1979, Board rules, pertinent regulations of other agencies and notices concerning rule amendments. The *MSRB Rules* contains Board rules, interpretive notices and samples of forms. Use of the *Rules* satisfies the requirements of rule G-29.

Copies of the updated *MSRB Manual* and *MSRB Rules* may be obtained from the Board's offices by submitting a completed order form along with payment for the full amount due. The cost of the *Manual* is $6.00 per copy and of the *Rules*, $2.50 per copy. The order form is on page 15 of this issue.

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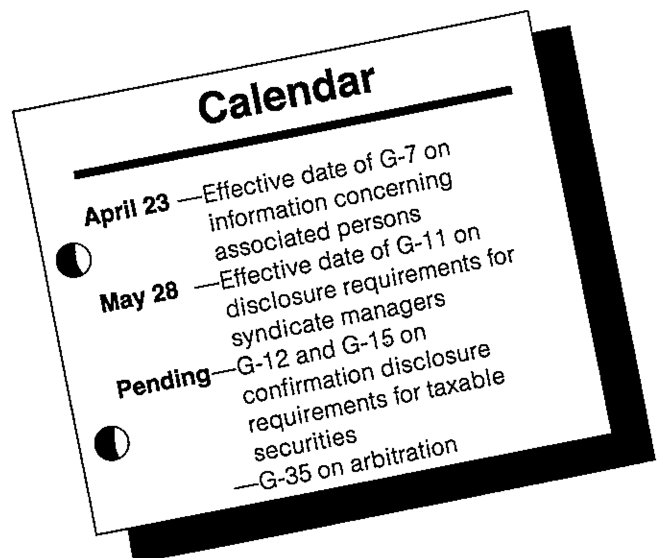

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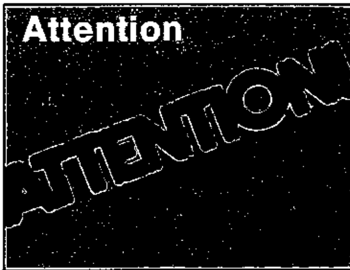

Route To:

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Automated Clearance and Settlement: Rules G-12 and G-15

Amendments Withdrawn

The Board has determined not to adopt rule changes which would have allowed parties to agree to settle inter-dealer transactions eligible for book-entry by physical delivery and would have required the use of confirmation/affirmation and book-entry delivery of customer transactions only if requested or agreed to by the customer.

In January 1986, the Board published for comment draft amendments to rule G-12(f)(ii) concerning book-entry settlements of inter-dealer transactions and rule G-15(d) concerning the use of automated confirmation/affirmation and book-entry settlement systems for certain customer transactions. The draft amendments would have provided certain exemptions from the rules requiring use of automated clearance and settlement systems. The Board received 109 comment letters,[1] a substantial majority of which opposed the draft amendments. After considering the comments on the draft amendments, the Board has concluded that completion of the transition to automated clearance systems would best be accomplished under the current rules. Accordingly, the Board has determined not to adopt the draft amendments. The Board believes, however, that a continued commitment by all dealers will be needed to complete the transition to automated clearance.

Summary of Draft Amendments

Over the past five years the Board has taken a number of actions designed to facilitate the development of an automated national clearance and settlement system for municipal securities, as mandated by the Securities Exchange Act.[2] Among other actions, the Board adopted rules G-12(f) and G-15(d), which effectively require most municipal securities transactions to be cleared and settled through automated clearing facilities offered by registered clearing agencies and depositories.[3] In reviewing the status of compliance with its automated clearance rules in December 1985, the Board found that the current automated systems available for municipal securities transactions do not fully accommodate all eligible transactions and further, that some industry participants have not yet completed preparations necessary to use the automated systems to their full advantage. As part of this review, the Board considered whether additional flexibility in the application of the automated clearance rules would be appropriate to facilitate completion of the industry's transition to use of the automated systems.

The Board proposed that the industry first concentrate its efforts on more efficient use of automated comparison for inter-dealer transactions. It also proposed draft amendments to its rules concerning book-entry delivery of inter-dealer transactions and automated clearance of customer transactions to temporarily allow exemptions from the rules. One of the draft amendments would have provided a limited exemption to rule G-12(f)(ii), which requires an inter-dealer transaction to be settled by book-entry if (i) each party (or the party's clearing agent for the transaction) is a member of a depository; (ii) the transaction is compared in an automated comparison system; and (iii) the securities are eligible in the depository (or depositories) of which the parties are members. The draft amendment would have allowed the parties to such a transaction to agree to physical settlement. If either of the parties did not agree to physical settlement, book-entry settlement would have been required.

In addition, the Board proposed amendments to G-15(d), which requires a delivery versus payment (DVP) or receipt versus payment (RVP) customer transaction to be confirmed through an automated confirmation/affirmation system of a registered securities agency if the securities have a CUSIP number and each party (or the party's clearing agent for the transaction) is a member of a registered clearing agency offering automated confirmation/affirmation services. The rule also requires a DVP or RVP customer transaction to be settled by book-entry if each party (or the party's clearing agent

Questions about this notice may be directed to Angela Desmond, General Counsel or Harold L. Johnson, Assistant General Counsel.

[1]The comment letters are available at the Board's offices and may be reviewed by interested parties.
[2]Section 17A of that Act mandates the creation of a national system of clearance for securities. Section 15B of the Act directs the Board to adopt rules to "foster cooperation and coordination with persons engaged in . . . clearing [and] settling . . . transactions in municipal securities."
[3]The rules were adopted in July 1983. Rule G-12(f)(i), requiring use of automated comparison systems for certain inter-dealer transactions and rule G-15(d)(ii), requiring use of automated confirmation/affirmation systems for certain customer transactions, became effective on August 1, 1984. Rules G-12(f)(ii) and G-15(d)(iii), requiring book-entry settlement of certain inter-dealer and customer transactions, respectively, became effective on February 1, 1985.

for the transaction) is a member of a registered securities depository and the securities are eligible for deposit in the depository (or depositories) of which the parties are members. The draft amendments to rule G-15(d) would have required use of the automated confirmation/affirmation and book-entry settlement systems upon the request of or agreement by the customer.

Summary of Comments Received on Draft Amendments

The Board received 24 comment letters expressing support for one or both of the draft amendments (with or without minor changes) and 85 letters expressing opposition to the draft amendments.

Comments Supporting Draft Amendments

The 24 commentators supporting the draft amendments included 12 securities firms, three dealer banks, one clearing agent, several industry organizations and other interested parties. Of the commentators representing dealers, those that characterized their businesses noted predominantly individual as opposed to institutional, customer bases. Most of these commentators expressed some support for the use of automated clearance systems at least for certain transactions; three commentators, however, expressed a clear preference for physical delivery of all transactions.

The commentators supporting the draft amendments generally noted that, when one side of a transaction must be cleared physically and the other side in an automated system, the total clearance costs are higher than if both sides can be cleared physically.[4] Several commentators expressed concern about delays in deliveries sometimes experienced in connection with depository deposits or withdrawals.[5] These commentators supported the draft amendment to rule G-12 because it would have allowed dealers to obtain physical delivery of securities for re-delivery to retail customer accounts. Several commentators also noted that, when physical securities are available, a local physical delivery may be less expensive and time consuming than book-entry delivery for both dealers.

Commentators supporting the draft amendments to rule G-15(d) argued that dealers and customers should have the flexibility to agree to physical clearance if this is desirable to both parties. Several commentators indicated that some institutional customers continue to prefer physical delivery. Others noted that the laws of a few states require physical securities pledged for certain purposes to be located physically within the states, which may require the customer to bear the expense of withdrawing securities from a depository.

Comments Opposing Draft Amendments

The 85 commentators opposing the draft amendments included 35 securities firms, 24 dealer banks, and a number of clearing agents, registered securities clearing agencies, depositories, industry organizations, and other interested parties. These commentators stated that the implementation of the Board's automated clearance rules has resulted in substantial progress in the transition of the industry to automated clearance. They argued that this has reduced clearing costs and resulted in a safer and more efficient clearance system, as was demonstrated during the period of high market volume in the final months of 1985. They suggested that additional enforcement and educational efforts are needed to bring more inter-dealer transactions within the automated systems, which will result in even greater efficiencies for the entire industry.[6]

Many commentators stated that industry participants have committed substantial resources to modify equipment and internal procedures necessary to use the automated systems in reliance on the Board's automated clearance rules. They stated that, for these investments to be cost-effective, as many transactions as possible must be cleared within the automated systems. The adoption of the draft amendments, they argued, would result in fewer transactions being cleared through the automated systems because many dealers and institutional customers would have less incentive to make the conversion to automated systems. Several commentators also expressed concern that the draft amendment to rule G-12, if adopted, would create confusion in the settlement of transactions because disputes would arise whether traders had agreed to physical settlement at the time of trade.

Commentators opposing the draft amendments to rule G-15(d) noted that use of the automated systems for clearance of customer transactions already has resulted in a lower rate of rejected deliveries by institutional customers. They argued that use of these systems will become more efficient if the dealer community makes a concerted effort to educate customers on use of the systems, as occurred in the corporate securities market.

Reasons for Withdrawing Draft Amendments

The commentators on the draft amendments confirmed that the industry has obtained significant cost savings from use of automated clearance, even though it has not yet obtained the full benefits. For this to occur, the automated systems currently available will have to be improved, industry participants will have to complete internal modifications necessary to use the systems efficiently and customers will have to be educated to accept safekeeping arrangements in lieu of physical delivery of securities. The Board remains confident that, once the transition to automated clearance is complete, the entire industry will share in substantial cost savings and efficiencies.

In reviewing the comments received on the draft amendments the Board's primary consideration was whether adoption of the draft amendments would facilitate the transition to automated clearance by providing certain priorities for industry efforts. The Board has concluded that the draft amendments could result in some dealers and institutional customers avoiding automated clearance systems altogether. The Board is concerned that adoption of the draft

[4]They noted that this is primarily because of the costs incurred when securities must be withdrawn from or deposited into a depository before a delivery can be made.

[5]One commentator cited difficulty experienced by indirect depository participants in resolving disputes with depositories because the disputes must be resolved through the indirect participant's clearing agent and because of the lack of a forum for dispute resolution.

[6]Some commentators also pointed out that automated comparison of when-issued transactions only recently has become possible and will allow dealers to submit a much greater portion of their transactions to automated systems, resulting in greater cost savings. Another commentator noted that inexpensive equipment which may be used by dealers to link their internal "back-office" systems with those of depositories and registered clearing agencies has recently become available.

amendments would institutionalize patterns of physical settlement and act as a disincentive for dealers to convert to automated systems. The Board also notes that for dealers already relying on automated clearance systems, unnecessary physical clearance of transactions would represent increased costs, which would undermine substantially any cost savings achieved by the draft amendments.[7]

Although the Board has determined not to adopt the draft amendments, it will continue to monitor the transition of the industry to automated clearance systems and will continue to examine measures designed to facilitate the transition. The Board believes that additional costs borne by dealers with predominantly individual customer bases gradually will diminish as more customers accept safekeeping arrangements and the Board encourages dealers to promote safekeeping arrangements for customer accounts.[8]

The Board wishes to emphasize that a continued commitment will be required by all dealers to complete the transition to automated clearance. For example, dealers that still are not submitting all of their eligible transactions for automated comparison in a timely manner must modify internal operations to improve their performance before the industry can obtain the full benefits of automated comparison. Dealers that have not established "back-office" links with automated clearance systems should do so as soon as possible. Dealers also will have to make efforts to educate their institutional customers about the automated clearance systems and the importance of their use. All dealers subject to the requirements of rules G-12(f) and G-15(d) must submit all eligible transactions for automated clearance and settlement.

Finally, the Board is aware that the systems currently available for clearance of municipal securities transactions still are evolving. The Board notes that when-issued transactions only recently have become eligible for automated comparison and that special condition transactions cannot be noted if automated comparison is used. The Board also is aware that dealers have experienced difficulties in using book-entry delivery systems because of the differing eligibility criteria at the various depositories and because of difficulties in using the interfaces between the depositories. Industry participants with thoughts or suggestions on improvements in services offered by depositories or registered clearing agencies should communicate their views directly to these entities, which are subject to oversight and regulation by the Securities and Exchange Commission. The Board expects that continued enhancements to automated clearance systems and increased efforts by dealers and institutional customers to use the systems will result in continued improvements in the operation of the automated systems.

May 27, 1986

Persons to Contact at Registered Clearing Agencies and Depositories

Depository Trust Company

Brokers & non-bank dealers:

David Schaffer	(212) 709-1103
Lynn Brenman	(212) 709-1105

Dealer banks:

George Monk	(212) 709-1660
Nick Reska	(212) 709-1666

Other institutions:

George Monk	(212) 709-1660

Midwest Clearing Corporation/Midwest Securities Trust Company

James F. Purcel, Jr.	(212) 785-1407
John I. Mayer IV	(212) 785-1407

National Securities Clearing Corporation

Bernard Sweeny	(212) 510-0483

Pacific Clearing Corporation/Pacific Securities Depository Trust Company

Mitchell P. Prather	(415) 393-4265

Philadelphia Depository Trust Company

Robert Z. Kreszswick	(215) 496-5109

Stock Clearing Corporation of Philadelphia

Joseph Zibelman	(215) 496-5095

[7]The Board also considered other temporary exemptions from the automated clearance rules, suggested by various commentators. The Board examined the possibility of amendments to rule G-12 to allow transactions between dealers located within a specified distance from each other and transactions in securities less than a specified par amount to be settled physically if agreed to by both parties. It also considered a suggestion that rule G-15 be amended to allow customer transactions to be settled physically if the customer requires physical securities because of state law. In each case the Board concluded that the temporary benefits that would accrue to those utilizing such exemptions was outweighed by the need to encourage industry members to adopt internal operational procedures and systems necessary to use automated clearance for all eligible transactions.

[8]The Board notes that some commentators representing dealers with significant numbers of retail customer accounts indicated great cost savings from use of the automated clearance systems. This difference may be due in part to safekeeping arrangements offered by these dealers. The Board also is aware that there exist differing procedures for withdrawing securities from depositories and that expenses for indirect participants in depositories generally are higher than for direct participants. The Board believes that, as dealers become more familiar with depository services, they will be able to use the services more efficiently.

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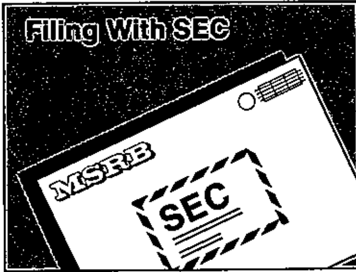

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- [x] Compliance
- [ ] Training
- [ ] Other ______

Confirmation Disclosure Requirements for Taxable Securities: Rules G-12 and G-15

Amendments Filed

The amendments would require that confirmations of transactions in municipal securities identified by the issuer or sold by the underwriter as subject to federal taxation contain a designation to that effect.

On May 19, 1986, the Board filed with the Securities and Exchange Commission amendments to rules G-12 and G-15 which would require that confirmations of transactions involving municipal securities which have been identified by the issuer or sold by the underwriter as subject to federal taxation contain a designation to that effect.[1] The proposed amendments will become effective upon approval by the Commission.

Recently, there have been several "taxable" issues of municipal securities brought to market. Under Section 3(a)(29) of the Securities Exchange Act, the definition of a municipal security turns on whether the security is an obligation of a state or political subdivision of a state, and not whether income derived from the security is taxable. Board rules, therefore, apply to transactions in taxable municipal securities in the same way as they apply to other, more traditional municipal securities.

Although under rule G-17, on fair dealing, a dealer should advise customers of the taxable status of municipal securities at the time of or prior to execution of a transaction in such securities, the Board's confirmation rules currently have no disclosure requirements regarding transactions in such securities. The Board has determined that confirmation disclosure would be appropriate since the majority of municipal securities likely will continue to be tax-exempt and dealers and customers may find it necessary or appropriate to preserve a record of transactions in taxable municipal securities.

May 19, 1986

Text of Draft Amendments*

Rule G-12. Uniform Practice

(a)–(b) No change.

(c) Dealer Confirmations.

(i)–(v) No change.

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

(A)–(B) No change.

(C) if the securities are identified by the issuer or sold by the underwriter as subject to federal taxation, a designation to that effect;

~~(C)~~–~~(G)~~ renumbered (D)–(H)

(d)–(l) No change.

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

(a) Customer Confirmations.

(i)–(ii) No change.

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

(A)–(B) No change.

(C) if the securities are identified by the issuer or sold by the underwriter as subject to federal taxation, a designation to that effect;

~~(G)~~–~~(H)~~ renumbered (D)–(H)

(b)–(e) No change.

Questions about the amendments may be directed to Angela Desmond, General Counsel.

[1] SEC File No. SR-MSRB-86-9. Comments filed with the SEC concerning these amendments should refer to the File Number.

*Underlining indicates new language; broken rule indicates deletions.

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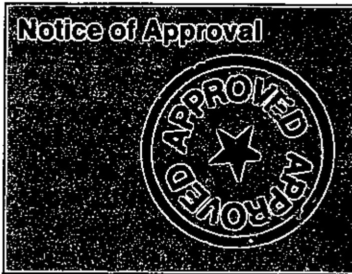

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Disclosure Requirements for Syndicate Managers: Rule G-11

Amendments Approved

Syndicate managers are required to provide written summaries to syndicate members of all allocations accorded priority over members' take-down orders within two business days following the date of sale of a new issue and the identities of persons placing group or related portfolio orders at or before final settlement.

On May 28, 1986, the Securities and Exchange Commission approved amendments to rule G-11 on syndicate practices.[1] The amendments require syndicate managers, within two business days following the date of sale of a new issue, to disclose in writing to syndicate members a summary of all allocations of securities accorded priority over syndicate members' take-down orders. The amendments also delete the current requirement that managing underwriters provide to syndicate members certain written information pertaining to syndicate allocations within 10 business days following the date of sale and substitute a requirement that the information be provided at or before final settlement of the syndicate account. The amendments became effective upon approval by the Commission.

Background

Rule G-11 requires syndicates to establish priorities of orders submitted to the syndicate and to make certain disclosures designed to provide syndicate members with information sufficient to understand and evaluate syndicate practices. In June 1985, the Board requested views of interested persons on rule G-11,[2] and on August 21, 1985, met with industry members to discuss possible modifications of the rule. Based on the comments received on rule G-11, the Board in September published for comment draft amendments to the rule and received three written comments on the draft amendments.[3] After reviewing the comments received on the draft amendments and all other comments received during the review process, the Board adopted the amendments, which the SEC has approved.

Summary of Amendments

The amendments require syndicate managers, within two business days following the date of sale, to provide a written summary listing by priority all allocations of securities which were accorded priority over members' take-down orders, indicating the price, aggregate maturity value and maturity date of each maturity so allocated.[4] This amendment is designed to provide syndicate members with a summary of certain order and allocation information early enough to help them frame orders and understand syndicate operations. The summary should indicate the aggregate maturity value, maturity date and the price of each maturity allocated on a priority basis, but need not provide the identity of the persons placing priority orders. The summary should include allocations of securities through the end of the order period or, if the syndicate does not have an order period, through the first business day following the date of sale.

The amendments require that managers provide written information about the identities of persons placing certain group or related portfolio orders at or before final settlement of the account rather than within 10 business days following the date of sale. Rule G-11(g) previously required a manager, within 10 days following the date of sale, to provide members with written information concerning the identities of persons submitting group orders and related portfolio orders to which securities are allocated. The Board continues to believe that syndicate members have the right to know the identities of persons who place group and related portfolio orders because such orders are for the benefit of the whole syndicate. Based on the information received during its general review of G-11, however, the Board concluded that these disclosures are not critical to the framing of syndicate members' orders. The amendments accordingly require that the information be provided, along with final accounting information, at or before the final settlement of a syndicate

Questions about the amendments may be directed to Angela Desmond, General Counsel.

[1] SEC Release No. 34-23277 (May 28, 1986).
[2] *MSRB Reports*, vol. 5, no. 4 (June 1985) at 5–6. The Board received nine comment letters. The comment letters are available at the Board's offices and may be reviewed by interested persons.
[3] *MSRB Reports*, vol. 5, no. 6 (November 1985) at 5–8. The comment letters are available at the Board's offices and may be reviewed by interested persons.
[4] Rule G-11(g) previously required this information to be provided in writing within 10 business days after the date of sale.

account,[5] rather than 10 days after the date of sale.[6]

May 28, 1986

Text of Amendments*

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

(a)–(f) No change.

(g) Disclosure of Allocation of Securities. The senior syndicate manager shall, within ~~ten~~ two business days following the date of sale, disclose to the other members of the syndicate, in writing, ~~the following information concerning the allocation~~ a summary, by priority category, of all allocations of securities which are accorded priority over members' take-down orders, indicating the aggregate par value, maturity date and price of each maturity so allocated, including any allocation to an order confirmed at a price other than the original list price. The summary shall include allocations of securities to orders submitted through the end of the order period or, if the syndicate does not have an order period, through the first business day following the date of sale.

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

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

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

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

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

(ii) a summary statement showing:

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

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

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

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[5]Rule G-12(j) requires final settlement of a syndicate to occur within 60 days following the date all securities have been delivered by the syndicate or account manager to the syndicate or account members.

[6]The Board also recognizes that the premature disclosure of the identities of persons placing such orders might discourage investors wishing to maintain anonymity from placing such orders.

*Underlining indicates new language; broken rule indicates deletions.

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Information Concerning Associated Persons: Rule G-7

Amendments Approved

The amendments conform the requirements of the rule that dealers maintain certain records regarding associated persons to recent amendments of SEC rule 17a-3 and provide that, under certain circumstances, a completed Form U-4 satisfies the rule's requirements

On April 23, 1986, the Securities and Exchange Commission approved amendments to rule G-7 which requires brokers, dealers, and municipal securities dealers to maintain certain specified information regarding associated persons.[1] The amendments conform the information specified under rule G-7(b) to recent amendments of SEC recordkeeping rule 17a-3 which, in turn, reflect recent changes to Form U-4 (Uniform Application for Securities Industry Registration or Transfer). The amendments to rule G-7(b) became effective upon approval by the Commission.

Background

Section (b) of Board rule G-7 specifies the information which brokers, dealers and municipal securities dealers must obtain and retain regarding associated persons. The rule may be satisfied by maintaining a completed Form U-4, provided such form contains all of the information required in Board rule G-7(b).[2] Recently, however, the National Association of Securities Dealers, Inc. (NASD) and the North American Securities Administrators Association (NASAA) amended Form U-4 with the permission of the SEC. The revisions, with minor exceptions, were incorporated by the SEC into its recent amendments to SEC rule 17a-3(a)(12) regarding mandatory application information. These amendments eliminated certain items of information, which are required to be kept by Board rule G-7(b).

Summary of Amendments

The amendments conform the requirements of Board rule G-7(b) to the recent amendments of SEC rule 17a-3 so that maintenance of a Form U-4, completed in its entirety, shall continue to satisfy the requirements of the rule.

The amendments to rule G-7(b) affect the following information:

- Education and Business Affiliations. Rule G-7(b) required that information be retained concerning an associated person's education, starting with high school, and that information be retained of all business connections over the previous 10 years, including the reason for leaving, position held, and whether the job was full-time or part-time. Amended rule G-7(b) combines these two information categories and requires the candidate to account for all time over the past 10 years, whether as an employee or student. The amended rule does not require a candidate to disclose the reasons for leaving previous employment.
- Residence. Rule G-7(b) required that information be retained on the associated person's place of residence for the immediately preceding 10 years. The amended rule shortens this time period to five years.
- Injunctions. Rule G-7(b) required that information be retained concerning injunctions, whether permanent or temporary, entered against the associated person or against any broker, dealer, or municipal securities dealer with whom the person has been associated in any capacity. The amended rule requires that only injunctions entered against the associated person in connection with any investment-related activity be retained, and does not require the associated person to disclose injunctions applicable to a firm with which the person has been associated, provided the injunction did not affect the associated person.

The Board notes that the NASD has instituted a program whereby an associated person, who has filed an entire Form U-4 with the NASD, need not again complete an entire Form U-4 should the person change employment or association from one securities firm to another. This permits an associated person to submit to the NASD a partial Form U-4 filing which does not contain the personal data, residential history, and employment and personal history sections otherwise provided in a full filing. The Board wishes to remind the industry that a Form U-4 satisfies the requirements of Board rule G-7 only in the event that such form contains the infor-

Questions about the amendments may be directed to Peter H. Murray, Assistant Executive Director.

[1] SEC Release No. 34-23171 (April 23, 1986).
[2] This is true also for Form MSD-4 (Uniform Application for Municipal Securities Principal or Municipal Securities Representative Associated with a Bank Municipal Securities Dealer).

mation required by rule G-7(b). A partial Form U-4 filing would not satisfy the requirements of Board rule G-7(b).

May 1, 1986

Text of Amendments*

Rule G-7. Information Concerning Associated Persons

(a) No change.

(b) (i)–(ii) No change.

(iii) ~~all educational institutions attended (starting with high school) and whether a degree from each was received;~~ a complete, consecutive statement of employment and personal history for at least the immediately preceding ten years, including full time and part time employment, self-employment, military service, unemployment, or full-time education. For each period of employment, the position held at the time of leaving said employment;

~~(iv) a complete, consecutive statement of all business connections for at least the immediately preceding ten years, including the reason for leaving each prior employment, the position held at each prior employment, and whether employment was part-time or full-time;~~

~~(v)~~(iv) a record of all residential addresses for at least the immediately preceding ~~ten~~ five years;

(vi) through (vii) renumbered (v) through (vi). No substantive change.

~~(viii)~~(vii) a record of any permanent or temporary injunction entered against such person ~~or against any broker, dealer or municipal securities dealer with which such person was associated in any capacity at the time such injunction was entered~~ pursuant to which such person ~~or such broker, dealer or municipal securities dealer~~ was enjoined from acting as an investment adviser, underwriter, broker, dealer, or municipal securities dealer, ~~or as an affiliated person or employee of any investment company, bank, or insurance company~~, or from engaging in or continuing any conduct or practice in connection with any such activity, or in connection with purchase or sale of any security;

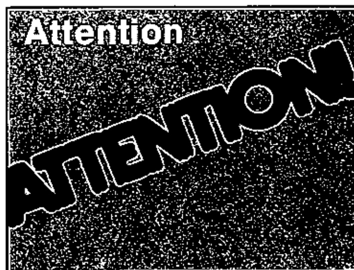
(ix) through (xi) renumbered as (viii) through (x). No substantive change.

A completed Form U-4 or similar form prescribed by the Commission or a registered securities association for municipal securities brokers and municipal securities dealers other than bank dealers or, in the case of a bank dealer, a completed Form MSD-4 or similar form prescribed by the appropriate regulatory agency for such bank dealer, containing the foregoing information, shall satisfy the requirements of this paragraph.

(c) through (i) No change.

*Underlining indicates new language; broken rule indicates deletions.

MSRB
REPORTS
Volume 6, Number 3 June 1986



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