Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 45	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2012 - * 01 Amendment No. (req. for Amendments *)

Proposed Rule Change by   Municipal Securities Rulemaking Board

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * ☒	Amendment * ☐	Withdrawal ☐	Section 19(b)(2) * ☒	Section 19(b)(3)(A) * ☐	Section 19(b)(3)(B) * ☐

Rule

Pilot ☐	Extension of Time Period for Commission Action * ☐	Date Expires *	☐ 19b-4(f)(1) ☐ 19b-4(f)(4) ☐ 19b-4(f)(2) ☐ 19b-4(f)(5) ☐ 19b-4(f)(3) ☐ 19b-4(f)(6)

Exhibit 2 Sent As Paper Document ☐   Exhibit 3 Sent As Paper Document ☐

Description

Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked *).

Amendments to Rule G-14, on Reports of Sales or Purchases, Including the Rule G-14 RTRS Procedures, and Amendments to the Real-Time Transaction Reporting System

Contact Information

Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name * Karen   Last Name * Du Brul

Title *   Associate General Counsel

E-mail *   kdubrul@msrb.org

Telephone * (703) 797-6600   Fax (703) 797-6700

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

Municipal Securities Rulemaking Board

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date   01/20/2012

By   Ronald W. Smith   Corporate Secretary
              (Name *)   (Title *)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Ronald Smith, rsmith@msrb.org

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information (required)

[Add] [Remove] [View]

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change (required)

[Add] [Remove] [View]

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

[Add] [Remove] [View]

Exhibit Sent As Paper Document
☐

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

[Add] [Remove] [View]

Exhibit Sent As Paper Document
☐

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

[Add] [Remove] [View]

The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

[Add] [Remove] [View]

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

[Add] [Remove] [View]

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of Proposed Rule Change

(a) The Municipal Securities Rulemaking Board ("MSRB" or "Board") is hereby filing with the Securities and Exchange Commission ("Commission" or "SEC") a proposed rule change consisting of amendments to Rule G-14, Reports of Sales or Purchases, including the Rule G-14 RTRS Procedures, and amendments to the Real-Time Transaction Reporting System ("RTRS") information system and subscription service (collectively, "proposed rule change"). The MSRB proposes that the proposed rule change be implemented in three phases, as described herein. The proposed rule change is set forth below, with underlining indicating additions and brackets indicating deletions.

Rule G-14 – Reports of Sales or Purchases

(a) No change.

(b) (i)-(ii) No change.

(iii) To identify its transactions for reporting purposes, each dealer shall obtain a unique broker symbol from **NASDAQ Subscriber Services** [the National Association of Securities Dealers, Inc.].

(iv) No change.

(v) [(A)] No change.

[(B) Testing During RTRS Start-Up

(1) Testing facilities will be made available at least six months prior to the announced effective date of these transaction reporting procedures ("Announced RTRS Start-Up Date"). Except as provided in the subparagraph below, each dealer shall be prepared for testing no later than three months prior to the Announced RTRS Start-Up Date and shall either have successfully tested its RTRS capabilities or have scheduled a testing date with the MSRB by that time.

(2) A dealer electing to use only the Web-based trade input method of transaction reporting and that has averaged submissions of five or fewer trades during a one-year period beginning in July 2003 shall be required to test its RTRS capabilities no later than one month prior to the Announced RTRS Start-Up Date.]

(vi) No change.

Rule G-14 RTRS Procedures

(a)   (i) No change.

    (ii)   (A)-(B) No change.

      [(C) A dealer shall report a trade within three hours of the Time of Trade if all the following conditions apply: (1) the CUSIP number and indicative data of the issue traded are not in the securities master file used by the dealer to process trades for confirmations, clearance and settlement; (2) the dealer has not traded the issue in the previous year; and (3) the dealer is not a syndicate manager or syndicate member for the issue. If fewer than three hours of the RTRS Business Day remain after the Time of Trade, the trade shall be reported no later than 15 minutes after the beginning of the next RTRS Business Day. This provision (C) will cease to be effective on June 30, 2008 for when, as and if issued transactions and December 29, 2006 for all other transactions.]

      [(D)] **(C)** No change.

      [(E)] **(D)** No change.

      [(F)] **(E)** No change.

    (iii)-(vi) No change.

(b)   No change.

(c)   No change.

(d)   (i) No change.

    (ii) The "RTRS Business Day" is 7:30 a.m. to 6:30 p.m., Eastern Time, Monday through Friday, **unless otherwise announced by the Board.** [on each business day as defined in Rule G- 12(b)(i)(B).]

    (iii)-(vii) No change.

<p align="center">*   *   *   *   *</p>

RTRS Facility

The MSRB [has] coordinated its plans for the RTRS facility with the new real-time comparison system for municipal and corporate bonds (the "Real-Time Trade Matching" or "RTTM" system) [now being] implemented by National Securities Clearing Corporation (NSCC).[1] The use of the NSCC telecommunication facility as a data collection point or "Portal" for transaction data and the use of a standard common format for trade reporting and automated

comparison through NSCC are intended to reduce dealer costs in complying with the 15-minute transaction reporting requirement. Retail and institutional customer transactions and IDRO reports **are** [also will be] reported through NSCC using the same record format as used for inter-dealer trades.[2] NSCC will not process customer transactions in the comparison system, but will forward the data to the MSRB and thus allow dealers to avoid setting up separate telecommunications links and facilities specifically for trade reporting to the MSRB.[3] In this manner NSCC and MSRB have attempted to provide a means for dealers to leverage their systems development work to satisfy two goals at once – that of real-time transaction reporting and real-time comparison of inter-dealer transactions. In this regard, the development plans for both systems have been coordinated to provide the greatest efficiencies possible for dealers.

Improved Functionality. The objective of real-time transaction reporting is to make price and volume information publicly available as soon as possible after trades are executed. Real-time reporting will also bring improved functionality to dealers and enforcement agencies, compared with the **former** [current] batch-oriented reporting system. These improvements include:

- The ability to correct regulatory data, such as time of trade, on inter-dealer trade reports;

- The ability for a dealer to ensure the accuracy of regulatory data even when that information is reported on its behalf by a clearing broker;

- The capability for dealers to report their capacity as agent in inter-dealer trades; and

- Improvements in the "audit trail" of trade information.

Submission of Transaction Reports by Intermediaries. As in the **former** [current] transaction reporting system, a dealer will be able to use an intermediary, *i.e.*, its clearing broker or service bureau, to submit transaction reports to RTRS. Also following **prior** [current] policies, inter-dealer transaction reporting and comparison will be accomplished using one transaction report. The MSRB expects those dealers that are not self-clearing to submit inter-dealer trades through their clearing broker [as they do today]. However, these dealers must ensure that the clearing broker will be able to submit the trade report satisfying both comparison and transaction reporting requirements within 15 minutes of the time of trade. Both dealers in this case will have the responsibility to work together to ensure that such trade submissions are timely and accurate. It **is** [will be] possible for the correspondent to submit customer trade reports directly to the **MSRB** [MSRSB] or for the clearing broker to submit on the correspondent's behalf.

Message-Based and Web-Based Input Methods. Two format options **are** [will be] available for submission of data into RTRS: 1) message-based trade input, and 2)

Web-based trade input. In message-based trade input, each trade is submitted as a "message" in a standardized format. A trade input message consists of a sequence of data tags and data fields – for example, the tag "SETT" followed by a date field indicates the settlement date of the trade. For real-time trade reporting and comparison, the format standard is the ISO 15022 format established by the International Organization for Standardization.[4] Each message is sent as a separate unit between two computers. The fact that a trade message is the basic telecommunications unit enables real-time reporting, comparison and interactive feedback. Messages are well-suited to automated high-volume operations and to "straight-through processing" methods.

In using the Web-based method, the dealer manually accesses a Web site through an Internet browser to enter, correct or view trade data. As described below, different Web sites are used depending whether the data is entered for both comparison and regulatory reporting or only for reporting purposes. The Web-based method requires no system development work beyond setting up an Internet connection and obtaining the appropriate user ID, password and security safeguards. However, Web input is manual and it will not be possible to interface the Web-based method with the dealer's processing system. Therefore, exclusive use of the Web-based method for submitting transactions generally will be appropriate only for relatively low-volume submitters.

For high-volume submitters of transaction data, such as large dealers, clearing brokers and service bureaus, the only efficient and practical means for initial trade submission is likely to be message-based. [The extent of systems work necessary for interfacing with RTRS (and with RTTM) in this case will be dependent in large part on whether the submitter currently captures trade data in real time for processing. Submitters that have prepared for real-time transaction reporting and comparison by converting from overnight batch processing systems to ones with a more real-time or straight-through processing approach should find the necessary systems changes comparatively minor.]

Dealers may use the message-based method, the Web-based method, or both. Some high-volume dealers may submit the initial trade report as a message, review their submission and the RTRS status information on a Web site, and make corrections manually using Web-based trade input. Instead of using the Web, dealers may also submit corrections in message format. Alternatively, some low-volume dealers may use the message-based system if messaging is made available to them by clearing brokers or service bureaus.[5]

RTRS Portals. [In the proposed amendment to the G-14 RTRS Transaction Reporting Procedures,] **T**[t]he MSRB has designated three RTRS "Portals" for the receipt of municipal securities trade data. Each Portal has a different policy governing the type of trade data it can accept. Message-based trade input must go through the Message Portal, but Web-based trade input may go through either the RTRS Web Portal or the RTTM Web Portal.

- The Message Portal is operated by NSCC and accepts any type of municipal security trade submission or modification. All trade messages that the dealer indicates should be forwarded to RTRS will be relayed to RTRS by NSCC. In addition, messages that the dealer indicates should be processed by the comparison system will be routed to RTTM.[6]

- The RTRS Web Portal is operated by the MSRB and accepts any municipal security trade submission or modification except data that would initially report or modify inter-dealer transaction data used in the comparison process. (Comparison data instead must be entered into the comparison system using a method authorized by NSCC such as the Message Portal or the RRM Web Portal). The RTRS Web Portal may be used to report or correct (a) customer trade data, (b) IDRO data, and (c) inter-dealer trade data, but only if that data is not used in comparison. For example, a dealer may use the RTRS Web Portal to correct an inter-dealer trade record with regard to the time of trade or dealer capacity, but not to correct (or to input initially) the CUSIP number, par or price of the trade.

- The RTTM Web Portal is operated by NSCC for comparison purposes.[7] It may be used to report or correct both "comparison data" (CUSIP number, par, price, etc.) and "regulatory reporting data" (time of trade, etc.), if that data is associated with an inter-dealer transaction eligible for comparison. The RTTM Web Portal may not be used to report or correct customer or IDRO trade records.

All RTRS Portals will be open to receive trade data for at least 90 minutes after the end of an RTRS Business Day and 30 minutes before the beginning of the next Business Day, *i.e.*, they will be open at least from 7:00 a.m. through 8:00 p.m. The RTRS Web Portal will be open for an additional 60 minutes at the beginning and end of the RTRS Business Day, *i.e.*, it will be open from 6:00 a.m. to 9:00 p.m.

Measurement of Timely Reporting. The time taken to report the trade will be measured by comparing the time of trade reported by the dealer with the time of receipt of the trade report at the designated RTRS Portal. RTRS will assess each trade against its reporting deadline (15 minutes[, three hours,] or end-of-day). Trades not received by the appropriate reporting deadline will be considered late.

Enhancement of Information Available to Regulators. MSRB [has] worked with **the Financial Industry Regulatory Authority (FINRA, formerly known as** NASD**)** and other regulators to improve the audit trail and other surveillance capabilities that **are** [will be] available **as** [once] data is collected on a real-time basis. [Some of these changes will require modifications or additions to existing transaction reporting procedures observed by dealers.] One addition concerns the situation in which one dealer passes an order to a second dealer for execution directly out of the second dealer's principal account, with settlement made directly between the second dealer and the party placing the order. The situation

requiring this "Inter-Dealer Regulatory-Only or "IDRO" report typically occurs when a fully disclosed introducing broker submits a customer order to its clearing broker for execution, and the clearing broker executes and settles directly with the introducing broker's customer. The **former** [current] TRS system **required** [requires] only one trade report in this situation – a customer trade report from the introducing broker. RTRS procedures [will] require another trade report showing the identity and role of the clearing broker – it will be described as an Inter-Dealer Regulatory-Only transaction. The new trade report was requested by **FINRA** [the NASD] to provide a more complete audit trail for surveillance purposes.[8]

The **former** [current] transaction reporting procedures **required** [require] a dealer effecting a trade "as agent" for a customer to designate its capacity on the customer trade report. This requirement **is** [will remain] in RTRS. Inter-dealer transaction reports **did** [currently do] not require a capacity field to show whether the inter-dealer trade was done as agent for a customer, but RTRS **added** [will add] such a requirement.[9]

Another [new] feature added in the real-time environment is the Special Condition Code. RTRS **requires** [will require] a dealer that executes a trade with certain special conditions to code the trade report accordingly. For example, if there is a specific reason for a trade being reported at a price that is not a true market price, the dealer will indicate this with a Special Condition Code. A trade report with a Special Condition Code that is indicative of an off-market price will not be disseminated by RTRS, but will be made available to regulatory agencies for market surveillance and inspection purposes. Some Special Condition Codes will not be indicative of an off-market price but will report conditions such as a security that is traded "flat."[10]

RTRS [will] also **added** [add] the reporting of a code by which a dealer will indicate that a price being reported was derived as part of a "weighted average price" transaction. A weighted average price transaction is one in which a dealer agrees to purchase up to a certain quantity of securities for a customer at market prices during the day, culminating with one sale transaction to the customer of the aggregate par value, with a price representing a weighted average of the dealer's purchases. The Price Dissemination Plan **previously called** [currently calls] for displaying the "weighted average price" code along with other data about the transaction.

[Another data element added for surveillance purposes is the identifier of an "intermediate dealer" in a transaction. This applies to a situation in which a dealer is a correspondent of an NSCC participant and this correspondent passes data to its clearing broker about a trade effected by a third dealer. Since the dealer that effected the trade is a correspondent of the clearing broker's correspondent, this dealer is termed the "correspondent's correspondent." The proposed reporting procedures would require that if there are three dealers on one side of an inter-dealer trade, all three dealers must be identified in the trade report: the clearing broker, its correspondent, and the correspondent's

correspondent. (If there are only one or two dealers on a side, as will usually be the case, the new "correspondent's correspondent" field will be omitted.)]

Finally, although it **did** [does] not require any change in dealer procedures, RTRS **provides** [will provide] regulators with the record of all changes reported by a dealer after its initial trade submission. This is an enhancement over the **former** [current] system, which **reported** [reports] the results of trade modifications but **did** [does] not show the initial submission or the subsequent change records. RTRS **provides** [will provide] reports to regulators showing each modification or cancellation of a trade report, including the time the change was made. The MSRB [plans] also **provides** [to provide] regulators with real-time connections to RTRS. This **enables** [will enable] regulatory agency staff to obtain routine reports of transactions more quickly than **was previously** [is now] possible.

RTRS Processing. Following is a description of key steps in RTRS processing with regard to input requirements, input data flow, format edits, submitter validation, timestamping, lateness checking, content validation, feedback, modification and cancellation, and the maintenance of the surveillance database.

Input Requirements. The basic transaction information [proposed] to be reported by a dealer in RTRS **is** [will be] similar to that reported in the **former** [existing] transaction reporting system. This information supports both the price transparency and surveillance functions of the system. The complete list of data elements that **are** required on a trade report are in Specifications for Real-time Reporting of Municipal Securities Transactions[11] and **are** [will be] included within the RTRS Users Manual, available at www.msrb.org.

Input data flow. RTRS receives information about each trade separately as an electronic message and processes each trade individually.[12] All inter-dealer trade messages that contain initial values or modifications to data elements needed for comparison (*e.g.*, dollar price or par), come to RTRS as messages via RTTM or as input to the RTTM Web. Inter-dealer trade messages that affect only data elements needed for regulatory reporting (*e.g.*, time of trade) come to RTRS either as messages via the RTTM network, or as Web-based input via the RTTM Web or RTRS Web. Customer and IDRO messages, since they contain data needed exclusively for regulatory reporting, come to RTRS as messages via the RTTM network or as input to the RTRS Web (but not via the RTTM Web).

Format edits. Each message **is** [will be] edited to verify that its format is correct.[13] This involves checking that required data elements are present in the correct form (*e.g.*, dates are in date format and money amounts are in decimal format) and with the correct number of digits or characters. Messages that fail these edits **are not** [will not be] processed further and an error message describing the deficiency **is** [will be] returned to the submitter. Both RTTM and RTRS [will] conduct format edits. Input from Web-based screens **is** [will have been] checked before it is transferred from the user's personal computer to the Web server.

Submitter validation. RTRS **accepts** [will accept] input only from parties known to the MSRB. Trade messages routed through RTTM are checked by RTTM and rejected unless submitted to RTTM by an NSCC participant. The message is checked again when received by RTRS and **is** [it] not processed further unless it bears the identifier of a clearing broker or service bureau known **to** the MSRB. RTRS further checks each trade message to verify that the dealer has previously authorized the submitter to report trades on its behalf. RTRS Web-based input is validated at multiple levels. First, the user cannot logon to RTRS unless he or she enters a user identifier and password issued by the MSRB. RTRS security controls allow a dealer access only to trades in which it was a party or which it has submitted on behalf of another dealer. Finally, the dealer-submitter combination is validated in the same way as input from RTTM, above.

Timestamping. To enforce the rule on timely reporting of trades in real-time environment, each trade message **is** [will be] given an electronic timestamp, accurate to the second, when it is received. RTRS **interprets** [will interpret] the timestamp as the time the trade was reported. Messages that are input [into] through the Message Portal or the RTTM Web Portal **are** [will be] timestamped by RTTM, and messages submitted via the RTRS Web Portal **are** [will be] timestamped by the RTRS server. By this means, any delays that may occur in application processing or telecommunications connections between RTTM and the MSRB will not affect the assessment of the time the trade was reported.

Lateness checking. The dealer **includes** [will include] an indicator in the trade message that shows the deadline that it understands applies to the trade report.[14] RTRS **then determines** [will determine] whether the trade was received by the deadline. [If the dealer indicates it has not traded the security in the previous year and therefore may report the trade up to three hours after the time of trade, RTRS will check whether the dealer's trading history is as claimed.] If a trade is reported late, an error message indicating this fact **is** [will be] sent to the submitter at the end of processing.

Content edits. The values in the reported trade **are** [will be] checked to determine that they are within reasonable limits, in order to detect input errors such as misplaced decimal points. The relationship between values is checked (*e.g*., the settlement date may not precede the trade date) and crucial data elements are verified against reference tables (*e.g*., the identifier of the dealer that effected the trade must be present in the RTRS dealer reference table). Finally, for those trades where the dollar price and yield are reported, the consistency of price and yield **are** [will be] verified when possible.

Feedback. If a dealer's message is deficient, RTRS interactive feedback **provides** [will provide] descriptive detail. MSRB **anticipated** [anticipates] that this feedback **would** [will] help dealers to detect and correct errors quickly.

RTRS **generates** [will generate] an acknowledgement or error message for every reported trade, except inter-dealer trades that have passed RTTM edits and which

do not have any RTRS errors. (These trades will already have been acknowledged by RTTM.) The acknowledgement/error message is sent to the dealer and/or submitter in the format(s) that the dealer or submitter has previously requested. The available feedback formats are message or e-mail. In addition, the dealer and the submitter may view the trade, and any errors found, using RTRS Web.

Feedback will indicate to the dealer whether the trade is error-free or late, and whether it is questionable or unsatisfactory for reporting purposes. A "questionable" trade message is one that appears to have an error, but which may be correct depending on circumstances. Examples are a trade with a yield that exceeds ten percent of the dollar price (bonds traded very close to a premium call may have a very high nominal yield, but this is most likely an input error) or a reported time of trade before 0600 hours (trading is allowed at any time of day, but this is most likely intended to be a time in the afternoon, *e.g.,* 5:00 p.m. reported as 0500). Under the [proposed] Rule G-14 RTRS [Transaction Reporting] Procedures, paragraph **(a)(v)** [(e)], dealers must examine such trade reports to determine if they are in fact erroneous and, if so, correct them. A trade is "unsatisfactory for reporting purposes" if it is missing an essential data element, is defective in some way that prevents it from being processed, or cannot be included in the surveillance database or publicly reported. Examples of "unsatisfactory" conditions are a reported trade date in the future, a missing dealer symbol, and an incorrect CUSIP check digit. Certain modification attempts are also unsatisfactory, such as a modification that cannot be matched with any previous message from the dealer.

Modification and cancellation. **The** [Under the proposed rule change, the] dealer is responsible for timely and accurate submission of trade reports. The dealer must monitor its reported trades by any of the available feedback methods and must correct any errors as soon as possible. If a dealer is unable to report a trade within the deadline, it must report the trade as soon as possible. RTRS [will] produce**s** statistics on dealer performance in timely submission and timely correction of errors and [will] provide**s** the statistics to dealers.

RTRS **enables** [will enable] dealers to submit**,** modify and cancel messages for all types of trades. Unlike the **former** [current] transaction reporting system in which only customer trades **could** [can] be modified to correct regulatory data, RTRS **supports** [will support] such changes for all trade types.

Surveillance database. The RTRS Surveillance Database **stores** [will store] each message submitted by a dealer or service bureau. Audit trail reports [will] provide regulators with information about trades effected by a dealer, trades in specific CUSIPs, highest/lowest prices for a CUSIP within a day or other time period, and specific data elements such as trades with Special Condition Codes reported by a dealer. Other reports [will] show all modifications and cancellations reported by a dealer.

Testing [and Contact] Requirements. [As described in connection with the proposed Rule G-14 Procedures, successful testing will be required of RTRS submitters to ensure a working interface with RTRS prior to the date for system operations.] The **Rule G-14** [proposed] Procedures [would] require dealers to test their use of RTRS before reporting any trades. [The MSRB will make testing facilities available to dealers at least six months before the announced effective date of the Proposed Rule Change ("Announced RTRS Start-Up Date"). Testing would be required of dealers making the transition from the current Transaction Reporting System to RTRS, and also required of dealers that begin reporting transactions in the future. Each dealer will have to be prepared to test its use of RTRS no later than three months before the Announced RTRS Start-Up Date and must schedule a test date by that time unless it has already successfully tested its RTRS capabilities. However, dealers that have effected an average of five or fewer transactions per week during the preceding year and that will use only the Web-based method must successfully test their RTRS capabilities one month before the Announced RTRS Start-Up Date.]

The requirement for testing and submission of a [new] "Form RTRS" with the name of a contact person is reflected in [the new proposed language for] Rule G-14.

Price Dissemination by RTRS

Description of Service. Real-time price data **is** [will be] available by subscription, after subscribers sign an agreement regarding re-dissemination. During the RTRS Business Day, price data **is** [will be] disseminated in real time, immediately after receipt. Modifications and cancellations submitted by dealers that apply to earlier trade submissions **are** [will] also [be] disseminated in real time.

[The technical means of data dissemination are not yet determined. MSRB expects to make a second filing on the RTRS facility in the future, with proposals for fees to be charged for the various RTRS data products. This filing will state the date of effectiveness of the proposed rule change and describe the technical means of data dissemination.]

In addition to real-time reports, the MSRB **provides** [plans to continue providing] reports each morning covering the previous day's trades (T+1 reports), as well as daily reports covering all trades done on the trading day one week earlier (T+5 reports), and monthly reports covering all trades done during the previous month.

Trades to be Disseminated. During the RTRS Business Day, the MSRB **disseminates** [will disseminate] data on all transactions as soon as **it is** [they are] received, except for two types of dealer submissions. The exceptions**,** which **are** [, will be] stored in the surveillance database but not disseminated in real-time, are trades marked [as] by the dealer as having prices other than market prices, using a Special Condition Code,[15] and reports of "inter-dealer regulatory-only" transactions. These have already been described.

List of Information Items to be Disseminated. The specific items [proposed to be] disseminated by RTRS for price transparency purposes are:

- CUSIP number and description of the issue traded;

- Par value of the transaction if one million dollars or under; otherwise reported as [s] "1MM+";

- Dollar price;

- Yield (for inter-dealer **and customer** new issue transactions done on a yield basis**,** and for all **inter-dealer and** customer transactions in non-defaulted securities **when** [where the transaction is done on a yield basis or if] the yield can be computed from dollar price);

- Date and time of trade;

- Whether the transaction was a (i) purchase from a customer; (ii) sale to a customer; or (iii) inter-dealer transaction;

- Indicator that an inter-dealer transaction was done by a broker's broker, and if so, the broker's broker role as buyer or seller;

- When-issued indicator, if any;

- Syndicate list price indicator, if any;

- Assumed settlement date, if initial settlement date is not known at time of trade;

- Indicator that dollar price was computed by MSRB using an estimated settlement date for an issue on which the initial settlement date has not been set;

- Indicator that a trade was done at the weighted average price of trades done earlier in the day;

- Modification/Cancellation indicator, if any;

- RTRS broadcast time, date and sequential trade message number; and

- RTRS Control Number.

Transactions Done During RTRS Business Day. As noted, [under the proposed rule language,] dealers **are required,** [would] with limited exceptions**, to** report within 15 minutes of the time of trade all transactions done during the RTRS

Business Day. Trade submissions made during the RTRS Business Day **are** [will be] disseminated within a few minutes of receipt.

Dissemination of Compared or Uncompared Inter-Dealer Trades. Unless the trade report contains errors or is subject to an exception, transactions reported by dealers during the RTRS Business Day **are** [would be] disseminated within a few minutes after receipt at the designated RTRS Portal. [The current plan for dissemination] **Dissemination** of [prices calls for] inter-dealer price information **occurs** [to be published] only after comparison is achieved on the trade, as done in the **former** [current] system. Comparison of the inter-dealer trade ensures the reliability of the data that was submitted, since the buyer's and the seller's details are matched. However, RTRS **was** [is being] designed with the flexibility to disseminate uncompared inter-dealer transaction data if it is found that a substantial proportion of trades take longer than 15 minutes to be compared.[16]

Transactions Done Outside the RTRS Business Day. **Dealers** [Under the proposed rule change, dealers] **are [**would be] required to report transactions done outside of the RTRS Business Day, but **are not** [would not be] required to do so[n] on a real-time basis. Instead, trades **are required to be** [would be] reported within the first 15 minutes of the next RTRS Business Day, at which time they would be disseminated.

Late Trade Reports and Trade Data Modifications. Trades that are not reported within the timeframe set by **Rule G-14** [the proposed rule change] would be considered late. Late trade reports and trade modifications **are** [will be] disseminated **by** RTRS as soon as received if they are submitted during the RTRS Business Day and at the start of the next Business Day otherwise.

Broker's Broker Indicator. Trades by broker's brokers **are** [will be] marked as such on disseminated trade reports and the buy/sell indicator [will] show**s** whether the broker's broker was buying or selling. Because broker's broker trades occur in matched pairs that, in market terms, many observers view as representing one movement of securities between two dealers, the Board believes it **is** [will be] helpful to RTRS data users if broker's broker trades are identified as such in trade reports.

[Implementation Schedule

RTRS development is proceeding on the following schedule.

 2004

 April   Beta testing with dealers begins

July	Certification testing with dealers begins
July-Dec.	Dealers that have passed certification testing with RTTM and RTRS may report trades using new formats
October	Dealers that have not yet completed certification testing must schedule test, unless dealer reports an average of fewer than five trades per week (low-volume dealers)
November	Low-volume dealers that have not yet completed certification testing must schedule test
Dec. 15	All dealers must complete certification testing

2005

January	Real-time comparison and reporting requirements would become effective]

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[1]   NSCC is a clearing agency registered under the Securities Exchange Act.

[2]   For RTTM message specifications, *see* Interactive Messaging: NSCC Participant Specifications for Matching Input and Output Version 1.0 (March 31, 2003), and "Modifications to RTTM Messaging Specifications," FICC CMU RTTM New Project Update Issue 6 (April 20, 2004), on www.ficc.com.

[3]   By agreement with the MSRB, NSCC **does** [will] not charge dealers for serving as the portal for customer transaction data, but MSRB **reimburses** [will reimburse] NSCC for any system costs that are attributable exclusively to this function.

[4]   The ISO 15022 format is also used by NSCC's parent organization, the Fixed Income Clearing Corporation, for processing government, mortgage-backed, corporate, and unit interest trust securities.

[5]   *See* "Operational Overview of MSRB's Real-Time Transaction Reporting System," MSRB Notice 2003-13 (April 7, 2003), on www.msrb.org.

[6]   Use of the Message Portal for trade comparison is currently restricted to NSCC participants.

[7]   Use of the RTTM Web Portal is restricted to NSCC participants.

[8]   To satisfy the need for this audit trail requirement the execution of the order by the clearing broker for the correspondent will be considered to constitute an inter-dealer "transaction" between the two dealers even though no principal position transfers between the two dealers. (The principal position in these situations moves directly from the clearing broker to the customer.) If a principal position does transfer between dealers, the trade is an "Inter-dealer Transaction Eligible for Comparison," and the trade must be compared and reported, even though settlement between the parties may occur only as a movement on the books of the clearing broker. This is consistent with [existing] G-14 policy in **former** TRS.

[9]   The dealer is not required to link the inter-dealer and customer transaction reports associated with agency transactions.

[10]   The MSRB in its June 2003 Notice requesting comment on plans for real-time reporting (discussed below), referred to some of what are now termed Special Condition Codes as "Special Price Reason Codes."

[11]   *See* "Revised Specifications for the Real-Time Transaction Reporting System, Version 1.2," MSRB Notice 2004-2 (January 23, 2004), on www.msrb.org.

[12]   Screen input through either Web Portal is converted into message format by the appropriate Web server and sent from that server to the RTRS host computer.

[13]   Message formats are defined in detail in the Specifications for Real-time Reporting of Municipal Securities.

[14]   As noted, trades must be reported within 15 minutes of the time of trade, except for new issue trades by syndicate managers or members at the list price (for which the deadline is the end of the first day of trading), **and** trades in variable rate products or commercial paper (for which the deadline is the end of trade date)[, and trades in securities which the dealer has not traded in the previous year (for which the deadline is three hours from the time of trade)].

[15]   In an inter-dealer trade, if either dealer indicates the trade was done at a special price, RTRS considers the entire trade to be a special price trade.

[16]   Unlike inter-dealer transactions, which have two submissions (both a buy side and a sell side) that must be compared, customer trades, which

comprise approximately 80% of all reported trades, do not require comparison and **are [**will be] disseminated as soon as automated error checks are completed.

* * * * *

MSRB Real-Time Transaction Data Subscription Service

The MSRB disseminates municipal securities transaction prices in real-time through its Real-Time Transaction Data Subscription Service **("Service")**. The [Real-Time] Service is available by subscription for an annual fee of $10,000 and is a part of the MSRB's Real-Time Transaction Reporting System ("RTRS").

Description

The Service **is** [will be] available by subscription and **provides** [will provide] a real-time stream of data representing municipal securities transaction reports made by brokers, dealers and municipal securities dealers ("dealers") to RTRS.[1] After receipt of a trade report from a dealer, RTRS will automatically check the report for errors, ensure that it is a valid trade report for dissemination, appropriately format the report, and make it available for immediate electronic transmittal to each subscriber.[2]

The real-time data stream **is** [will be] in the form of messages and will be available either over the Internet or by leased line, at the subscriber's option.[3] The subscriber must use either the MQ Series[4] or a TCP Socket connection for messaging with RTRS. Messages representing trade reports **are** [will be] sent out by the Service based on the order that they are received at RTRS, *i.e.*, on a "first in-first out" basis.[5] The Service also **offers** [will offer] a "Day Replay" file containing all messages sent during the day, in case a subscriber needs to check its records for completeness of recovery from communication breaks.[6]

Hours of Operation. The "RTRS Business Day," during which time dealers are required by Rule G-14 to submit trade reports within 15 minutes of execution, begins at 7:30 a.m. and ends at 6:30 p.m.[7] However, RTRS will actually accept, and the Service will disseminate, any trade reports received between **6**[7]:00 a.m. and **9**[8]:00 p.m. ("RTRS 'Window' Hours").[8] Transaction reports submitted to RTRS after **9**[8]:00 p.m. will not be processed by RTRS but will be pended for processing and dissemination at **6**[7]:00 a.m. the next business day.[9]

Transaction Data Disseminated. The data contained in each transaction price report sent to subscribers is discussed in detail in the RTRS filing.[10] It **includes** [will include] the same transaction information **previously** [now] disseminated in the MSRB's existing overnight batch system of transaction reporting, with additional data elements that **were** [have been] added for real-time transaction reporting. The specific items of information that **are** [will be] disseminated are:

    Message Type

Type of message sent in the real-time broadcast (*i.e.*, a trade message, a "heartbeat" message or a system message). Heartbeat messages **are** [will be] sent once every 60 seconds in the absence of real-time transaction messages to indicate that the connection is working properly but that there are no messages to send. System messages **are** [will be] sent to indicate the daily open and close of the RTRS real-time subscriber service and to notify subscribers if publishing will be intentionally interrupted during system hours (*e.g.*, the markets have been closed because of extraordinary circumstances).

Sequential Number

Unique sequential number of the trade message. If more than one message has been published for a trade due to modification or cancellation, the trade is uniquely identified by the RTRS ID described below.

RTRS Control Number

The RTRS ID for the transaction. This may be used to apply subsequent modifications and cancellations to an initial transaction.

Trade Type Indicator

Type of trade: an inter-dealer trade, a purchase from a customer by a dealer, or a sale to a customer by a dealer.

Transaction Type Indicator

An indicator showing whether the message is a new transaction, or modifies or cancels a previously disseminated transaction.

CUSIP

The CUSIP number of the issue traded.

Security Description

Text description of the security obtained from the CUSIP Service Bureau.

Dated Date

Dated date of the issue traded obtained from the CUSIP Service Bureau.

Coupon (if available)

Interest rate of the issue traded (blank for zero-coupon bonds) obtained from the CUSIP Service Bureau.

Maturity Date

Maturity date of the issue traded obtained from the CUSIP Service Bureau.

When-Issued Indicator (if applicable)

Indicates whether the issue traded on or before the issue's initial settlement date obtained from Standard and Poor**'**s.

Assumed Settlement Date (if applicable)

For new issues where the initial settlement date is not known at the time of execution, this field is a date 15 business days after trade date. If this field is populated there will be no data in the settlement date field.

Trade Date

The date the trade was executed as reported by the dealer.

Time of Trade

The time of trade execution as reported by the dealer.

Settlement Date (if known)

The settlement date of the trade if reported by the dealer will be shown. If this field is populated there will be no data in assumed settlement date field.

Par Traded

The par value of the trade as reported by the dealer will be shown. Trades with a par amount over $1 million will show par value as "1MM+" until five days after the stated trade date.

Dollar Price

For customer trades, the [The] dollar price of the trade will be shown, as reported by the dealer. **RTRS calculates a dollar price from yield for customer trades to verify the accuracy of the reported information and indicates those trades for which RTRS is not able to verify this information. For inter-dealer trades, the dollar price shown will be as reported by the dealer; however, if the dollar prices reported by both dealers that are party to the trade differs, the dollar price** [In most inter-dealer trade reports, the dealer is not required to report a dollar price and the dollar price] shown **will be** [is] calculated by the MSRB from the final monies, par value and accrued interest reported for the trade.

Yield (if applicable)

For customer trades, this field shows the yield of the trade as reported by the dealer. This normally is the same yield that would appear on a confirmation of the trade. For some customer trades (***e.g.***, [e.g.,] trades **of** defaulted securities, certain securities with variable interest rates) a yield cannot be reported by the dealer. On inter-dealer trades, yield is not generally reported by the dealer **and is calculated by RTRS for inter-dealer transactions in non-defaulted securities when yield can be computed from dollar price** [and is not shown]**.**

Broker's Broker Indicator (if applicable)

An indicator used in inter-dealer transactions that were executed by a broker's broker, including whether it was a purchase or sale by the broker's broker.

Weighted Price Indicator (if applicable)

An indicator that the transaction price was a "weighted average price" based on multiple transactions done at different prices earlier in the day to accumulate the par amount needed to execute an order for a customer.

Syndicate Price Indicator (if applicable)

An indicator showing that the transaction price was reported as a trade in a new issue by a syndicate manager or syndicate member at the list offering price on the first day of trading.

RTRS Broadcast Date

The date the message was published to subscribers.

RTRS Broadcast Time

The time the message was first disseminated to subscribers.

Version Number

Version number of the message or file format used in the message or file.

Subscription Fee. The Real-Time Service is available by subscription for an annual fee of $10,000. The MSRB may, in its discretion, waive the subscription fee for not-for-profit organizations, academic institutions, or other entities or persons who desire the service for non-profit or research purposes. Subscribers will be allowed to re-disseminate transaction data to an unlimited number of their own customers or clients at no additional charge. Subscribers may (i) use the data for their internal business purposes; (ii) re-disseminate the data to their customers,

clients and system users; and/or (iii) re-disseminate the data in other products or services that they offer to their customers, clients and system users, subject to certain limitations described in the subscription agreement. The MSRB wishes to encourage information vendors -- and various other entities that make securities data available to members of the securities industry and the public -- to use the transaction data in their products and services. The MSRB [will] also encourage**s** those parties to re-disseminate the data, either in its original form or with enhancements to address the specific needs of specific data users.[11]

MSRB Comprehensive Transaction Data Subscription Service

In addition to offering the Real-Time Service, RTRS [will] provide**s** the Comprehensive Transaction Data Subscription Service, which [will] consist**s** of (i) trade reports for a specific trade date made available at approximately 6:00 a.m. on the business day following trade date ("T+1"), which display a notation that the par value is $1 million or over, in lieu of the exact par value, where applicable; (ii) trade reports for a specific trade date made available five business days after that trade date ("T+5") showing exact par values for those transactions with a par value over $1 million, showing all late trade reports made after the specified trade date, up until the date of dissemination, and showing the effect of modifications or cancellations submitted by dealers after trade date; and (iii) trade reports for a specific trade date made available 20 days after that trade date ("T+20") showing the effects of any trade modifications or cancellations received since the T+5 report was produced.

The Comprehensive Transaction Data Subscription Service **is** [will be] made available exclusively through electronic file download over the Internet. The trade records in the Comprehensive Transaction Data Subscription Service [will]: (i) include exact par values for those transactions with a par value over $1 million; (ii) show all late trade reports made after the specified trade date, up until the date of dissemination**;** [:] and (iii) show the effect of modifications or cancellations submitted by dealers after trade date. The annual fee for this service **is** [will be] $5,000. The MSRB may, in its discretion, waive the subscription fee for not-for-profit organizations, academic institutions, or other entities or persons who desire the service for non-profit or research purposes. Under RTRS, subscribers to the Real-Time Data Subscription Service [will] receive a subscription to the Comprehensive Transaction Data Subscription Service at no additional charge.

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[1]   Modifications and cancellation messages submitted by dealers will also be disseminated in realtime.

[2]   The MSRB anticipates that, during peak traffic periods, these automated functions will be accomplished within two minutes, and during lighter periods will be accomplished within a few seconds.

Certain trade reports made by dealers, which are coded by the dealers to indicate that the trade is for a specific reason not done at a market price, will not be disseminated but will be available to regulators as part of the surveillance function offered by RTRS. Certain other types of "transactions" that are required to be reported exclusively for audit trail purposes (relating to clearing brokers and their correspondents in certain fully-disclosed clearing arrangements where the correspondent does not take a principal position) also will not be disseminated but will be available to regulators.

[3] Subscribers will be responsible for all telecommunications charges for leased lines.

[4] To receive real-time trade messages via MQ Series, subscribers must license and configure their own MQ software.

[5] If a subscriber detects that a message or a series of messages was missed during the day, the subscriber can request a trade message replay or "snapshot."

[6] The MSRB also maintains a hot-site from which it will provide real-time feed subscribers with a second source for the feed in the event that it can **no** longer be broadcast from the RTRS primary site.

[7] All times given are in Eastern Time.

[8] The RTRS "window" hours provide extra time before the Business Day and after the Business Day for dealers that may need to report late trades or correct mistakes that are discovered after the close of the Business Day. The **9**[8]:00 p.m. closing time for the window is intended to allow time for certain kinds of trades that, pursuant to Rule G-14, are permitted to be reported at the "end of day" for operational reasons (*e.g*., syndicate trades executed at list price). These can be reported up until **9**[8]:00 p.m. when the RTRS "window" closes.

[9] In addition, at **6**[7]:00 a.m. RTRS will send modifications showing exact par values for transactions that were initially broadcast with a par value of "1MM+." As described in the RTRS filing, because of concerns regarding liquidity, transactions with a par value exceeding $1 million will initially be disseminated with a par value of "1MM+." Five business days after trade date, the actual par value will be shown.

[10] File No. SR-MSRB-2004-02 (June 1, 2004); *see also* "Real-Time Transaction Reporting: Notice of Filing of Proposed Rule Change to Rules G-14 and G-12(f)," MSRB Notice 2004-13 (June 1, 2004) at www.msrb.org. The SEC approved this filing on August 31, 2004, in Securities Exchange Act Release No. 50294; *see also* "Approval by the

SEC of Real-Time Transaction Reporting and Price Dissemination," MSRB Notice 2004-29 (Sept. 2, 2004), at www.msrb.org.

11   Although the transaction data collected by the MSRB is not restricted with respect to redissemination by subscribers to their end user clients, there are certain restrictions on use of the proprietary "CUSIP numbers and CUSIP Securities Descriptions." Subscribers would be subject to all of the terms of the subscription agreement to be entered into between the MSRB and each subscriber, including proprietary and intellectual property rights of third parties in information provided by such third parties that is made available through the subscription.

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[Implementation Plan

As announced in MSRB Notice 2003-44, dated December 11, 2003, the MSRB is implementing its real-time transaction reporting requirements for brokers, dealers and municipal securities dealers (collectively, "dealers") in January 2005. The implementation plan for the January transition is described below.

The conversion to real-time transaction reporting requires dealers and the MSRB to implement new systems and procedures for transaction reporting. Trade reporting will be accomplished through a new MSRB system -- the Real-Time Transaction Reporting System ("RTRS"). The two major components of RTRS with which dealers will interface are: (i) the RTRS Web Portal for inputting trade data and reviewing the status of trade reports within RTRS; and (ii) the message-based trade input and feedback facility operated by National Securities Clearing Corporation (the "Message Portal"). These are described in the RTRS Operational Plan contained in MSRB Notice 2003-44 and in the RTRS Message Specifications and other explanatory documents subsequently published at www.msrb.org.

To facilitate a smooth transition to dealer use of the Web Portal and the Message Portal, implementation will occur in two phases on January 10 and January 31, 2005. Dealers will be required to incorporate use of the RTRS Web Portal into their transaction reporting procedures on January 10, on which date the MSRB also will convert its internal production processing and dealer-feedback systems to RTRS formats. Accomplishing this transition on January 10 will allow the MSRB and dealers to resolve any implementation issues associated with these system changes prior to the January 31 date for mandatory real-time trade reporting by all dealers. On January 31, the amendments to Rule G-12(f) and Rule G-14 that require real-time inter-dealer comparison and transaction reporting will become effective, use of the Message Portal will become mandatory, and the MSRB will begin real-time dissemination of trades in transparency reports.

Further details on the changes that will occur on January 10 and January 31 as part of the implementation plan are described below.

January 10, 2005 – On this date, the MSRB will convert its own production system for processing transaction reports to RTRS. Dealers will not be required by rule to report in real-time on this date but will be encouraged to do so to ease the transition when real-time reporting becomes mandatory on January 31. On January 10, the RTRS database will become the "database of record" and dealers will need to employ the RTRS Web browser in their production environment. It should be noted that dealers that have tested successfully can already convert to real-time comparison and trade reporting procedures, although without all of the "feedback" functionally that will become available in the production environment on January 10. The MSRB's conversion to RTRS as the production processing system on January 10will allow the MSRB to give these dealers full RTRS "feedback" capability on that date.

There will be no change in the timing of transparency reports on January 10. However, subscribers to the existing transparency reports can begin receiving T+1 reports in the RTRS revised record formats (including the new fields of trade information offered by RTRS) on that date. The following features of the existing transaction reporting system will be changed or terminated on January 10:

- The old "batch" style formats for reporting inter-dealer and customer trades through NSCC will still be accepted, but the deadline for reporting customer trades will be changed from midnight to 10:00 pm. The deadline for inter-dealer trade reports will remain 8:00 p.m.
- Because of the MSRB's change to RTRS as the production processing system, dealers must use 16-digit (rather than 20-digit) control numbers to identify trades, both in real-time and in batch trade reports. Only 16-digit control numbers will be returned to dealers in message feedback.
- Regardless of whether a dealer is using the new RTRS formats or old batch style formats, the MSRB will discontinue sending "feedback" information in batch files and faxes for customer trades. Real-time system responses, e-mails and RTRS Web instead will be available to provide feedback to dealers on their trade reports.
- Dealers who submit their low-volume trade input through the current "TRS dial-up" facility must convert to the RTRS Web Portal by January 10.

January 31, 2005 – On this date, the amendments to Rule G-14, on transaction reporting, and Rule G-12(f), on automated comparison of inter-dealer transactions, will become fully effective, requiring securities

transactions to be reported, in most cases, within 15 minutes of the time of trade execution. Use of RTRS trade reporting formats and procedures will become mandatory and the old "batch" style reporting formats will no longer be compliant with Rules G-12(f) and G-14. (The MSRB will discontinue its support of the non-compliant trade reporting methodology soon after January 31.) The MSRB will make real-time transaction price data available to subscribers to its Real-Time Transaction Price Service beginning on this date.]

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MSRB Historical Transaction Data Product

In addition to offering the Real-Time and Comprehensive Transaction Data Subscription Services, RTRS offers a Historical Data Product, which consists of the same transaction information as is provided by the Comprehensive Transaction Data Subscription Service. The Historical Transaction Data may be purchased in one calendar year data sets for $2,500 per calendar year. No smaller data sets will be available. The Historical Transaction Data will be made available to purchasers on CD-ROM[1], pursuant to the terms of the Historical Transaction Data Purchase Agreement, which must be executed by purchasers prior to delivery of the Historical Data Product.[2] A one-time set-up fee of $2,000 will be charged to new purchasers of the Historical Data Product, unless the purchaser is a current subscriber to an MSRB Subscription Service, including the MSRB Real-Time Transaction Data Subscription Service, Comprehensive Transaction Data Subscription Service, Short-Term Obligation Rate Transparency Subscription Service, Primary Market Disclosure Subscription Service, or Continuing Disclosure Subscription Service.[3]

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[1]   As technology evolves, or if the volume of information included in the Historical Data Product increases, the MSRB may in the future decide to use a different medium for delivering the Historical Data Product.

[2]   Purchasers are subject to all of the terms of the purchase agreement to be entered into between the MSRB and each purchaser, including proprietary and intellectual property rights of third parties in information provided by such third parties that is made available through the product.

[3]   The MSRB could, in its discretion and consistent with the stated policy for certain other subscription services offered by the MSRB, waive the Historical Data Product set-up fee for not-for-profit organizations, academic institutions, or other entities or persons who desire the service for non-profit or research purposes.

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(b) Not applicable.

(c) Not applicable.

2.   Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the MSRB at its October 26-28, 2011 meeting. Questions concerning this filing may be directed to Justin R. Pica, Director, Product Management – Market Transparency, or Karen Du Brul, Associate General Counsel, at (703) 797-6600.

3.   Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

Description of Proposed Rule Change

The proposed rule change consists of amendments to Rule G-14, including the Rule G-14 RTRS Procedures, and amendments to the RTRS information system and subscription service (the "RTRS Facility"). The proposed changes to Rule G-14 would remove certain outdated information. The proposed changes to the RTRS Facility would (A) remove certain outdated information and amend certain definitions to reflect current system operating hours and business days; (B) add an RTRS-calculated yield to the information disseminated for inter-dealer transactions; (C) remove certain infrequently used data reporting requirements; (D) require dealers to submit dollar prices for certain trades; and (E) reduce the number of customer trades suppressed from dissemination because of potentially erroneous price/yield calculations. These changes are described in greater detail below.

(i) Amendments to Rule G-14, on Reports of Sales or Purchases, and Rule G-14 RTRS Procedures. MSRB Rule G-14 requires brokers, dealers, and municipal securities dealers (collectively, "dealers") to report certain information about each purchase and sale transaction effected in municipal securities to RTRS. Such transaction information is made available to the public, the SEC, the Financial Industry Regulatory Authority ("FINRA") and certain federal bank regulatory agencies to assist in the inspection for compliance with and enforcement of MSRB rules. The reporting requirements are further outlined in Rule G-14 RTRS Procedures and the RTRS Users Manual.[1]

The proposed rule change would amend Rule G-14 and the Rule G-14 RTRS Procedures to update certain references (such as references to the National Association of

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[1]   Rule G-14 RTRS Procedures are included in the text of MSRB Rule G-14, and the RTRS Users Manual is available on the MSRB website at www.msrb.org. The RTRS Users Manual will be revised as necessary to reflect the changes made by the proposed rule change.

Securities Dealers, the predecessor of FINRA); eliminate certain provisions that are no longer relevant (such as provisions relating to testing during the original RTRS start-up period) or that, by their original terms, have expired; and conform terms in certain definitions.

(ii) Amendments to the RTRS Facility. The RTRS Facility provides for the collection and dissemination of information about transactions occurring in the municipal securities market, and requires dealers to submit information about each purchase and sale transaction effected in municipal securities. The proposed rule change would (A) remove certain outdated information and reporting requirements and amend certain definitions to reflect current system operating hours and business days; (B) modify RTRS specifications to perform certain yield calculations for inter-dealer transactions; (C) remove certain infrequently used data reporting requirements; (D) require dealers to submit dollar prices for certain trades; and (E) modify RTRS specifications to reduce the number of trades suppressed from dissemination because of erroneous price and yield calculations.

A.   *Remove certain outdated information and conform definitions to reflect current system operating hours and business days.* The proposed rule change would remove references throughout the text of the RTRS Facility to prior amendments to Rule G-14, to certain testing requirements and to the implementation plan relevant to the initial phases of the RTRS system; update current hours of operation; conform certain definitions to reflect such change; and make non-substantive revisions to the language of certain portions of the RTRS Facility to reflect the passage of time since its initial approval.

B.   *Yields on inter-dealer transactions.* Inter-dealer transaction reporting is accomplished by both the purchasing and selling dealers submitting information about the transaction to the DTCC's real-time trade matching system (RTTM). Information submitted to RTTM is forwarded to RTRS for trade reporting. For most inter-dealer transactions, dealers report final money, par amount and accrued interest to RTTM – as opposed to a dollar price and yield[2] as is done for customer trades – and RTRS computes a dollar price from these values for inter-dealer transaction price dissemination.[3] Currently, RTRS does not compute a corresponding yield from the RTRS-computed dollar price for dissemination, resulting in a disparity between what is disseminated for inter-dealer and customer transactions.

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[2]   Dollar price and yield on customer transactions are required to be computed in the same manner as required under MSRB Rule G-15(a), on customer confirmations. Accordingly, from the transaction dollar price, dealers report yield calculated to the lower of an in-whole call feature or maturity.

[3]   For transactions in new issue securities traded on a when, as and if issued basis prior to the closing date being known, dealers only report a dollar price or yield since a final money and accrued interest calculation cannot be performed.

To facilitate yield-based comparisons of transaction data across securities, the proposed rule change would cause RTRS to be reprogrammed to perform this calculation so that a yield for most inter-dealer transactions would be added to the information disseminated from RTRS, thereby improving the usefulness of the inter-dealer data disseminated to subscribers and displayed on the MSRB's Electronic Municipal Market Access (EMMA®) website.[4] Since EMMA® is a subscriber to the RTRS real-time subscription service, the yield disseminated for inter-dealer transactions also would be displayed on EMMA® in the same manner as it would be provided to RTRS subscribers.[5] This amendment to the RTRS Facility is reflected in the changes under the heading "Price Dissemination by RTRS – List of Information Items to be Disseminated" and "MSRB Real-Time Transaction Data Subscription Service – Description – Transaction Data Disseminated – Yield (if applicable)," and conforming changes to the RTRS Users Manual will be made.

C.   *Transaction reporting requirements.* MSRB rules on transaction reporting contain two requirements that were included in the original design for RTRS in 2005 to provide additional details about certain transactions for use in market surveillance. These requirements have applied to few transactions, yet continue to generate questions from dealers, and have provided only limited value for use in market surveillance. The proposed rule change would revise the RTRS specifications to remove these requirements.

The first of these two requirements relates to inter-dealer transactions and requires the identity of an "intermediate dealer," or correspondent of a clearing broker that passes data to the clearing broker about transactions effected by a third dealer ("effecting dealer"), to be included on applicable trade reports. One of the original purposes of having the intermediate dealer included in a trade report was to assist market surveillance staff by having an additional dealer associated with a transaction reported in the event that the effecting dealer's identity was erroneously reported. However, few transaction reports contain such an intermediate dealer and, since the November 2009 enhancement to transaction reporting to add the effecting broker to the matching criteria in RTTM, the identity of the effecting dealer is rarely, if ever, erroneous. The proposed rule change would delete the requirement for dealers to identify the intermediate dealer. This amendment to the RTRS Facility is reflected by the deletion of the penultimate paragraph under the heading "RTRS Facility – Enhancement of Information Available to Regulators," and conforming changes to the RTRS Users Manual will be made.

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[4]   In addition to calculating and disseminating yield for future inter-dealer transactions, amendments to RTRS specifications would calculate and disseminate yields for historical inter-dealer transactions in RTRS to the extent that such calculations can be accurately performed.

[5]   Since the RTRS subscription service already includes a field for yield, no significant system changes should be necessary for existing RTRS subscribers to receive yields on inter-dealer transactions.

The second requirement applies to any transaction effected at a price that substantially differs from the market price as a result of the parties to the transaction agreeing to significantly deviate from a normal settlement cycle. For such transactions, dealers are required to include an identifier on the trade report that allows the trade report to be entered into the RTRS audit trail yet suppressed from price dissemination. Since a small number of transactions are reported with this identifier, for example only .01% of trade reports were identified with this indicator in August 2011, these transactions could be reported using the generic "away from market" indicator used for reporting any transaction at a price that differs from the current market price for the security to simplify transaction reporting requirements. Thus, concurrently with the elimination of the intermediate dealer reporting requirement, the RTRS Users Manual would be revised to delete the "away from market – extraordinary settlement" special condition indicator from RTRS and require that such transactions be reported using the generic "away from market" indicator.

D.   *Reporting dollar price for all inter-dealer transactions.* RTRS currently computes a dollar price for inter-dealer transactions using the final money, par amount and accrued interest submitted to DTCC. Since the information reported for inter-dealer transactions also is used by DTCC for purposes of clearance and settlement, DTCC procedures require dealers to report par value as an expression of the number of bonds traded as opposed to the actual par amount traded. If the par value of a security is no longer a $1,000 multiple because, for example, the issuer has prepaid a portion of the principal on a security on a pro rata basis, dealers continue to report for inter-dealer transactions par value expressed as the number of bonds (i.e. ten bonds would be reported as $10,000 par value). Transactions between dealers in this security would result in erroneous RTRS-calculated dollar prices since the final money reported by the dealers would be based on a transaction in a security for which each bond costs less than $1,000.[6]

Since MSRB transaction reporting for inter-dealer transactions began in 1994, a very small portion of inter-dealer transactions have been in securities with a non-standard $1,000 par multiple.[7] However, primarily since many Build America Bonds issued in recent years included partial call features with a pro-rata redemption provision, there is a likelihood that many more securities may contain par values that are no longer $1,000 multiples. In addition, there have been press reports that more securities may be issued in

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[6]   For example, if an issuer has prepaid 50% of the principal on a $1,000 denominated security, each bond would cost $500 so a transaction of 10 bonds at "par" would be reported with a par value of $10,000 and final money of $5000 resulting in an RTRS-computed dollar price of $50. This anomaly only occurs on inter-dealer transactions since customer transactions are reported with a dollar price and yield. In this example, the dollar price on a customer transaction in this security would be reported as $100, or 100% of the principal amount.

[7]   Historically, this problem primarily has been limited to transactions in certain municipal collateralized mortgage obligations.

nontraditional denominations, such as securities issued in $25 par amounts similar to preferred stock and other "mini bonds" with sub-$1,000 principal values.

To ensure that the dollar price disseminated for inter-dealer transactions remains accurate and to minimize the impact on dealer operations as well as the clearance and settlement use of the data submitted to DTCC, the MSRB proposes to require dealers to report – in addition to the information currently reported for inter-dealer transactions – the contractual dollar price at which the transaction was executed.[8] This amendment to the RTRS Facility is reflected in the changes under the heading "MSRB Real-Time Transaction Data Subscription Service – Description – Transaction Data Disseminated – Dollar Price," and conforming changes to the RTRS Users Manual will be made.

E.   *Increase dissemination of customer transactions.* As described above, dealer reports of customer transactions include both a dollar price and yield. Depending on whether the transaction was executed on the basis of a dollar price or yield, a corresponding value must be computed and reported to RTRS by the dealer consistent with the customer confirmation requirements so that the corresponding value reflects a value to the lower of an in-whole call feature or maturity. RTRS also computes the dollar price from the reported yield on customer transactions using security descriptive information from the RTRS security master as a data quality check to ensure that the reported information is accurate. Currently, this data quality check returns an error to dealers and suppresses the transaction from being disseminated in the event that the dollar price computed by RTRS does not exactly match the dollar price reported by the dealer. Dealers receiving this error are required to review the information reported and, if incorrect, modify the transaction information in RTRS. However, in some cases, dealers submit correct information yet RTRS computes an erroneous dollar price as a result of an error in the security descriptive information used by RTRS.[9]

In 2010, of those trades receiving this error, over 75% of the reported dollar prices disagreed with the RTRS-calculated dollar price by less than one dollar. To increase the

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[8]   For data quality purposes, RTRS would compare the buy and sell-side contractual dollar prices and return errors to dealers in the event of a material difference between the two reported dollar prices and continue to calculate a dollar price from the reported final money, par value and accrued interest. Since the dealer reported dollar price would not be used for clearance or settlement at DTCC, this data field would be able to be modified in RTRS by dealers to correct errors, even after trade matching had occurred. In the event that the dollar prices disagree between dealers, RTRS would disseminate the RTRS-calculated dollar price and if the dealer reported dollar prices agree yet differ from the RTRS-calculated dollar price (which would occur if the security par value is no longer a $1,000 multiple) RTRS would disseminate the dealer reported dollar price.

[9]   In these cases, there is no action the dealer can take to disseminate the trade report and, to ensure the integrity of RTRS, the MSRB does not manually manipulate trade data or security descriptive information to cause the trade to meet the criteria of the error code.

number of customer transactions disseminated, the proposed rule change would cause RTRS to be reprogrammed to adjust the tolerance of the error code so that the error would continue to be returned to dealers for customer transactions where the reported dollar price disagrees with the RTRS calculated price but allow the trade report to be disseminated so long as the dealer and RTRS-calculated dollar prices are within $1 of each other. Further, since the disseminated dollar price would be unable to be exactly verified, RTRS would also be programmed to include with the disseminated trade report an indicator that the dollar price of these trades was unable to be verified. Thus, concurrently with the amendment to require dollar price reporting for all inter-dealer transactions, the RTRS Users Manual would be revised to reflect these changes in programming.

Phased Effective Dates of Proposed Rule Change

The MSRB proposes that the proposed rule change be implemented in three phases. Those changes to Rule G-14, the Rule G-14 RTRS Procedures, and the RTRS Facility removing outdated provisions and amending certain definitions, as described in clause (ii)(A) above, would be made effective upon approval by the SEC. Those changes to the RTRS Facility not requiring dealers to perform significant system changes, as described in clauses (ii)(B) and (ii)(C) above, would be made effective on April 30, 2012. Those changes to the RTRS Facility requiring dealers and subscribers to the RTRS subscription service to make significant system changes, as described in clauses (ii)(D) and (ii)(E) above, would be made effective on a date to be announced by the MSRB in a notice published on the MSRB website, which date shall be no later than November 30, 2012 and shall be announced no later than 30 days prior to the effective date thereof.

(b) Statutory Basis

The MSRB believes that the proposed rule change is consistent with Section 15B(b)(2)(C) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which provides that the MSRB's rules shall:

be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in municipal securities and municipal financial products, to remove impediments to and perfect the mechanism of a free and open market in municipal securities and municipal financial products, and, in general, to protect investors, municipal entities, obligated persons, and the public interest.

The MSRB believes that the proposed rule change is consistent with the Exchange Act. The proposed rule change would remove impediments to and perfect the mechanism of a free and open market in municipal securities by improving trade reporting and market transparency. The proposed rule change would facilitate comparison of trade data

across securities and within data for a security, thereby contributing to fairer pricing; improve the reliability and accuracy of price information disseminated for inter-dealer transactions, and increase the number of customer transactions disseminated to the market. These changes would contribute to the MSRB's continuing efforts to improve market transparency and to protect investors and the public interest.

4.   Self-Regulatory Organization's Statement on Burden on Competition

The MSRB does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act. The proposed rule change would be applicable to all dealers and would be made effective over a period of time, thereby allowing dealers sufficient time to make the necessary changes to their systems. The improved reliability of inter-dealer price information, the improved ability to compare prices, and the increase in customer trades disseminated to the market would outweigh any potential negative impact on dealers.

5.   Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received on the proposed rule change.

6.   Extension of Time Period of Commission Action

Not applicable.

7.   Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2).

Not applicable.

8.   Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

9.   Exhibits

1.   Federal Register Notice

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-   ; File No. SR-MSRB-2012-01)

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing of Amendments to Rule G-14, on Reports of Sales or Purchases, including the Rule G-14 RTRS Procedures, and amendments to the Real-Time Transaction Reporting System

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("the Exchange Act")[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on January 20, 2012, the Municipal Securities Rulemaking Board ("Board" or "MSRB") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the MSRB. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I.   Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The MSRB is filing with the SEC a proposed rule change consisting of amendments to Rule G-14, Reports of Sales or Purchases, including the Rule G-14 RTRS Procedures, and amendments to the Real-Time Transaction Reporting System ("RTRS") information system and subscription service (the "RTRS Facility"; collectively, "proposed rule change"). The proposed changes to Rule G-14 would remove certain outdated information. The proposed changes to the RTRS Facility would (A) remove certain outdated information and amend certain definitions to reflect current system operating hours and business days; (B) add an RTRS-calculated yield to the information disseminated for inter-dealer transactions; (C) remove certain infrequently used

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[1]   15 U.S.C. 78s(b)(1).

[2]   17 CFR 240.19b-4.

data reporting requirements; (D) require dealers to submit dollar prices for certain trades; and (E)

reduce the number of customer trades suppressed from dissemination because of potentially

erroneous price/yield calculations. The MSRB proposes that the proposed rule change be

implemented in three phases, as further described herein.

The text of the proposed rule change is available on the MSRB's website at

www.msrb.org/Rules-and-Interpretations/SEC-Filings/2012-Filings.aspx, at the MSRB's

principal office, and at the Commission's Public Reference Room.

II.   Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the
        Proposed Rule Change

In its filing with the Commission, the MSRB included statements concerning the purpose

of and basis for the proposed rule change and discussed any comments it received on the

proposed rule change. The text of these statements may be examined at the places specified in

Item IV below. The MSRB has prepared summaries, set forth in Sections A, B, and C below, of

the most significant aspects of such statements.

A.   Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis
        for, the Proposed Rule Change

1. Purpose

Amendments to Rule G-14, on Reports of Sales or Purchases, and Rule G-14 RTRS

Procedures. MSRB Rule G-14 requires brokers, dealers, and municipal securities dealers

(collectively, "dealers") to report certain information about each purchase and sale transaction

effected in municipal securities to RTRS. Such transaction information is made available to the

public, the SEC, the Financial Industry Regulatory Authority ("FINRA") and certain federal

bank regulatory agencies to assist in the inspection for compliance with and enforcement of

MSRB rules. The reporting requirements are further outlined in Rule G-14 RTRS Procedures and the RTRS Users Manual.[3]

The proposed rule change would amend Rule G-14 and the Rule G-14 RTRS Procedures to update certain references (such as references to the National Association of Securities Dealers, the predecessor of FINRA); eliminate certain provisions that are no longer relevant (such as provisions relating to testing during the original RTRS start-up period) or that, by their original terms, have expired; and conform terms in certain definitions.

Amendments to the RTRS Facility. The RTRS Facility provides for the collection and dissemination of information about transactions occurring in the municipal securities market, and requires dealers to submit information about each purchase and sale transaction effected in municipal securities. The proposed rule change would (A) remove certain outdated information and reporting requirements and amend certain definitions to reflect current system operating hours and business days; (B) modify RTRS specifications to perform certain yield calculations for inter-dealer transactions; (C) remove certain infrequently used data reporting requirements; (D) require dealers to submit dollar prices for certain trades; and (E) modify RTRS specifications to reduce the number of trades suppressed from dissemination because of erroneous price and yield calculations.

Remove certain outdated information and conform definitions to reflect current system operating hours and business days. The proposed rule change would remove references throughout the text of the RTRS Facility to prior amendments to Rule G-14, to certain testing requirements and to the implementation plan relevant to the initial phases of the RTRS system;

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[3] Rule G-14 RTRS Procedures are included in the text of MSRB Rule G-14, and the RTRS Users Manual is available on the MSRB website at www.msrb.org. The RTRS Users Manual will be revised as necessary to reflect the changes made by the proposed rule change.

update current hours of operation; conform certain definitions to reflect such change; and make non-substantive revisions to the language of certain portions of the RTRS Facility to reflect the passage of time since its initial approval.

Yields on inter-dealer transactions. Inter-dealer transaction reporting is accomplished by both the purchasing and selling dealers submitting information about the transaction to the DTCC's real-time trade matching system ("RTTM"). Information submitted to RTTM is forwarded to RTRS for trade reporting. For most inter-dealer transactions, dealers report final money, par amount and accrued interest to RTTM – as opposed to a dollar price and yield[4] as is done for customer trades – and RTRS computes a dollar price from these values for inter-dealer transaction price dissemination.[5] Currently, RTRS does not compute a corresponding yield from the RTRS-computed dollar price for dissemination, resulting in a disparity between what is disseminated for inter-dealer and customer transactions.

To facilitate yield-based comparisons of transaction data across securities, the proposed rule change would cause RTRS to be reprogrammed to perform this calculation so that a yield for most inter-dealer transactions would be added to the information disseminated from RTRS, thereby improving the usefulness of the inter-dealer data disseminated to subscribers and

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[4]   Dollar price and yield on customer transactions are required to be computed in the same manner as required under MSRB Rule G-15(a), on customer confirmations. Accordingly, from the transaction dollar price, dealers report yield calculated to the lower of an in-whole call feature or maturity.

[5]   For transactions in new issue securities traded on a when, as and if issued basis prior to the closing date being known, dealers only report a dollar price or yield since a final money and accrued interest calculation cannot be performed.

displayed on the MSRB's Electronic Municipal Market Access (EMMA®) website.[6] Since

EMMA® is a subscriber to the RTRS real-time subscription service, the yield disseminated for

inter-dealer transactions also would be displayed on EMMA® in the same manner as it would be

provided to RTRS subscribers.[7] This amendment to the RTRS Facility is reflected in the changes

under the heading "Price Dissemination by RTRS – List of Information Items to be

Disseminated" and "MSRB Real-Time Transaction Data Subscription Service – Description –

Transaction Data Disseminated – Yield (if applicable)," and conforming changes to the RTRS

Users Manual will be made.

Transaction reporting requirements. MSRB rules on transaction reporting contain two

requirements that were included in the original design for RTRS in 2005 to provide additional

details about certain transactions for use in market surveillance. These requirements have

applied to few transactions, yet continue to generate questions from dealers, and have provided

only limited value for use in market surveillance. The proposed rule change would revise the

RTRS specifications to remove these requirements.

The first of these two requirements relates to inter-dealer transactions and requires the

identity of an "intermediate dealer," or correspondent of a clearing broker that passes data to the

clearing broker about transactions effected by a third dealer ("effecting dealer"), to be included

on applicable trade reports. One of the original purposes of having the intermediate dealer

included in a trade report was to assist market surveillance staff by having an additional dealer

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[6]   In addition to calculating and disseminating yield for future inter-dealer transactions,
        amendments to RTRS specifications would calculate and disseminate yields for historical
        inter-dealer transactions in RTRS to the extent that such calculations can be accurately
        performed.

[7]   Since the RTRS subscription service already includes a field for yield, no significant
        system changes should be necessary for existing RTRS subscribers to receive yields on
        inter-dealer transactions.

associated with a transaction reported in the event that the effecting dealer's identity was erroneously reported. However, few transaction reports contain such an intermediate dealer and, since the November 2009 enhancement to transaction reporting to add the effecting broker to the matching criteria in RTTM, the identity of the effecting dealer is rarely, if ever, erroneous. The proposed rule change would delete the requirement for dealers to identify the intermediate dealer. This amendment to the RTRS Facility is reflected by the deletion of the penultimate paragraph under the heading "RTRS Facility – Enhancement of Information Available to Regulators," and conforming changes to the RTRS Users Manual will be made.

The second requirement applies to any transaction effected at a price that substantially differs from the market price as a result of the parties to the transaction agreeing to significantly deviate from a normal settlement cycle. For such transactions, dealers are required to include an identifier on the trade report that allows the trade report to be entered into the RTRS audit trail yet suppressed from price dissemination. Since a small number of transactions are reported with this identifier, for example only .01% of trade reports were identified with this indicator in August 2011, these transactions could be reported using the generic "away from market" indicator used for reporting any transaction at a price that differs from the current market price for the security to simplify transaction reporting requirements. Thus, concurrently with the elimination of the intermediate dealer reporting requirement, the RTRS Users Manual would be revised to delete the "away from market – extraordinary settlement" special condition indicator from RTRS and require that such transactions be reported using the generic "away from market" indicator.

Reporting dollar price for all inter-dealer transactions. RTRS currently computes a dollar price for inter-dealer transactions using the final money, par amount and accrued interest

submitted to DTCC. Since the information reported for inter-dealer transactions also is used by

DTCC for purposes of clearance and settlement, DTCC procedures require dealers to report par

value as an expression of the number of bonds traded as opposed to the actual par amount traded.

If the par value of a security is no longer a $1,000 multiple because, for example, the issuer has

prepaid a portion of the principal on a security on a pro rata basis, dealers continue to report for

inter-dealer transactions par value expressed as the number of bonds (i.e. ten bonds would be

reported as $10,000 par value). Transactions between dealers in this security would result in

erroneous RTRS-calculated dollar prices since the final money reported by the dealers would be

based on a transaction in a security for which each bond costs less than $1,000.[8]

       Since MSRB transaction reporting for inter-dealer transactions began in 1994, a very

small portion of inter-dealer transactions have been in securities with a non-standard $1,000 par

multiple.[9] However, primarily since many Build America Bonds issued in recent years included

partial call features with a pro-rata redemption provision, there is a likelihood that many more

securities may contain par values that are no longer $1,000 multiples. In addition, there have

been press reports that more securities may be issued in nontraditional denominations, such as

securities issued in $25 par amounts similar to preferred stock and other "mini bonds" with sub-

$1,000 principal values.

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[8]   For example, if an issuer has prepaid 50% of the principal on a $1,000 denominated security, each bond would cost $500 so a transaction of 10 bonds at "par" would be reported with a par value of $10,000 and final money of $5000 resulting in an RTRS-computed dollar price of $50. This anomaly only occurs on inter-dealer transactions since customer transactions are reported with a dollar price and yield. In this example, the dollar price on a customer transaction in this security would be reported as $100, or 100% of the principal amount.

[9]   Historically, this problem primarily has been limited to transactions in certain municipal collateralized mortgage obligations.

To ensure that the dollar price disseminated for inter-dealer transactions remains accurate and to minimize the impact on dealer operations as well as the clearance and settlement use of the data submitted to DTCC, the MSRB proposes to require dealers to report – in addition to the information currently reported for inter-dealer transactions – the contractual dollar price at which the transaction was executed.[10] This amendment to the RTRS Facility is reflected in the changes under the heading "MSRB Real-Time Transaction Data Subscription Service – Description – Transaction Data Disseminated – Dollar Price," and conforming changes to the RTRS Users Manual will be made.

Increase dissemination of customer transactions. As described above, dealer reports of customer transactions include both a dollar price and yield. Depending on whether the transaction was executed on the basis of a dollar price or yield, a corresponding value must be computed and reported to RTRS by the dealer consistent with the customer confirmation requirements so that the corresponding value reflects a value to the lower of an in-whole call feature or maturity. RTRS also computes the dollar price from the reported yield on customer transactions using security descriptive information from the RTRS security master as a data quality check to ensure that the reported information is accurate. Currently, this data quality check returns an error to dealers and suppresses the transaction from being disseminated in the event that the dollar price computed by RTRS does not exactly match the dollar price reported by

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[10]   For data quality purposes, RTRS would compare the buy and sell-side contractual dollar prices and return errors to dealers in the event of a material difference between the two reported dollar prices and continue to calculate a dollar price from the reported final money, par value and accrued interest. Since the dealer reported dollar price would not be used for clearance or settlement at DTCC, this data field would be able to be modified in RTRS by dealers to correct errors, even after trade matching had occurred. In the event that the dollar prices disagree between dealers, RTRS would disseminate the RTRS-calculated dollar price and if the dealer reported dollar prices agree yet differ from the RTRS-calculated dollar price (which would occur if the security par value is no longer a $1,000 multiple) RTRS would disseminate the dealer reported dollar price.

the dealer. Dealers receiving this error are required to review the information reported and, if incorrect, modify the transaction information in RTRS. However, in some cases, dealers submit correct information yet RTRS computes an erroneous dollar price as a result of an error in the security descriptive information used by RTRS.[11]

In 2010, of those trades receiving this error, over 75% of the reported dollar prices disagreed with the RTRS-calculated dollar price by less than one dollar. To increase the number of customer transactions disseminated, the proposed rule change would cause RTRS to be reprogrammed to adjust the tolerance of the error code so that the error would continue to be returned to dealers for customer transactions where the reported dollar price disagrees with the RTRS calculated price but allow the trade report to be disseminated so long as the dealer and RTRS-calculated dollar prices are within $1 of each other. Further, since the disseminated dollar price would be unable to be exactly verified, RTRS would also be programmed to include with the disseminated trade report an indicator that the dollar price of these trades was unable to be verified. Thus, concurrently with the amendment to require dollar price reporting for all inter-dealer transactions, the RTRS Users Manual would be revised to reflect these changes in programming.

Phased Effective Dates of Proposed Rule Change. The MSRB proposes that the proposed rule change be implemented in three phases. Those changes to Rule G-14, the Rule G-14 RTRS Procedures, and the RTRS Facility removing outdated provisions and amending certain definitions, as described above under the caption "Amendments to the RTRS Facility – Remove certain outdated information and conform definitions to reflect current system operating hours

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[11]   In these cases, there is no action the dealer can take to disseminate the trade report and, to ensure the integrity of RTRS, the MSRB does not manually manipulate trade data or security descriptive information to cause the trade to meet the criteria of the error code.

and business days", would be made effective upon approval by the SEC. Those changes to the

RTRS Facility not requiring dealers to perform significant system changes, as described above

under the captions "Amendments to the RTRS Facility – Yields on inter-dealer transactions" and

"Amendments to the RTRS Facility – Transaction reporting requirements", would be made

effective on April 30, 2012. Those changes to the RTRS Facility requiring dealers and

subscribers to the RTRS subscription service to make significant system changes, as described

above under the captions "Amendments to the RTRS Facility – Reporting dollar price for all

inter-dealer transactions" and "Amendments to the RTRS Facility – Increase dissemination of

customer transactions", would be made effective on a date to be announced by the MSRB in a

notice published on the MSRB website, which date shall be no later than November 30, 2012 and

shall be announced no later than 30 days prior to the effective date thereof.

2. Statutory Basis

The MSRB believes that the proposed rule change is consistent with Section

15B(b)(2)(C) of the Exchange Act, which provides that the MSRB's rules shall:

> be designed to prevent fraudulent and manipulative acts and practices,
> to promote just and equitable principles of trade, to foster cooperation
> and coordination with persons engaged in regulating, clearing,
> settling, processing information with respect to, and facilitating
> transactions in municipal securities and municipal financial products,
> to remove impediments to and perfect the mechanism of a free and
> open market in municipal securities and municipal financial products,
> and, in general, to protect investors, municipal entities, obligated
> persons, and the public interest.

The MSRB believes that the proposed rule change is consistent with the Exchange Act.

The proposed rule change would remove impediments to and perfect the mechanism of a free

and open market in municipal securities by improving trade reporting and market transparency.

The proposed rule change would facilitate comparison of trade data across securities and within

data for a security, thereby contributing to fairer pricing; improve the reliability and accuracy of price information disseminated for inter-dealer transactions, and increase the number of customer transactions disseminated to the market. These changes would contribute to the MSRB's continuing efforts to improve market transparency and to protect investors and the public interest.

B.   Self-Regulatory Organization's Statement on Burden on Competition

The MSRB does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act. The proposed rule change would be applicable to all dealers and would be made effective over a period of time, thereby allowing dealers sufficient time to make the necessary changes to their systems. The improved reliability of inter-dealer price information, the improved ability to compare prices, and the increase in customer trades disseminated to the market would outweigh any potential negative impact on dealers.

C.   Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received on the proposed rule change.

III.   Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV.   Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning

the foregoing, including whether the proposed rule change is consistent with the Exchange Act.

Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-MSRB-

    2012-01 on the subject line.

Paper comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and

    Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-MSRB-2012-01. This file number should be

included on the subject line if e-mail is used. To help the Commission process and review your

comments more efficiently, please use only one method. The Commission will post all

comments on the Commission's website (http://www.sec.gov/rules/sro.shtml). Copies of the

submission, all subsequent amendments, all written statements with respect to the proposed rule

change that are filed with the Commission, and all written communications relating to the

proposed rule change between the Commission and any person, other than those that may be

withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for

website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE,

Washington, DC 20549, on official business days between the hours of 10:00 am and 3:00 pm.

Copies of such filing also will be available for inspection and copying at the MSRB's offices.

All comments received will be posted without change; the Commission does not edit personal

identifying information from submissions. You should submit only information that you wish to

make available publicly. All submissions should refer to File Number SR-MSRB-2012-01 and

should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[12]

Elizabeth M. Murphy
Secretary

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[12]   17 CFR 200.30-3(a)(12).