

Proposed Rule Change by Municipal Securities Rulemaking Board
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial <input checked="" type="checkbox"/>	Amendment <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) <input type="checkbox"/>	Section 19(b)(3)(A) <input checked="" type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
			Rule		
			<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description
Provide a brief description of the proposed rule change (limit 250 characters).

Amendment to Rule G-14, on Reports of Sales or Purchases, to Extend the Expiration Date of the Three-Hour Exception to the Fifteen-Minute Reporting Deadline

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	<input type="text" value="Justin"/>	Last Name	<input type="text" value="Pica"/>
Title	<input type="text" value="Uniform Practice Policy Advisor"/>		
E-mail	<input type="text" value="jpica@msrb.org"/>		
Telephone	<input type="text" value="(703) 797-6600"/>	Fax	<input type="text" value="(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

By (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

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

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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

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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

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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”) hereby files with the Securities and Exchange Commission (“SEC”) a proposed amendment to MSRB Rule G-14, Reports of Sales or Purchases (the “proposed rule change”). The proposed rule change would extend the expiration date of the three-hour exception to the fifteen-minute reporting deadline for certain when, as and if issued transactions under Rule G-14 RTRS Procedures, paragraph (a)(ii)(C). Under the current language of this provision, the three-hour reporting exception will automatically expire December 31, 2007. The proposed rule change provides that the three-hour exception will expire on June 30, 2008 in order to coincide with the effective date of other proposed changes to MSRB rules designed to improve transaction reporting of new issue municipal securities. The MSRB proposes an effective date for this proposed rule change of December 31, 2007. The text of the proposed rule change is set forth below. New language is underlined; deletions are in brackets.

Rule G-14 Reports of Sales or Purchases

(a) – (b) No change.

Rule G-14 RTRS Procedures

(a) General Procedures.

(i) No change.

(ii) Transactions effected with a Time of Trade during the hours of the RTRS Business Day shall be reported within 15 minutes of Time of Trade to an RTRS Portal except in the following situations:

(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 [December 31, 2007] for when, as and if issued transactions and December 29, 2006 for all other transactions.

(iii) – (vi) No change.

(b) – (d) No change.

* * *

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was adopted by the MSRB at its October 17-18, 2007 meeting. Questions concerning this filing may be directed to Justin R. Pica, Uniform Practice Policy Advisor, at 703-797-6716.

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

(a) Purpose

MSRB Rule G-14, on transaction reporting, requires all brokers, dealers and municipal securities dealers (“dealers”) to report all transactions in municipal securities to the MSRB Real-Time Transaction Reporting System (“RTRS”) within fifteen minutes of the time of trade execution, with limited exceptions. One exception listed in Rule G-14 RTRS Procedures, paragraph (a)(ii) is a “three-hour exception” that allows a dealer three hours to report a transaction in a when, as and if issued (“when-issued”) security if all of the following conditions apply: (i) 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; (ii) the dealer has not traded the issue in the previous year; and (iii) the dealer is not a syndicate manager or syndicate member for the issue.

The three-hour exception was designed to give a dealer time to add a security to its “securities master file” so that a trade can be reported through the dealer’s automated trade processing systems. A securities master file contains the information about a municipal security issue that is necessary for a dealer to be able to process transactions in the issue. It includes such items as the interest rate, dated date, interest payment cycle, and put and call schedules. The dealer’s securities master file often contains information only for securities held in custody for customers and for securities that have been recently traded. If a dealer trades a security that is not in its securities master file, the relevant securities information must be obtained by the dealer from an information vendor before the trade can be processed and reported.¹

¹ Many dealers use service bureaus for various trade processing functions, including the maintenance of securities master files. Securities master file update procedures for service bureaus are the same as those described for dealers.

For new issue transactions, a dealer's access to necessary securities information depends not only on its link with an information vendor but also on whether that vendor itself has the information on the new issue. Vendors currently obtain much of their new issue information through voluntary cooperation from underwriters. This process does not always result in all the vendors having the necessary securities information by the time trade executions begin. Dealers trading a new issue for the first time need the three-hour exception from the fifteen-minute trade reporting requirement for their first trades in a new issue because the securities information is not always available at the time the trade is executed.²

To address inefficiencies in the collection of new information securities data, Securities Industry and Financial Markets Association ("SIFMA"), industry members, securities information vendors, and other service providers in the municipal securities market have worked extensively with The Depository Trust and Clearing Corporation ("DTCC") to develop a centralized system for collecting and communicating new issue securities information. The system, called the "New Issue Information Dissemination System" ("NIIDS"), will be operated by DTCC and will act as a central collection point for standardized electronic files of new issue information provided by underwriters which will be disseminated in real-time to information vendors. DTCC plans to implement NIIDS in early 2008.³

MSRB has filed with the SEC another proposed rule change designed to improve new issue transaction reporting that includes requiring underwriter participation with NIIDS.⁴ The proposed effective date for these changes is June 30, 2008. NIIDS, in conjunction with MSRB rules, should make it possible for dealers to report new issue trades earlier and thus eliminate the need for the three-hour exception for when-issued trade reports. Accordingly, an extension of the three-hour exception for when-issued transactions to June 30, 2008 will allow time for NIIDS to be implemented and will

² In the new issue market, information vendors seek to collect information on each issue and deliver it to customers in time for trade reporting in the new issue. There are several challenges for vendors and dealers to meet the reporting deadlines. For example, there are approximately 15,000 new municipal issues that must be set up in databases each month. Another problem for the industry is the fact that approximately 85 different information fields for each issue must be successfully gathered, which in large part depends on the timely cooperation of the underwriters.

³ In addition to providing an improved mechanism for disseminating the new issue information necessary for trade processing, the system also would use the information for purposes of establishing depository eligibility for new issues. DTCC plans to require use of the New Underwriting System ("NUWS"), of which NIIDS is a component, beginning in April 2008.

⁴ See SR-MSRB-2007-08.

ensure that the three-hour exception is available up to the effective date of MSRB rules designed to improve new issue transaction reporting.

The proposed rule change would revise MSRB Rule G-14 RTRS Procedures (a)(ii)(C) by deleting the language regarding the expiration of the three-hour exception on December 31, 2007 and replacing the language to state that for when-issued transactions, the three-hour exception to the fifteen minute reporting rule will expire on June 30, 2008.

(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 (the "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, to remove impediments to and perfect the mechanism of a free and open market in municipal securities, and, in general, to protect investors and the public interest.

The MSRB believes that the proposed rule change is consistent with the Act because it will allow for the municipal securities industry to produce more accurate trade reporting and transparency.

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

The MSRB does not believe the proposed rule change will impose any burden on competition since it would apply equally to all brokers, dealers and municipal securities dealers.

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

Although the MSRB did not publish for comment an exposure draft of the proposed rule change, the MSRB received one letter requesting that the expiration of the three-hour exception be extended to no earlier than the time that changes to MSRB rules to require underwriter participation with NIIDS become effective.⁵

6. Extension of Time Period of Commission Action

⁵ See letter from Leslie M. Norwood, Managing Director and Associate General Counsel, SIFMA to Harold Johnson, Deputy General Counsel, and Justin Pica, Uniform Practice Policy Advisor, MSRB dated October 16, 2007.

The MSRB declines to consent to an extension of the time period specified in Section 19(b)(2) of the Act.

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

The MSRB has submitted the proposed rule change pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder. The proposed rule change effects a change that (A) does not significantly affect the protection of investors or the public interest; (B) does not impose any significant burden on competition; (C) was provided to the SEC for its review at least five business days prior to the filing date; and (D) does not become operative until December 31, 2007, which is more than thirty (30) days after the date of its filing.

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

Not applicable.

9. Exhibits

1. Federal Register Notice
2. Comment letter

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34- ; File No. **SR-MSRB-2007-07**]

SELF-REGULATORY ORGANIZATIONS

Proposed Rule Change to MSRB Rule G-14, Reports of Sales or Purchases, to Extend the Expiration Date of the Three-Hour Exception to the Fifteen-Minute Reporting Deadline

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”), 15 U.S.C. 78s(b)(1), and Rule 19b-4, 17 C.F.R. 240.19b-4, notice is hereby given that on November 27, 2007, the Municipal Securities Rulemaking Board (“MSRB”) filed with the Securities and Exchange Commission (“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 Commission a proposed rule change consisting of an amendment to MSRB Rule G-14, Reports of Sales or Purchases (the “proposed rule change”). The proposed rule change would extend the expiration date of the three-hour exception to the fifteen-minute reporting deadline for certain when, as and if issued transactions under Rule G-14 RTRS Procedures, paragraph (a)(ii)(C). Under the current

language of this provision, the three-hour reporting exception will automatically expire December 31, 2007. The proposed rule change provides that the three-hour exception will expire on June 30, 2008 in order to coincide with the effective date of other proposed changes to MSRB rules designed to improve transaction reporting of new issue municipal securities. The MSRB proposes an effective date for this proposed rule change of December 31, 2007. The text of the proposed rule change is available on the MSRB's Web site (<http://www.msrb.org>), 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 Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

MSRB Rule G-14, on transaction reporting, requires all brokers, dealers and municipal securities dealers ("dealers") to report all transactions in municipal securities to the MSRB Real-Time Transaction Reporting System ("RTRS") within fifteen minutes

of the time of trade execution, with limited exceptions. One exception listed in Rule G-14 RTRS Procedures, paragraph (a)(ii) is a “three-hour exception” that allows a dealer three hours to report a transaction in a when, as and if issued (“when-issued”) security if all of the following conditions apply: (i) 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; (ii) the dealer has not traded the issue in the previous year; and (iii) the dealer is not a syndicate manager or syndicate member for the issue.

The three-hour exception was designed to give a dealer time to add a security to its “securities master file” so that a trade can be reported through the dealer’s automated trade processing systems. A securities master file contains the information about a municipal security issue that is necessary for a dealer to be able to process transactions in the issue. It includes such items as the interest rate, dated date, interest payment cycle, and put and call schedules. The dealer’s securities master file often contains information only for securities held in custody for customers and for securities that have been recently traded. If a dealer trades a security that is not in its securities master file, the relevant securities information must be obtained by the dealer from an information vendor before the trade can be processed and reported.¹

For new issue transactions, a dealer’s access to necessary securities information depends not only on its link with an information vendor but also on whether that vendor

¹ Many dealers use service bureaus for various trade processing functions, including the maintenance of securities master files. Securities master file update procedures for service bureaus are the same as those described for dealers.

itself has the information on the new issue. Vendors currently obtain much of their new issue information through voluntary cooperation from underwriters. This process does not always result in all the vendors having the necessary securities information by the time trade executions begin. Dealers trading a new issue for the first time need the three-hour exception from the fifteen-minute trade reporting requirement for their first trades in a new issue because the securities information is not always available at the time the trade is executed.²

To address inefficiencies in the collection of new information securities data, Securities Industry and Financial Markets Association (“SIFMA”), industry members, securities information vendors, and other service providers in the municipal securities market have worked extensively with The Depository Trust and Clearing Corporation (“DTCC”) to develop a centralized system for collecting and communicating new issue securities information. The system, called the “New Issue Information Dissemination System” (“NIIDS”), will be operated by DTCC and will act as a central collection point for standardized electronic files of new issue information provided by underwriters which

² In the new issue market, information vendors seek to collect information on each issue and deliver it to customers in time for trade reporting in the new issue. There are several challenges for vendors and dealers to meet the reporting deadlines. For example, there are approximately 15,000 new municipal issues that must be set up in databases each month. Another problem for the industry is the fact that approximately 85 different information fields for each issue must be successfully gathered, which in large part depends on the timely cooperation of the underwriters.

will be disseminated in real-time to information vendors. DTCC plans to implement NIIDS in early 2008.³

MSRB has filed with the SEC another proposed rule change designed to improve new issue transaction reporting that includes requiring underwriter participation with NIIDS.⁴ The proposed effective date for these changes is June 30, 2008. NIIDS, in conjunction with MSRB rules, should make it possible for dealers to report new issue trades earlier and thus eliminate the need for the three-hour exception for when-issued trade reports. Accordingly, an extension of the three-hour exception for when-issued transactions to June 30, 2008 will allow time for NIIDS to be implemented and will ensure that the three-hour exception is available up to the effective date of MSRB rules designed to improve new issue transaction reporting.

The proposed rule change would revise MSRB Rule G-14 RTRS Procedures (a)(ii)(C) by deleting the language regarding the expiration of the three-hour exception on December 31, 2007 and replacing the language to state that for when-issued transactions, the three-hour exception to the fifteen minute reporting rule will expire on June 30, 2008.

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:

³ In addition to providing an improved mechanism for disseminating the new issue information necessary for trade processing, the system also would use the information for purposes of establishing depository eligibility for new issues. DTCC plans to require use of the New Underwriting System ("NUWS"), of which NIIDS is a component, beginning in April 2008.

⁴ See SR-MSRB-2007-08.

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, to remove impediments to and perfect the mechanism of a free and open market in municipal securities, and, in general, to protect investors and the public interest.

The MSRB believes that the proposed rule change is consistent with the Act because it will allow the municipal securities industry to produce more accurate trade reporting and transparency.

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

The MSRB does not believe the proposed rule change will impose any burden on competition since it would apply equally to all brokers, dealers and municipal securities dealers.

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

Although the MSRB did not publish for comment an exposure draft of the proposed rule change, the MSRB received one letter requesting that the expiration of the three-hour exception be extended to no earlier than the time that changes to MSRB rules to require underwriter participation with NIIDS become effective.⁵

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

⁵ See letter from Leslie M. Norwood, Managing Director and Associate General Counsel, SIFMA to Harold Johnson, Deputy General Counsel, and Justin Pica, Uniform Practice Policy Advisor, MSRB dated October 16, 2007.

Because the foregoing proposed rule change does not:

(i) significantly affect the protection of investors or the public interest;

(ii) impose any significant burden on competition; and

(iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act and Rule 19b-4(f)(6) thereunder.

At any time within 60 days of the filing of the proposed rule change, the Commission may summarily abrogate such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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-2007-07** on the subject line.

Paper Comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number **SR-MSRB-2007-07**. 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 Internet Web site (<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 inspection and copying in the Commission's Public Reference Room. Copies of such filing also will be available for inspection and copying at the principal office of the MSRB. 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-2007-07** and should be submitted on or before within [insert date twenty-one days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁶

Nancy M. Morris

Secretary

⁶ 17 CFR 200.30-3(a)(12).

Comment Letter Received

1. Securities Industry and Financial Markets Association: Letter to Harold Johnson, Deputy General Counsel, MSRB, and Justin Pica, Uniform Practice Policy Advisor, MSRB, from Leslie M. Norwood, Managing Director and Associate General Counsel (October 16, 2007)

October 16, 2007

Mr. Harold Johnson
Deputy General Counsel
Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314

Mr. Justin Pica
Uniform Practice Policy Advisor
Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314

RE: Request for Extension of 3-Hour Exception for New Issue Municipal Securities Trade Reporting

Dear Messrs. Johnson and Pica:

The Securities Industry and Financial Markets Association¹ (“SIFMA”) has supported the efforts of the Municipal Securities Rulemaking Board (“MSRB”) and the broker dealer community to increase transparency in the municipal securities market through the implementation of the Real-time Transaction Reporting System (“RTRS”) that became mandatory on January 31, 2005. During the rollout of RTRS and continuing to the present, SIFMA has been active partner in assisting the broker dealer community and the MSRB with RTRS issues.

In MSRB Notice 2005-03, it was noted that two exceptions in Rule G-14 apply to certain transactions executed on the first day of trading in a new issue. The first exemption applies to syndicate managers and members that effect trades at list offering price, and provides that they may report trades by the end of the first day of trading. The second exemption provides relief for dealers that are not syndicate managers or members, have not traded an issue in the previous year, and do not have the CUSIP information or indicative data for that issue in their security master file (the “3-hour exception”). The second exemption was scheduled to sunset on December 31, 2006, but was extended to December 31, 2007 for “when, as and if” issued

¹ The “Association”, or “SIFMA,” brings together the shared interests of more than 650 securities firms, banks and asset managers. SIFMA’s mission is to promote policies and practices that work to expand and perfect markets, foster the development of new products and services and create efficiencies for member firms, while preserving and enhancing the public’s trust and confidence in the markets and the industry. SIFMA works to represent its members’ interests locally and globally. It has offices in New York, Washington D.C., and London and its associated firm, the Asia Securities Industry and Financial Markets Association, is based in Hong Kong.

transactions.² SIFMA's concern is with the imminent lapsing of the second exemption in light of delays in the system being designed to disseminate new issue information.

SIFMA's letter to the MSRB dated October 14, 2005 requesting the original extension for the second exemption cited various reasons for the needed extension, including the difficulty of broker dealer firms to obtain new issue information and the development of the Depository Trust and Clearing Corporation's ("DTCC") New Issue Information Dissemination System ("NIIDS"), which is being rolled out in conjunction with its New Underwriting System ("NUWS").

We are told by our broker dealer members that the difficulty to comply with the 15-minute reporting rule for new issues still remains in the absence of NIIDS implementation. As stated in our previous letter, broker dealers find it difficult to obtain new issue information, mainly because information service providers and vendors are not receiving the information on a timely basis or in an electronic format. Information service providers and vendors are not receiving the data in a timeframe and in a format whereby they can populate their security master file and transmit the information to their broker dealer customers in order to satisfy 15-minute trade reporting because the current system is largely manual and unwieldy. These inefficiencies are the reasons for the development of NIIDS. Although the industry and DTCC have made great progress in the implementation of NIIDS, the system is not ready to be implemented before the 3-hour exception lapses.

Since 2005, SIFMA has continued to take steps towards the implementation of NIIDS by working with not only the broker dealer community but also DTCC, MSRB and various municipal securities information service providers and vendors. A SIFMA NIIDS User Group has been set up to track the implementation process and encourage SIFMA Members to dialogue with DTCC and their information service providers³ in voicing their questions and concerns about the development process. Furthermore, SIFMA has participated in bi-weekly meetings with DTCC and MSRB to create an open communication stream and to keep each other abreast of the progress in the development of NIIDS. SIFMA has also sponsored educational seminars over the past several months with DTCC and MSRB, which were well attended. The seminars, which were held in Dallas, New York, and Chicago, were open to all members of the municipal securities industry to provide in-depth information of the NIIDS implementation schedule, pilot testing and training. However, the complexities of implementing a system change of this magnitude are many and the schedule has been delayed.

² See also MSRB Notice 2005-60 and MSRB Notice 2005-62.

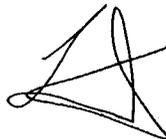
³ The term "information service providers" includes BondDesk Group LLC, Bloomberg Financial Markets, i-Deal LLD, Dalcomp, DPC Data Inc., Reuters America Inc., Standard & Poor's, Kenny Disclosure Services, FT Interactive Data, The Bond Buyer, TM3, and other information and news vendors.

SIFMA continues to fully support the NIIDS project and recognizes NIIDS as the best approach for not only creating a pipeline that satisfies the straight-through processing objective for broker dealers to have access to new issue information on a real-time basis, but also to provide improved price transparency by allowing conditional trading commitments to be identified. NIIDS and NUWS, however, demand further testing and modifications before they can be fully implemented. To that end, SIFMA's Member Firms are in the process of pilot testing NIIDS and providing input to DTCC on necessary system modifications before full testing by the whole municipal securities underwriting community. Vendor connectivity is also a key element to full implementation of NIIDS, including ensuring bookrunning service vendors assisting broker dealers can send new issue information inbound to DTCC and security master database provider vendors can receive the new issue information outbound from DTCC. Thus, full implementation of the NIIDS project will not occur before the remaining 3-hour exception lapses.

For the reasons previously stated, and based on the concrete steps taken towards implementation of NIIDS, we believe it is prudent and reasonable for the MSRB to extend the 3-hour exemption to lapse no earlier than the implementation of anticipated changes to MSRB Rule G-34 which will mandate dissemination of new issue information through the NIIDS process. SIFMA expects that to be when NIIDS is fully operational. As the industry continues to work with DTCC toward the goal of a centralized data collection point and dissemination source for new issue information, we feel strongly that firms should be able to comply with the MSRB's rules as written, however that will not be the case unless the remaining 3-hour exception is extended concomitant with the full implementation of NIIDS. We appreciate MSRB's past involvement and encourage MSRB's continued role in supporting the industry's efforts in the development and implementation of the NIIDS project. We feel the MSRB's input in this industry initiative is invaluable to the success of the project, particularly of one of this magnitude.

We look forward to discussing these issues further with the MSRB Board and staff and appreciate your attention to our request. Please contact the undersigned at 646.637.9230 or via email at lnorwood@sifma.org with any questions that you might have.

Respectfully submitted,



Leslie M. Norwood
Managing Director and
Associate General Counsel

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Diane Klinke, Esq., Municipal Securities Rulemaking Board

Securities Industry and Financial Markets Association

Municipal Executive Committee
Municipal Legal Advisory Committee
Municipal Operations Committee
Municipal Syndicate & Trading Committee
Municipal Brokers' Brokers Committee