

January 31, 2007

Nancy M. Morris  
Secretary  
Securities and Exchange Commission  
Station Place  
100 F Street, N.E.  
Washington, DC 20549-1090

Re: File Number SR-MSRB-2006-10: Comments to Municipal Securities Rulemaking Board; Notice of Filing of Proposed Rule Change Relating to Amendments to Rule G-27, on Supervision, Rule G-8, on Recordkeeping, and Rule G-9, on Record Retention

Dear Ms. Morris:

The Securities Industry and Financial Markets Association ("SIFMA")<sup>1</sup> appreciates this opportunity to comment on the proposed amendment to Rule G-27, which the Municipal Securities Rulemaking Board ("MSRB") submitted to the Securities and Exchange Commission ("SEC") on November 24, 2006<sup>2</sup> and was published in the Federal Register on December 20, 2006<sup>3</sup>.

The stated purpose of the MSRB in making these changes to Rule G-27, and the related recordkeeping and record retention provisions of Rules G-8 and G-9, was to conform the MSRB rules on supervision to the correlative NASD rules on supervision, principally NASD Rules 3010 and 3012. Although the text of the rule change appears very similar to the corresponding NASD Rules, certain language in the accompanying Notice may be interpreted to imply that a principal must undertake all supervisory acts, and delegation of such tasks to non-principals is impermissible. Specifically, the Notice sets forth, "Therefore, the Board believes it is appropriate *that these supervisory activities be undertaken by a municipal securities principal* (or a municipal fund securities limited principal in the case of activities related to municipal fund securities)." (emphasis added) This language contrasts with the

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<sup>1</sup> 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.

<sup>2</sup> MSRB Notice 2006-33 (November 24, 2006).

<sup>3</sup> 71 Fed. Reg. 76,400 (December 20, 2006).

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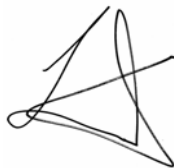
language in the rule proposal itself and the NASD rules which merely state that the principal *is responsible* for supervision.

The Association would like to point out that under the current MSRB Rule G-27 and NASD 3010 rule paradigms, even though the principal is ultimately responsible for supervision, principals regularly delegate day-to-day supervisory activities to appropriately trained employees who are not principals. To that end, the Association would appreciate clarification of the language in the Notice to make clear that principals may delegate day-to-day supervisory activities to non-principals.

If a principal may no longer delegate any day-to-day supervisory tasks, this proposed change in MSRB Rule G-27 would be adding requirements for principals not otherwise set forth in the correlative NASD rules on supervision and will likely have the effect of requiring many employees at each firm to become licensed principals. The Association fears this costly and unnecessary result may be an unintended effect of the rule proposal, given the ambiguous language in the Notice.

We appreciate the opportunity to comment on this rulemaking. If you have any questions concerning these comments, or would like to discuss these comments further, please feel free to contact the undersigned at 646.637.9230 or via email at [lnorwood@sifma.org](mailto:lnorwood@sifma.org).

Respectfully submitted,

A handwritten signature in black ink, appearing to be 'L. Norwood', written over a faint, light-colored signature line.

Leslie M. Norwood  
Vice President and  
Assistant General Counsel

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Securities and Exchange Commission  
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cc: ***Securities and Exchange Commission***

Christopher Cox, Chairman  
The Honorable Paul S. Atkins, Commissioner  
The Honorable Roel C. Campos, Commissioner  
The Honorable Kathleen L. Casey, Commissioner  
The Honorable Annette L. Nazareth, Commissioner  
Brian Cartwright, General Counsel, Office of the General Counsel  
Erik R. Sirri, Director, Division of Market Regulation  
Martha Mahan Haines, Director, Office of Municipal Securities

***NASD Regulation, Inc.***

Malcolm P. Northam, Director, Fixed Income Securities Regulation  
Marc Menchel, General Counsel  
Sharon K. Zackula, Assistant General Counsel

***Municipal Securities Rulemaking Board***

Mr. Christopher Taylor, Municipal Securities Rulemaking Board  
Diane Klinke, Esq., Municipal Securities Rulemaking Board  
Hal Johnson, Esq., Municipal Securities Rulemaking Board

***The Bond Market Association***

Municipal Executive Committee  
Municipal Policy Committee  
Municipal Legal Advisory Committee  
Municipal Operations Committee  
Municipal Syndicate & Trading Committee  
Municipal Brokers' Brokers Committee  
Municipal IDB Working Group