OMB APPROVAL
OMB Number: 3235-0045 Estimated average burden hours per response.....38

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 20

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2016 - * 12
Amendment No. (req. for Amendments *) 1

Filing 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) * ☐

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Rule

- ☐ 19b-4(f)(1)
- ☐ 19b-4(f)(2)
- ☐ 19b-4(f)(3)
- ☐ 19b-4(f)(4)
- ☐ 19b-4(f)(5)
- ☐ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐ Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934

Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

Description

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

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 action.

First Name * Michael Last Name * Post

Title * General Counsel - Regulatory Affairs

E-mail * mpost@msrb.org

Telephone * (202) 838-1500 Fax

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.

Date 11/14/2016

By Ronald W. Smith

(Name *)

(Title *)

Corporate Secretary

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.

Persona Not Validated - 1453405662880,

Required fields are shown with yellow backgrounds and asterisks.

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 *

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 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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, security-based swap submission, or advance notice 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.

The Municipal Securities Rulemaking Board ("MSRB") is filing this amendment ("Amendment No. 1") to File No. SR-MSRB-2016-12, originally filed with the Securities and Exchange Commission (the "SEC" or "Commission") on September 2, 2016, with respect to a proposed rule change to require disclosure of mark-ups and mark-downs to retail customers on certain principal transactions and to provide guidance on prevailing market price (the "original proposed rule change" and together with Amendment No. 1, the "proposed rule change"). The SEC published notice of the original proposed rule change on September 7, 2016, and notice was then published in the Federal Register on September 13, 2016.[1] The Commission received eight comment letters in response thereto.[2]

The original proposed rule change consisted of proposed amendments to MSRB Rule G-15, on confirmation, clearance, settlement and other uniform practice requirements with respect to transactions with customers, and MSRB Rule G-30, on prices and commissions, to require brokers, dealers and municipal securities dealers (collectively, "dealers") to disclose mark-ups and mark-downs to retail customers on certain principal transactions and to provide dealers with guidance on prevailing market price for the purpose of determining mark-ups and mark-downs and other Rule G-30 determinations. In response to commenters' suggestions and, in part, to harmonize the proposed rule change with FINRA's parallel proposal on confirmation disclosure for other fixed income markets,[3] the MSRB is making several minor technical amendments, as set forth below.[4]

---

1 See Exchange Act Release No. 78777 (Sept. 7, 2016), 81 FR 62947 (Sept. 13, 2016) (File No. SR-MSRB-2016-12).

2 See letters from Michael Nicholas, Chief Executive Officer, Bond Dealers of America, dated October 4, 2016; Norman L. Ashkenas, Chief Compliance Officer, Fidelity Brokerage Services, LLC, and Richard J. O'Brien, Chief Compliance Officer, National Financial Services, LLC, dated October 4, 2016; Mary Lou Von Kaenel, Managing Director, Financial Information Forum, dated October 4, 2016; Paige W. Pierce, President and Chief Executive Officer, RW Smith & Associates, LLC, dated October 4, 2016; Leslie M. Norwood, Managing Director and Associate General Counsel, and Sean Davy, Managing Director, Capital Markets Division, Securities Industry and Financial Markets Association, dated October 3, 2016; Manisha Kimmel, Chief Regulatory Officer, Wealth Management, Thomson Reuters, dated September 19, 2016; Robert J. McCarthy, Director of Regulatory Policy, Wells Fargo Advisors, LLC, dated October 4, 2016; and Memorandum to the Commission from Rick A. Fleming, Investor Advocate, SEC, dated November 7, 2016.

3 See Exchange Act Release No. 78573 (August 15, 2016), 81 FR 55500 (August 19, 2016) (File No. SR-FINRA-2016-032); Letter to the Commission from Alexander Ellenberg, Associate General Counsel, FINRA, dated November 14, 2016.

4 The MSRB this day submitted a response to comments discussing these amendments and discussing numerous other matters. See letter from Michael L. Post, General Counsel--Regulatory Affairs, MSRB, to Secretary, Commission, dated November 14, 2016.

Trigger Requirements for Mark-Up Disclosure. The MSRB is proposing to amend Rule G-15 to clarify that the proposed rule change requires disclosure only in cases where a customer trade for a non-institutional account has an *offsetting* principal trade. The MSRB notes that while the rule text in the original proposed rule change did not explicitly use the term "offsetting," the filing supporting the original proposed rule change described the terms under which mark-up or mark-down disclosure would be required. In relevant part, the MSRB explained that disclosure is required where the dealer "executes one or more offsetting principal transaction(s) on the same trading day as the customer . . . ."[5] For avoidance of doubt, the MSRB is amending the original proposed rule change to ensure rule text clarity on this point by adding the word "offsetting" to the trigger language.[6]

Time of Execution and Link to EMMA. In response to commenters' suggestions and concerns, and to align the MSRB's proposed link and time-of-execution disclosure requirements with FINRA's in all relevant and substantive respects, the MSRB is making minor changes to these proposed requirements.

First, to potentially improve the experience for investors who access EMMA via a link on their confirmation, the MSRB is making a technical amendment to its proposed link disclosure requirement. Specifically, the MSRB is replacing the requirement for dealers to disclose a link to a specific existing page on EMMA—the "Security Details" page—with a more generic requirement to disclose, in a format specified by the MSRB, a reference and, if the confirmation is electronic, a hyperlink to a webpage on EMMA that contains publicly available trading data for the specific security that was traded. Thus, all printed confirmations for which the disclosure is required must include the uniform resource locator ("URL") to the applicable webpage, and all electronic confirmations for which the disclosure is required must include a hyperlinked URL to the applicable webpage. This is a technical amendment that does not modify in any way the substantive link disclosure requirement proposed by the MSRB in the original proposed rule change, but assures more harmonization and reduces the potential for confusion. The MSRB also believes that by using slightly more general language to describe the link disclosure requirement, rather than codifying a requirement to link to a page with a specific title, the MSRB can continue

---

5 81 FR at 62947.

6 The MSRB notes, however, that the proposed rule change is not meant to be drawn more narrowly to apply only to "matched trades" as SIFMA's comment might suggest. To the extent that "matched trades" is meant to imply that the principal and customer transactions must both be known to the dealer when it arranges the transactions, it would not accurately characterize the scope of the proposed rule change.

For example, if a dealer purchased 100 bonds at 9:30 AM, and then satisfied three customer buy orders for 50 bonds each in the same security on the same day without purchasing any more of the bonds, the proposed rule change would require mark-up disclosure on two of the three trades, since one of the trades would need to be satisfied out of the dealer's prior inventory rather than offset by the dealer's same-day principal transaction.

to consider ways to make the landing page for investors that access EMMA via the link on confirmations potentially more retail investor friendly.

Second, to potentially provide some implementation relief for dealers, the MSRB is proposing to require dealers to disclose the time of execution for only retail customer confirmations, rather than all retail *and institutional* confirmations. Because institutional customers are likely to know the time of execution of their transaction, the MSRB believes that the likely costs of requiring dealers to revise their confirmation systems for institutional investors to provide this disclosure to institutional customers may exceed the likely benefits of such disclosure. This amendment to the original proposed rule change is accomplished by providing that, for a transaction for an institutional account as defined in MSRB Rule G-8(a)(xi), a statement that the time of execution will be furnished upon written request of the customer may be shown in satisfaction of the obligation to disclose the time of execution on the confirmation. This is fully consistent with the permissibility of dealers, under existing Rule G-15(a)(i)(A)(2), to either disclose the time of execution or make such a statement.

Spread. The original proposed rule change included among its non-exclusive list of relevant factors to determine the degree to which a municipal security is similar "the extent to which the spread (i.e., the spread over U.S. Treasury securities of a similar duration) at which the 'similar' municipal security trades is comparable to the spread at which the subject security trades." However, as noted by commenters, the spread over U.S. Treasury securities is most relevant to taxable municipal bonds and thus, the parenthetical described above should be revised to include language to address an appropriate spread relied upon for tax-exempt municipal bonds.

In response to commenters, the MSRB is amending the original proposed rule change to clarify that a dealer also may consider the extent to which the spread over an "applicable index" at which the similar municipal security trades is comparable to the spread at which the subject security trades.

***Effective Date*.** Finally, in response to commenters' request for a longer implementation period as well as harmonized implementation dates between the MSRB and FINRA, the MSRB is extending the originally proposed one-year implementation time to provide that the effective date of the proposed rule change, if approved, will be no later than eighteen months following Commission approval. The MSRB believes that this lengthening of the implementation period will assist dealers in meeting the requirements of the proposed rule change and mitigate the costs of implementation.

The MSRB believes the Commission has good cause, pursuant to Section 19(b)(2) of the Securities Exchange Act of 1934,[7] for granting accelerated approval of Amendment No. 1. Specifically, the amendments are technical in nature and are meant to respond to commenters' concerns and further clarify the proposed rule change. In addition, the amendments are consistent with the purpose of the original proposed rule change to require disclosure of mark-

---

[7] 15 U.S.C. 78s(b)(2).

ups and mark-downs to retail customers on certain principal transactions and to provide guidance on prevailing market price and thus are not likely to raise new issues.

The changes made by Amendment No. 1 to the original proposed rule change are indicated as attached in Exhibit 4. Material proposed to be added is underlined. Material proposed to be deleted is enclosed in brackets.

The text of the proposed rule change is attached as Exhibit 5. Material proposed to be added is underlined. Material proposed to be deleted is enclosed in brackets.

EXHIBIT 4

Rule G-15: Confirmation, Clearance, Settlement and Other Uniform Practice Requirements with Respect to Transactions with Customers

(a) *Customer Confirmations.*

(i) At or before the completion of a transaction in municipal securities with or for the account of a customer, each broker, dealer or municipal securities dealer shall give or send to the customer a written confirmation that complies with the requirements of this paragraph (i):

(A) Transaction information. The confirmation shall include information regarding the terms of the transaction as set forth in this subparagraph (A):

(1) No change.

(2) Trade date and time of execution.

(a) The trade date shall be shown.

(b) The [and] time of execution shall be shown[.]; provided that, for a transaction for an institutional account as defined in Rule G-8(a)(xi) or a transaction in municipal fund securities, a statement that the time of execution will be furnished upon written request of the customer may be shown in satisfaction of the obligation to disclose the time of execution on the confirmation. [In addition, either (a) the time of execution, or (b) a statement that the time of execution will be furnished upon written request of the customer shall be shown.]

(3) – (8) No change.

(B) – (C) No change.

(D) Disclosure statements:

(1) – (3) No change.

(4) The confirmation for a transaction (other than a transaction in municipal fund securities) executed for or with a non-institutional customer shall include, in a format specified by the MSRB, a reference[,] and, if the confirmation is electronic, a hyperlink [if the confirmation is electronic] to a webpage [the Security Details page for the customer's security] on EMMA that contains publicly available trading data for the specific security that was traded, along with a brief description of the type of information available on that page.

(E) Confirmation format. All requirements must be clearly and specifically indicated on the front of the confirmation, except that the following statements may be on the reverse side of the confirmation:

(1) – (2) No change.

(F) Mark-ups and Mark-downs.

(1) General. A confirmation shall include the dealer's mark-up or mark-down for the transaction, to be calculated in compliance with Rule G-30, Supplementary Material .06 and expressed as a total dollar amount and as a percentage of the prevailing market price if:

(a) the broker, dealer or municipal securities dealer ("dealer") is effecting a transaction in a principal capacity with a non-institutional customer, and

(b) the broker, dealer or municipal securities dealer purchased (sold) the security in one or more offsetting transactions in an aggregate trading size meeting or exceeding the size of such sale to (purchase from) the non-institutional customer on the same trading day as the non-institutional customer transaction. If any such transaction occurs with an affiliate of the dealer and is not an arms-length transaction, the dealer is required to "look through" to the time and terms of the affiliate's transaction(s) with third parties in the security in determining whether the conditions of this paragraph have been met.

(2) Exceptions. A dealer shall not be required to include the disclosure specified in paragraph (F)(1) above if:

(a) the non-institutional customer transaction was executed by a principal trading desk that is functionally separate from the principal trading desk within the same dealer that executed the dealer purchase (in the case of a sale to a customer) or dealer sale (in the case of a purchase from a customer) of the security, and the dealer had in place policies and procedures reasonably designed to ensure that the functionally separate principal trading desk through which the dealer purchase or dealer sale was executed had no knowledge of the customer transaction;

(b) the customer transaction is a "list offering price transaction" as defined in paragraph (d)(vii) of Rule G-14 RTRS Procedures; or

(c) the customer transaction is for the purchase or sale of municipal fund securities.

(ii) – (v) No change.

(vi) Definitions. For purposes of this rule, the following terms shall have the following meanings:

(A) – (H) No change.

(I) The term "arms-length transaction" shall mean a transaction that was conducted through a competitive process in which non-affiliate firms could also participate, and where the affiliate relationship did not influence the price paid or proceeds received by the dealer.

(J) The term "non-institutional customer" shall mean a customer with an account that is not an institutional account, as defined in Rule G-8(a)(xi).

(vii) – (viii) No change.

(b) – (g) No change.

*** * * * ***

Rule G-30: Prices and Commissions

(a) – (b) No change.

Supplementary Material

.01 General Principles.

(a) Each broker, dealer or municipal securities dealer (each, a "dealer," and collectively, "dealers"), whether effecting a trade on an agency or principal basis, must exercise reasonable diligence in establishing the market value of the security and the reasonableness of the compensation received on the transaction.

(b) – (c) No change.

(d) Dealer compensation on a principal transaction with a customer is considered to be a mark-up or mark-down that is computed from the prevailing market price at the time of the customer transaction, as described in Supplementary Material .06. As part of the aggregate price to the customer, the mark-up or mark-down also must be a fair and reasonable amount, taking into account all relevant factors.

(e) No change.

.02 – .05 No change.

.06 Mark-Up Policy

(a) Prevailing Market Price

(i) A dealer that is acting in a principal capacity in a transaction with a customer and is charging a mark-up or mark-down must mark-up or mark-down the transaction from the prevailing market price. Presumptively for purposes of this Supplementary Material .06, the prevailing market price for a municipal security is established by referring to the dealer's contemporaneous cost as incurred, or contemporaneous proceeds as obtained, consistent with applicable MSRB rules. (See, e.g., Rule G-18).

(ii) When the dealer is selling the municipal security to a customer, other evidence of the prevailing market price may be considered only where the dealer made no contemporaneous purchases of the security or can show that in the particular circumstances the dealer's contemporaneous cost is not indicative of the prevailing market price. When the dealer is buying the municipal security from a customer, other evidence of the prevailing market price may be considered only where the dealer made no contemporaneous sales of the security or can show that in the particular circumstances the dealer's contemporaneous proceeds are not indicative of the prevailing market price.

(iii) A dealer's cost is (or proceeds are) considered contemporaneous if the transaction occurs close enough in time to the subject transaction that it would reasonably be expected to reflect the current market price for the municipal security.

(iv) A dealer that effects a transaction in municipal securities with a customer and identifies the prevailing market price using a measure other than the dealer's own contemporaneous cost (or, in a mark-down, the dealer's own proceeds) must be prepared to provide evidence that is sufficient to overcome the presumption that such contemporaneous cost (or proceeds) provides the best measure of the prevailing market price. A dealer may be able to show that such contemporaneous cost is (or proceeds are) not indicative of prevailing market price, and thus overcome the presumption, in instances where: (A) interest rates changed after the dealer's contemporaneous transaction to a degree that such change would reasonably cause a change in municipal securities pricing; (B) the credit quality of the municipal security changed significantly after the dealer's contemporaneous transaction; or (C) news was issued or otherwise distributed and known to the marketplace that had an effect on the perceived value of the municipal security after the dealer's contemporaneous transaction.

(v) In instances where the dealer has established that the dealer's cost is (or, in a mark-down, proceeds are) not contemporaneous, or where the dealer has presented evidence that is sufficient to overcome the presumption that the dealer's contemporaneous cost (or proceeds) provides the best measure of the prevailing market price, such as those instances described in (a)(iv)(A), (B) and (C), the dealer must consider, in the order listed and subject to (a)(viii), the following types of pricing information to determine prevailing market price:

(A) Prices of any contemporaneous inter-dealer transactions in the municipal security in question;

(B) In the absence of transactions described in (A), prices of contemporaneous dealer purchases (sales) in the municipal security in question from (to) institutional accounts with which any dealer regularly effects transactions in the same municipal security; or

(C) In the absence of transactions described in (A) and (B), for actively traded municipal securities, contemporaneous bid (offer) quotations for the municipal security in question made through an inter-dealer mechanism, through which transactions generally occur at the displayed quotations.

(A dealer may consider a succeeding category of pricing information only when the prior category does not generate relevant pricing information (e.g., a dealer may consider pricing information under (B) only after the dealer has determined, after applying (A), that there are no contemporaneous inter-dealer transactions in the same security).) In reviewing the pricing information available within each category, the relative weight, for purposes of identifying prevailing market price, of such information (i.e., a particular transaction price or quotation) depends on the facts and circumstances of the comparison transaction or quotation (e.g., whether the dealer in the comparison transaction was on the same side of the market as the dealer in the subject transaction and timeliness of the information). Because of the lack of active trading in most municipal securities, it is not always possible to establish the prevailing market price for a municipal security based solely on contemporaneous transaction prices or contemporaneous quotations for the security. Accordingly, dealers may often need to consider other factors, consistent with (a)(vi) and (a)(vii) below.

(vi) In the event that, in particular circumstances, the above factors are not available, other factors that may be taken into consideration (not in any required order or combination) for the purpose of establishing the price from which a customer mark-up (mark-down) may be calculated, include but are not limited to:

• Prices, or yields calculated from prices, of contemporaneous inter-dealer transactions in a “similar” municipal security, as defined below;

• Prices, or yields calculated from prices, of contemporaneous dealer purchase (sale) transactions in a “similar” municipal security with institutional accounts with which any dealer regularly effects transactions in the “similar” municipal security with respect to customer mark-ups (mark-downs); and

• Yields calculated from validated contemporaneous inter-dealer bid (offer) quotations in “similar” municipal securities for customer mark-ups (mark-downs).

The relative weight, for purposes of identifying prevailing market price, of the pricing information obtained from the factors set forth above depends on the facts and circumstances surrounding the comparison transaction (i.e., whether the dealer in the comparison transaction was on the same side of the market as the dealer in the subject transaction, timeliness of the information, and, with respect to the final factor listed above, the relative spread of the quotations in the similar municipal security to the quotations in the subject security).

(vii) Finally, if information concerning the prevailing market price of the subject municipal security cannot be obtained by applying any of the above factors, dealers (and the regulatory agencies responsible for enforcing MSRB rules) may consider as a factor in assessing the prevailing market price of a municipal security the prices or yields derived from economic models (e.g., discounted cash flow models) that take into account measures such as reported trade prices, credit quality, interest rates, industry sector, time to maturity, call provisions and any other embedded options, coupon rate, and face value; and consider all applicable pricing terms and conventions (e.g., coupon frequency and accrual methods).

(viii) Because the ultimate evidentiary issue is the prevailing market price, isolated transactions or isolated quotations generally will have little or no weight or relevance in establishing prevailing market price. For example, in considering the pricing information described in (a)(v), a dealer may give little or no weight to pricing information derived from an isolated transaction or quotation, such as an off-market transaction. In addition, in considering yields of "similar" municipal securities, except in extraordinary circumstances, dealers may not rely exclusively on isolated transactions or a limited number of transactions that are not fairly representative of the yields of transactions in "similar" municipal securities taken as a whole.

(b) "Similar" Municipal Securities

(i) A "similar" municipal security should be sufficiently similar to the subject security that it would serve as a reasonable alternative investment to the investor. At a minimum, the municipal security or securities should be sufficiently similar that a market yield for the subject security can be fairly estimated from the yields of the "similar" security or securities. Where a municipal security has several components, appropriate consideration may also be given to the prices or yields of the various components of the security.

(ii) The degree to which a municipal security is "similar," as that term is used in this Supplementary Material .06, to the subject security may be determined by all relevant factors, including but not limited to the following:

(A) Credit quality considerations, such as whether the municipal security is issued by the same or similar entity, bears the same or similar credit rating, or is supported by a similarly strong guarantee or collateral as the subject security (to the extent securities of other issuers are designated as "similar" securities,

significant recent information concerning either the “similar” security’s issuer or subject security’s issuer that is not yet incorporated in credit ratings should be considered (e.g., changes to ratings outlooks));

(B) The extent to which the spread (i.e., the spread over an applicable index or U.S. Treasury securities of a similar duration) at which the “similar” municipal security trades is comparable to the spread at which the subject security trades;

(C) General structural characteristics and provisions of the issue, such as coupon, maturity, duration, complexity or uniqueness of the structure, callability, the likelihood that the municipal security will be called, tendered or exchanged, and other embedded options, as compared with the characteristics of the subject security;

(D) Technical factors such as the size of the issue, the float and recent turnover of the issue, and legal restrictions on transferability as compared with the subject security; and

(E) The extent to which the federal and/or state tax treatment of the “similar” municipal security is comparable to such tax treatment of the subject security.

(iii) When a municipal security's value and pricing is based substantially on, and is highly dependent on, the particular circumstances of the issuer, including creditworthiness and the ability and willingness of the issuer to meet the specific obligations of the security, in most cases other securities will not be sufficiently similar, and therefore, pricing information with respect to other securities may not be used to establish the prevailing market price.

EXHIBIT 5

Rule G-15: Confirmation, Clearance, Settlement and Other Uniform Practice Requirements with Respect to Transactions with Customers

(a) *Customer Confirmations.*

(i) At or before the completion of a transaction in municipal securities with or for the account of a customer, each broker, dealer or municipal securities dealer shall give or send to the customer a written confirmation that complies with the requirements of this paragraph (i):

(A) Transaction information. The confirmation shall include information regarding the terms of the transaction as set forth in this subparagraph (A):

(1) No change.

(2) Trade date and time of execution.

(a) The trade date shall be shown.

(b) The time of execution shall be shown; provided that, for a transaction for an institutional account as defined in Rule G-8(a)(xi) or a transaction in municipal fund securities, a statement that the time of execution will be furnished upon written request of the customer may be shown in satisfaction of the obligation to disclose the time of execution on the confirmation. [In addition, either (a) the time of execution, or (b) a statement that the time of execution will be furnished upon written request of the customer shall be shown.]

(3) – (8) No change.

(B) – (C) No change.

(D) Disclosure statements:

(1) – (3) No change.

(4) The confirmation for a transaction (other than a transaction in municipal fund securities) executed for or with a non-institutional customer shall include, in a format specified by the MSRB, a reference and, if the confirmation is electronic, a hyperlink to a webpage on EMMA that contains publicly available trading data for the specific security that was traded, along with a brief description of the type of information available on that page.

(E) Confirmation format. All requirements must be clearly and specifically indicated on the front of the confirmation, except that the following statements may be on

the reverse side of the confirmation:

(1) – (2) No change.

[(3) The statement concerning time of execution that can be provided in satisfaction of subparagraph (A)(2) of this paragraph.]

(F) Mark-ups and Mark-downs.

(1) General. A confirmation shall include the dealer's mark-up or mark-down for the transaction, to be calculated in compliance with Rule G-30, Supplementary Material .06 and expressed as a total dollar amount and as a percentage of the prevailing market price if:

(a) the broker, dealer or municipal securities dealer ("dealer") is effecting a transaction in a principal capacity with a non-institutional customer, and

(b) the broker, dealer or municipal securities dealer purchased (sold) the security in one or more offsetting transactions in an aggregate trading size meeting or exceeding the size of such sale to (purchase from) the non-institutional customer on the same trading day as the non-institutional customer transaction. If any such transaction occurs with an affiliate of the dealer and is not an arms-length transaction, the dealer is required to "look through" to the time and terms of the affiliate's transaction(s) with third parties in the security in determining whether the conditions of this paragraph have been met.

(2) Exceptions. A dealer shall not be required to include the disclosure specified in paragraph (F)(1) above if:

(a) the non-institutional customer transaction was executed by a principal trading desk that is functionally separate from the principal trading desk within the same dealer that executed the dealer purchase (in the case of a sale to a customer) or dealer sale (in the case of a purchase from a customer) of the security, and the dealer had in place policies and procedures reasonably designed to ensure that the functionally separate principal trading desk through which the dealer purchase or dealer sale was executed had no knowledge of the customer transaction;

(b) the customer transaction is a "list offering price transaction" as defined in paragraph (d)(vii) of Rule G-14 RTRS Procedures; or

(c) the customer transaction is for the purchase or sale of municipal fund securities.

(ii) – (v) No change.

(vi) Definitions. For purposes of this rule, the following terms shall have the following meanings:

(A) – (H) No change.

(I) The term "arms-length transaction" shall mean a transaction that was conducted through a competitive process in which non-affiliate firms could also participate, and where the affiliate relationship did not influence the price paid or proceeds received by the dealer.

(J) The term "non-institutional customer" shall mean a customer with an account that is not an institutional account, as defined in Rule G-8(a)(xi).

(vii) – (viii) No change.

(b) – (g) No change.

*** * * * ***

Rule G-30: Prices and Commissions

(a) – (b) No change.

Supplementary Material

.01 General Principles.

(a) Each broker, dealer or municipal securities dealer (each, a "dealer," and collectively, "dealers"), whether effecting a trade on an agency or principal basis, must exercise reasonable diligence in establishing the market value of the security and the reasonableness of the compensation received on the transaction.

(b) – (c) No change.

(d) Dealer compensation on a principal transaction with a customer is considered to be a mark-up or mark-down that is computed from the [inter-dealer market price]prevailing market price at the time of the customer transaction, as described in Supplementary Material .06. As part of the aggregate price to the customer, the mark-up or mark-down also must be a fair and reasonable amount, taking into account all relevant factors.

(e) No change.

.02 – .05 No change.

.06 Mark-Up Policy

(a) Prevailing Market Price

(i) A dealer that is acting in a principal capacity in a transaction with a customer and is charging a mark-up or mark-down must mark-up or mark-down the transaction from the prevailing market price. Presumptively for purposes of this Supplementary Material .06, the prevailing market price for a municipal security is established by referring to the dealer's contemporaneous cost as incurred, or contemporaneous proceeds as obtained, consistent with applicable MSRB rules. (See, e.g., Rule G-18).

(ii) When the dealer is selling the municipal security to a customer, other evidence of the prevailing market price may be considered only where the dealer made no contemporaneous purchases of the security or can show that in the particular circumstances the dealer's contemporaneous cost is not indicative of the prevailing market price. When the dealer is buying the municipal security from a customer, other evidence of the prevailing market price may be considered only where the dealer made no contemporaneous sales of the security or can show that in the particular circumstances the dealer's contemporaneous proceeds are not indicative of the prevailing market price.

(iii) A dealer's cost is (or proceeds are) considered contemporaneous if the transaction occurs close enough in time to the subject transaction that it would reasonably be expected to reflect the current market price for the municipal security.

(iv) A dealer that effects a transaction in municipal securities with a customer and identifies the prevailing market price using a measure other than the dealer's own contemporaneous cost (or, in a mark-down, the dealer's own proceeds) must be prepared to provide evidence that is sufficient to overcome the presumption that such contemporaneous cost (or proceeds) provides the best measure of the prevailing market price. A dealer may be able to show that such contemporaneous cost is (or proceeds are) not indicative of prevailing market price, and thus overcome the presumption, in instances where: (A) interest rates changed after the dealer's contemporaneous transaction to a degree that such change would reasonably cause a change in municipal securities pricing; (B) the credit quality of the municipal security changed significantly after the dealer's contemporaneous transaction; or (C) news was issued or otherwise distributed and known to the marketplace that had an effect on the perceived value of the municipal security after the dealer's contemporaneous transaction.

(v) In instances where the dealer has established that the dealer's cost is (or, in a mark-down, proceeds are) not contemporaneous, or where the dealer has presented evidence that is sufficient to overcome the presumption that the dealer's contemporaneous cost (or proceeds) provides the best measure of the prevailing market price, such as those instances described in (a)(iv)(A), (B) and (C), the dealer must consider, in the order listed and subject to (a)(viii), the following types of pricing information to determine prevailing market price:

(A) Prices of any contemporaneous inter-dealer transactions in the municipal security in question;

(B) In the absence of transactions described in (A), prices of contemporaneous dealer purchases (sales) in the municipal security in question from (to) institutional accounts with which any dealer regularly effects transactions in the same municipal security; or

(C) In the absence of transactions described in (A) and (B), for actively traded municipal securities, contemporaneous bid (offer) quotations for the municipal security in question made through an inter-dealer mechanism, through which transactions generally occur at the displayed quotations.

(A dealer may consider a succeeding category of pricing information only when the prior category does not generate relevant pricing information (e.g., a dealer may consider pricing information under (B) only after the dealer has determined, after applying (A), that there are no contemporaneous inter-dealer transactions in the same security).) In reviewing the pricing information available within each category, the relative weight, for purposes of identifying prevailing market price, of such information (i.e., a particular transaction price or quotation) depends on the facts and circumstances of the comparison transaction or quotation (e.g., whether the dealer in the comparison transaction was on the same side of the market as the dealer in the subject transaction and timeliness of the information). Because of the lack of active trading in most municipal securities, it is not always possible to establish the prevailing market price for a municipal security based solely on contemporaneous transaction prices or contemporaneous quotations for the security. Accordingly, dealers may often need to consider other factors, consistent with (a)(vi) and (a)(vii) below.

(vi) In the event that, in particular circumstances, the above factors are not available, other factors that may be taken into consideration (not in any required order or combination) for the purpose of establishing the price from which a customer mark-up (mark-down) may be calculated, include but are not limited to:

• Prices, or yields calculated from prices, of contemporaneous inter-dealer transactions in a “similar” municipal security, as defined below;

• Prices, or yields calculated from prices, of contemporaneous dealer purchase (sale) transactions in a “similar” municipal security with institutional accounts with which any dealer regularly effects transactions in the “similar” municipal security with respect to customer mark-ups (mark-downs); and

• Yields calculated from validated contemporaneous inter-dealer bid (offer) quotations in “similar” municipal securities for customer mark-ups (mark-downs).

The relative weight, for purposes of identifying prevailing market price, of the pricing information obtained from the factors set forth above depends on the facts and circumstances surrounding the comparison transaction (i.e., whether the dealer in the comparison transaction was on the same side of the market as the dealer in the subject transaction, timeliness of the information, and, with respect to the final factor listed above, the relative spread of the quotations in the similar municipal security to the quotations in the subject security).

(vii) Finally, if information concerning the prevailing market price of the subject municipal security cannot be obtained by applying any of the above factors, dealers (and the regulatory agencies responsible for enforcing MSRB rules) may consider as a factor in assessing the prevailing market price of a municipal security the prices or yields derived from economic models (e.g., discounted cash flow models) that take into account measures such as reported trade prices, credit quality, interest rates, industry sector, time to maturity, call provisions and any other embedded options, coupon rate, and face value; and consider all applicable pricing terms and conventions (e.g., coupon frequency and accrual methods).

(viii) Because the ultimate evidentiary issue is the prevailing market price, isolated transactions or isolated quotations generally will have little or no weight or relevance in establishing prevailing market price. For example, in considering the pricing information described in (a)(v), a dealer may give little or no weight to pricing information derived from an isolated transaction or quotation, such as an off-market transaction. In addition, in considering yields of "similar" municipal securities, except in extraordinary circumstances, dealers may not rely exclusively on isolated transactions or a limited number of transactions that are not fairly representative of the yields of transactions in "similar" municipal securities taken as a whole.

(b) "Similar" Municipal Securities

(i) A "similar" municipal security should be sufficiently similar to the subject security that it would serve as a reasonable alternative investment to the investor. At a minimum, the municipal security or securities should be sufficiently similar that a market yield for the subject security can be fairly estimated from the yields of the "similar" security or securities. Where a municipal security has several components, appropriate consideration may also be given to the prices or yields of the various components of the security.

(ii) The degree to which a municipal security is "similar," as that term is used in this Supplementary Material .06, to the subject security may be determined by all relevant factors, including but not limited to the following:

(A) Credit quality considerations, such as whether the municipal security is issued by the same or similar entity, bears the same or similar credit rating, or is supported by a similarly strong guarantee or collateral as the subject security (to the extent securities of other issuers are designated as "similar" securities,

significant recent information concerning either the “similar” security’s issuer or subject security’s issuer that is not yet incorporated in credit ratings should be considered (e.g., changes to ratings outlooks));

(B) The extent to which the spread (i.e., the spread over an applicable index or U.S. Treasury securities of a similar duration) at which the “similar” municipal security trades is comparable to the spread at which the subject security trades;

(C) General structural characteristics and provisions of the issue, such as coupon, maturity, duration, complexity or uniqueness of the structure, callability, the likelihood that the municipal security will be called, tendered or exchanged, and other embedded options, as compared with the characteristics of the subject security;

(D) Technical factors such as the size of the issue, the float and recent turnover of the issue, and legal restrictions on transferability as compared with the subject security; and

(E) The extent to which the federal and/or state tax treatment of the “similar” municipal security is comparable to such tax treatment of the subject security.

(iii) When a municipal security's value and pricing is based substantially on, and is highly dependent on, the particular circumstances of the issuer, including creditworthiness and the ability and willingness of the issuer to meet the specific obligations of the security, in most cases other securities will not be sufficiently similar, and therefore, pricing information with respect to other securities may not be used to establish the prevailing market price.