



Municipal Securities Rulemaking Board

January 10, 2017

Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Re: Amendment No. 1 to SR-MSRB-2016-15

Dear Secretary:

On November 1, 2016, the Municipal Securities Rulemaking Board (“MSRB”) filed with the U.S. Securities and Exchange Commission (“SEC”) a proposed rule change consisting of (i) proposed amendments to MSRB Rule G-10, on delivery of investor brochure, Rule G-8, on books and records to be made by brokers, dealers and municipal securities dealers and municipal advisors, and Rule G-9, on preservation of records, and (ii) a proposed Board notice regarding electronic delivery and receipt of information by municipal advisors under Rule G-32, on disclosures in connection with primary offerings (collectively, the “proposed rule change”). The SEC published the proposed rule change for comment in the Federal Register on November 18, 2016<sup>1</sup> and received five comment letters. The MSRB has filed a partial amendment (“Amendment No. 1”) to the original proposed rule change to make certain changes as discussed in detail in Amendment No. 1.

A copy of Amendment No. 1 is attached to this letter, and Exhibit 4 thereto shows the revisions made to the original proposed rule text.

If you have any questions regarding this matter, please contact me at [REDACTED].

Sincerely,

Pamela K. Ellis  
Associate General Counsel

Attachment

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<sup>1</sup> Exchange Act Release No. 79295 (Nov. 14, 2016), 81 FR 81837 (Nov. 18, 2016).

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934, as amended (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> the Municipal Securities Rulemaking Board (the “MSRB”) is filing with the U.S. Securities and Exchange Commission (the “SEC” or “Commission”) a first partial amendment (“Amendment No. 1) to File No. SR-MSRB-2016-15, a proposed rule change consisting of (i) proposed amendments to MSRB Rule G-10, on delivery of investor brochure, Rule G-8, on books and records to be made by brokers, dealers and municipal securities dealers and municipal advisors, and Rule G-9, on preservation of records, and (ii) a proposed Board notice regarding electronic delivery and receipt of information by municipal advisors under Rule G-32, on disclosures in connection with primary offerings (collectively, the “proposed rule change”). The MSRB believes that the proposed rule change will both advance the Board’s development of a comprehensive regulatory framework for municipal advisors as well as more clearly focus the Board’s current investor complaint rule on customer and municipal advisory client protection and education. In addition, the MSRB believes that the proposed enhancements to its related recordkeeping rules will harmonize those rules with the rules of other financial regulators, and will enhance the ability of those regulators to conduct more cost-effective and efficient inspections and surveillance of brokers, dealers, municipal securities dealers (collectively, “dealers”) and municipal advisors (dealers, together with municipal advisors, “regulated entities”). In response to comments received by the Commission on the proposed rule change, Amendment No. 1 adds clarifying language and extends the proposed effective date of the proposed rule change. Amendment No. 1 also makes other minor technical changes.

### Background

On November 1, 2016, the MSRB filed with the SEC File No. SR-MSRB-2016-15. The SEC published the proposed rule change for comment in the Federal Register on November 18, 2016<sup>3</sup> and received five comment letters.<sup>4</sup>

The MSRB is filing this Amendment No. 1 primarily, as suggested by commenters, to provide certain clarifications in the proposed amendments to Rules G-10 and G-8 relating to the notifications that would be provided by municipal advisors to their municipal advisory clients

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> Exchange Act Release No. 79295 (Nov. 14, 2016), 81 FR 81837 (Nov. 18, 2016).

<sup>4</sup> See letters from Mike Nicholas, Chief Executive Officer, Bond Dealers of America, dated December 9, 2016 (“BDA”); Matthew J. Gavaghan, Associate General Counsel, Janney Montgomery Scott LLC, dated December 9, 2016 (“Janney”); Marnie Lambert, President, Public Investors Arbitration Bar Association, dated December 9, 2016 (“PIABA”); Susan Gaffney, Executive Director, National Association of Municipal Advisors, dated December 12, 2016 (“NAMA”); and Leo Karwelna, Chief Compliance Officer and Cheryl Maddox, General Counsel, Public Financial Management, Inc. and PFM Financial Advisors LLC, dated December 13, 2016 (collectively, “PFM”).

and to the terms used with the recordkeeping of municipal advisory client complaints, and to extend the proposed effective date. Further, Amendment No. 1 makes other minor technical changes to clarify or simplify rule text.

The MSRB requests that the proposed rule change be approved with an effective date nine months after Commission approval of all changes.

#### Technical changes made in response to comments

Commenters generally expressed support for the proposed rule change, but also suggested certain revisions. As noted above, those revisions primarily related to proposed amendments that addressed municipal advisors, but also related to the effective date of the proposed rule change.

#### Clarification of the term “promptly”

A principal purpose of the originally proposed amendments to Rule G-10 is to overhaul the rule so that the rule would more closely focus on customer and municipal advisory client protection and education as well as align that rule more closely with the customer protection and education rules of other financial regulators. The proposed amendments to Rule G-10 would require that a regulated entity provide notifications to its customer or municipal advisory client. The notifications would be required to include disclosure (i) that the regulated entity is registered with the MSRB and the SEC, (ii) the MSRB’s website address, and (iii) that there is a brochure available on the MSRB’s website that describes the protections available under the MSRB’s rules and how to file a complaint with an appropriate regulatory authority (the “notifications”). For a dealer, those notifications would occur annually. For a municipal advisor, those notifications would occur promptly but no less than once each calendar year during the course of a municipal advisory relationship or as a result of a solicitation of a municipal entity or obligated person.

BDA requested clarity about when a municipal advisor would be required to send the municipal advisory client brochure to its municipal advisory client. The MSRB notes that, unlike current Rule G-10, the proposed amendments to Rule G-10 do not require that a regulated entity send a brochure to its customer or municipal advisory client. The MSRB, however, interprets BDA’s request as referring to the proposed notifications. After carefully considering BDA’s request for clarity regarding the use of the term “promptly,” the MSRB is providing technical changes to the proposed amendments to Rule G-10. Those changes expand on the explanation that promptly means either after the establishment of a municipal advisory relationship as defined in Rule G-42(f)(iv), or after entering into an agreement to undertake a solicitation of a municipal entity or obligated person, as defined by Rule 15Ba1-1(n) under the Act.<sup>5</sup> Although municipal advisors may elect to provide the first notification earlier, this standard is consistent with the flexibility provided by the proposed rule change to include the proposed annual notifications with other materials, such as the written disclosure documentation required to be

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<sup>5</sup> 17 CFR 240.15Ba1-1(n).

given by municipal advisors under Rule G-42(b) or relationship documentation under Rule G-42(c).

#### Terms relating to municipal advisory client complaint recordkeeping

The originally proposed amendments to Rule G-8 would extend the Board's recordkeeping requirements to municipal advisors, and would enhance those requirements to require that records of customer or municipal advisory client complaints be kept using an electronic complaint log. NAMA suggested that certain terms used in the proposed amendments to Rule G-8 concerning municipal advisory client complaints be amended to more closely reflect terms more commonly understood by municipal advisors. In particular, NAMA noted that proposed Rule G-8(h)(v)(i) refers to a municipal advisory client's account. NAMA stated that such a phrase does not "translate" to municipal advisors.<sup>6</sup> After carefully considering NAMA's suggestion, Amendment No. 1 contains minor technical changes to the proposed amendments to Rule G-8 to address NAMA's comments. Amendment No. 1 replaces "account" when used with respect to a municipal advisory client with the phrase "client number or code, if any."

#### Effective Date

BDA urged that the MSRB provide at least 12 months, instead of six months, to provide dealers with adequate time for implementation, especially given the resources required to implement other ongoing regulatory initiatives, such as the transition to T+2. The MSRB recognizes that those other regulatory initiatives require significant attention by compliance and technology staff. In response, Amendment No. 1 proposes an effective date of nine months after Commission approval of all changes.

#### Other technical changes

Amendment No. 1 makes other minor technical changes to the proposed rule change. Those changes clarify or simplify the definitions/terms "municipal advisory client," "complaint," and "regulatory authority."

Definition of municipal advisory client. Amendment No. 1 makes three clarifying revisions to the definition of municipal advisory client – two of those revisions clarify the definition as used with solicitor municipal advisors, one of those revisions clarifies the definition as used with non-solicitor municipal advisors. Section 15B(e)(4) of the Act<sup>7</sup> defines a municipal advisor, in part, as a person that undertakes a solicitation of a municipal entity or obligated person. Section 15B(e)(9) of the Act,<sup>8</sup> in turn, defines a solicitation of a municipal entity or obligated person, and provides, in part, that a solicitor municipal advisor may undertake a solicitation on behalf of a broker, dealer, municipal securities dealer, municipal advisor, or an

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<sup>6</sup> See NAMA letter.

<sup>7</sup> 15 U.S.C. 78o-4(e)(4).

<sup>8</sup> 15 U.S.C. 78o-4(e)(9).

investment adviser to obtain an engagement from a municipal entity or obligated person. As originally proposed, Rules G-10 and G-8 were designed to encompass municipal advisory clients of a solicitor municipal advisor by reference to the definition of solicitation of a municipal entity or obligated person set forth in Rule 15Ba1-1(n) under the Act<sup>9</sup> (which refers to solicitation on behalf of a broker, dealer, municipal securities dealer, municipal advisor or investment adviser) or by reference to the activities that would cause a person to be a municipal advisor subject to the Act as set forth in Section 15B(e)(4) of the Act<sup>10</sup> (which also refers, through reference to Section 15B(e)(9)<sup>11</sup>, to solicitation on behalf of a broker, dealer, municipal securities dealer, municipal advisor, or investment adviser). Amendment No. 1 revises the definition of municipal advisory client as used in proposed amended Rules G-8 and G-10 to specify in the rule text the entities on behalf of whom a solicitor municipal advisor may solicit a municipal entity or obligated person. Accordingly, for a solicitor municipal advisor, a municipal advisory client is, under Amendment No. 1, a broker, dealer, municipal securities dealer, municipal advisor or investment adviser (as defined in section 202 of the Investment Advisers Act of 1940)<sup>12</sup> on behalf of whom the municipal advisor undertakes a solicitation of a municipal entity or obligated person.

Further, Amendment No. 1 makes a minor technical change to the definition of solicitation of a municipal entity or obligated person. The MSRB substitutes the definition of solicitation of a municipal entity or obligated person set forth in Rule 15Ba1-1(n) under the Act<sup>13</sup> for the definition of a solicitation of a municipal entity or obligated person set forth in Section 15B(e)(4) of the Act<sup>14</sup> by reference to Section 15B(e)(9) of the Act<sup>15</sup> when used in the proposed amendments to Rule G-8. The MSRB believes that the substitution of the rule's more precise definition will clarify the term.

Amendment No. 1 also makes a minor technical change to the definition of a municipal advisory client for a non-solicitor municipal advisor. For a non-solicitor municipal advisor, the MSRB clarifies in the proposed amendments to Rule G-8 that the definition of a municipal advisory client includes a municipal entity or obligated person for whom the municipal advisor engages in municipal advisory activities, as defined in Rule G-42(f)(iv). The MSRB believes that the precision added to that definition for a municipal advisory client of a non-solicitor municipal advisor both parallels the precision with which the MSRB defines a municipal advisory client of a solicitor municipal advisor and eliminates unnecessary language.

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<sup>9</sup> 17 CFR 240.15Ba1-1(n).

<sup>10</sup> 15 U.S.C. 78o-4(e)(4).

<sup>11</sup> 15 U.S.C. 78o-4(e)(9).

<sup>12</sup> 15 U.S.C. 80b-2.

<sup>13</sup> 17 CFR 240.15Ba1-1(n).

<sup>14</sup> 15 U.S.C. 78o-4(e)(4).

<sup>15</sup> 15 U.S.C. 78o-4(e)(9).

Definition of complaint. Amendment No. 1 makes a minor technical change to the definition of “complaint” used in the proposed amendments to Rule G-8. The change simplifies the term, and eliminates unnecessary language by relying on the definition of municipal advisory activities as defined for purposes of the MSRB rule book in Rule D-13.<sup>16</sup> As revised, a complaint is “any written statement alleging a grievance involving the municipal advisory activities of the municipal advisor or any associated person of such municipal advisor.”

Regulatory authority. Amendment No. 1 makes a minor technical change to the references to regulatory authorities in the proposed amendments to Rules G-10 and G-8. Amendment No. 1 replaces “financial regulatory authority” with “an appropriate regulatory authority” in the proposed amendments. The MSRB believes that the replacement makes the proposed rule change more consistent with the terminology of the Act and other provisions of MSRB rules.

The MSRB believes the Commission has good cause, pursuant to Section 19(b)(2) of the Act,<sup>17</sup> for granting accelerated approval of Amendment No. 1. Specifically, the changes respond to commenters’ concerns, are technical in nature, and clarify or simplify the proposed rule change. Amendment No. 1 in many respects eliminates unnecessary language by relying on terms that are defined in the MSRB’s rule book, the Act,<sup>18</sup> or Commission rules under the Act.<sup>19</sup> In addition, the changes are consistent with the purposes of the proposed rule change to advance the development of a comprehensive regulatory framework for municipal advisors and to update the Board’s customer complaint rules.

The changes made by Amendment No. 1 to the original proposed rule change are indicated in attached 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.

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<sup>16</sup> Rule D-13 provides that “[e]xcept as otherwise specifically provided by rule of the Board, “municipal advisory activities” means the activities described in Section 15B(e)(4)(A)(i) and (ii) of the Act and the rules and regulations promulgated thereunder.”

<sup>17</sup> 15 U.S.C. 78s(b)(2).

<sup>18</sup> 15 U.S.C. 78(s).

<sup>19</sup> Id.

**EXHIBIT 4**

**Rule G-10: Investor and Municipal Advisory Client Education and Protection**

(a) Each broker, dealer and municipal securities dealer (collectively, a “dealer”) shall, once every calendar year, provide in writing (which may be electronic) to each customer the following items of information:

(i) a statement that it is registered with the U.S. Securities and Exchange Commission and the Municipal Securities Rulemaking Board;

(ii) the website address for the Municipal Securities Rulemaking Board; and

(iii) a statement as to the availability to the customer of an investor brochure that is posted on the website of the Municipal Securities Rulemaking Board that describes the protections that may be provided by the Municipal Securities Rulemaking Board rules and how to file a complaint with an appropriate [financial] regulatory [authorities] authority.

(b) Each municipal advisor shall[,] promptly, after the establishment [but no less than once each calendar year during the course] of a municipal advisory relationship, as defined in MSRB Rule G-42(f)(v), and no less than once each calendar year thereafter during the course of that municipal advisory relationship, or promptly, after entering into an agreement to undertake [as a result of] a solicitation of a municipal entity or obligated person, as defined in Rule 15Ba1-1(n), 17 CFR 240.15Ba1-1(n), under the Act, and no less than once each calendar year thereafter during the course of that agreement, provide in writing (which may be electronic) to the municipal advisory client, the following items of information:

(i) a statement that it is registered with the U.S. Securities and Exchange Commission and the Municipal Securities Rulemaking Board;

(ii) the website address for the Municipal Securities Rulemaking Board; and

(iii) a statement as to the availability to the municipal advisory client of a municipal advisory client brochure that is posted on the website of the Municipal Securities Rulemaking Board that describes the protections that may be provided by the Municipal Securities Rulemaking Board rules and how to file a complaint with an appropriate [financial] regulatory [authorities] authority.

(c) For the purposes of this rule, a municipal advisory client shall include either a municipal entity or [an] obligated person for whom the municipal advisor [either] engages in municipal advisory activities, as defined in [MSRB] Rule G-42(f)(iv), or a broker, dealer, municipal securities dealer, municipal advisor, or investment adviser (as defined in section 202 of the Investment Advisers Act of 1940) on behalf of [for] whom the municipal advisor undertakes a solicitation of a municipal entity or obligated person, as defined in Rule 15Ba1-1(n), 17 CFR 240.15Ba1-1(n), under the Act.

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**Rule G-8: Books and Records to be Made by Brokers, Dealers, and Municipal Securities Dealers and Municipal Advisors**

(a) *Description of Books and Records Required to be Made.* Except as otherwise specifically indicated in this rule, every broker, dealer and municipal securities dealer shall make and keep current the following books and records, to the extent applicable to the business of such broker, dealer or municipal securities dealer:

(i) - (xi) No change.

(xii) *Customer Complaints.* A record of all written complaints of customers, and persons acting on behalf of customers that are received by the broker, dealer or municipal securities dealer. This record must include the complainant's name, address, and account number; the date the complaint was received; the date of the activity that gave rise to the complaint; the name of each associated person of the broker, dealer or municipal securities dealer identified in the complaint; a description of the nature of the complaint; and what action, if any, has been taken by such broker, dealer or municipal securities dealer in connection with each such complaint. In addition, this record must be kept in an electronic format using the complaint product and problem codes set forth in the Municipal Securities Rulemaking Board Rule G-8 Customer and Municipal Advisory Client Complaint Product and Problem Codes Guide.

The term "written," for the purposes of this paragraph, shall include electronic correspondence. The term "complaint" shall mean any written statement alleging a grievance involving the activities of the broker, dealer or municipal securities dealer or any associated persons of such broker, dealer or municipal securities dealer with respect to any matter involving a customer's account.

(xiii) - (xxvi) No change.

(b) – (d) No change.

(e) *Definitions.*

(i) *Customer.* For purposes of this rule, the term "customer" shall not include a broker, dealer, municipal securities dealer or municipal advisor acting in its capacity as such or the issuer of the securities which are the subject of the transaction in question.

(ii) *Municipal Advisory Client.* For the purposes of paragraph (h)(vi) of this rule, the term "municipal advisory client" shall include either a municipal entity or [an] obligated person for whom the municipal advisor engages in municipal advisory activities as defined in Rule G-42(f)(iv), or a broker, dealer, municipal securities dealer, municipal advisor, or investment adviser (as defined in section 202 of the Investment Advisers Act of 1940) on behalf of whom the municipal advisor undertakes a solicitation of a municipal entity or obligated person, as

defined in Rule 15Ba1-1(n), 17 CFR 240.15Ba1-1(n), under the Act. [that would cause the municipal advisor to be a municipal advisor, as defined in Section 15B(e)(4) of the Act.]

(f) – (g) No change.

(h) *Municipal Advisor Records.* Every municipal advisor that is registered or required to be registered under section 15B of the Act and the rules and regulations thereunder shall make and keep current the following books and records:

(i) - (v) No change.

(vi) *Municipal Advisory Client Complaints.* A record of all written complaints of municipal advisory clients or persons acting on behalf of municipal advisory clients that are received by the municipal advisor. This record must include the complainant's name, address, and [account] municipal advisory client number or code, if any; the date the complaint was received; the date of the activity that gave rise to the complaint; the name of each associated person of the municipal advisor identified in the complaint; a description of the nature of the complaint; and what action, if any, has been taken by such municipal advisor in connection with each such complaint. In addition, this record must be kept in an electronic format using the complaint product and problem codes set forth in the Municipal Securities Rulemaking Board Rule G-8 Customer and Municipal Advisory Client Complaint Product and Problem Codes Guide.

The term “*written,*” for the purposes of this paragraph, shall include electronic correspondence. The term “complaint” shall mean any written statement alleging a grievance involving the municipal advisory activities of the municipal advisor or any associated person of such municipal advisor [with respect to the solicitation of that municipal entity client or any matter involving the municipal entity client's account].

**---Supplementary Material:**

**.01 Electronic Recordkeeping.** Paragraphs (a)(xii) and (h)(vi) of this rule require that customer complaint logs be kept in an electronic format. For those purposes, “electronic format” is defined as any computer software program that is used for storing, organizing and/or manipulating data that can be provided promptly upon request to a [financial] regulatory authority.

**.02 Other Reporting Requirements.** [A broker, dealer, municipal securities dealer and municipal advisor (collectively, a “regulated entity”) are reminded that, in] In addition to the recordkeeping requirements of Paragraphs (a)(xii) and (h)(vi) of Rule G-8, the regulated entity may be required to promptly report certain written customer or municipal advisory client complaints to other appropriate [financial] regulatory authorities. Those written customer or municipal advisory client complaints that may be required to be promptly reported to other appropriate regulatory authorities include complaints in which the customer or municipal advisory client alleges theft or misappropriation of funds or securities or of forgery.

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### **Rule G-9: Preservation of Records**

(a) – (g) No change.

(h) *Municipal Advisor Records.*

(i) - (ii) No change.

(iii) The records described in Rule G-8(h)(iii) and (vi) shall be preserved for at least six years; provided, however, that copies of Forms G-37x shall be preserved for the period during which such Forms G-37x are effective and for at least six years following the end of such effectiveness.

(i) – (k) No change.

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### **Rule G-32 Interpretation – Notice Regarding Electronic Delivery and Receipt of Information by Municipal Advisors**

In November 1998, the MSRB published an interpretation about the use of electronic media to deliver and receive information by brokers, dealers and municipal securities dealers under Board rules (the “1998 interpretation”). Since that time, the MSRB has been granted rulemaking authority over municipal advisors, and in the exercise of that authority, the MSRB has been developing a comprehensive regulatory framework for municipal advisors.

The Board believes that the use of electronic media to deliver and receive information under Board rules also is important for municipal advisors, and extends the guidance provided in the 1998 interpretation, as relevant, to municipal advisors. ***See Rule G-32 Interpretation – Notice Regarding Electronic Delivery and Receipt of Information by Brokers, Dealers and Municipal Securities Dealers (November 20, 1998).***

**EXHIBIT 5**

**Rule G-10: [Delivery of] Investor [Brochure] and Municipal Advisory Client Education and Protection**

(a) Each broker, dealer and municipal securities dealer (collectively, a “dealer”) shall, once every calendar year, provide in writing (which may be electronic) to each customer the following items of information:

(i) a statement that it is registered with the U.S. Securities and Exchange Commission and the Municipal Securities Rulemaking Board;

(ii) the website address for the Municipal Securities Rulemaking Board; and

(iii) a statement as to the availability to the customer of an investor brochure that is posted on the website of the Municipal Securities Rulemaking Board that describes the protections that may be provided by the Municipal Securities Rulemaking Board rules and how to file a complaint with an appropriate regulatory authority. [shall deliver a copy of the investor brochure to a customer promptly upon receipt of a complaint by the customer.]

(b) For purposes of this rule, the following terms have the following meanings:

(i) the term “investor brochure” shall mean the publication or publications so designated by the Board, and

(ii) the term “complaint” is defined in rule G-8(a)(xii).]

(b) Each municipal advisor shall promptly, after the establishment of a municipal advisory relationship, as defined in MSRB Rule G-42(f)(v), and no less than once each calendar year thereafter during the course of that municipal advisory relationship, or promptly, after entering into an agreement to undertake a solicitation of a municipal entity or obligated person, as defined in Rule 15Ba1-1(n), 17 CFR 240.15Ba1-1(n), under the Act, and no less than once each calendar year thereafter during the course of that agreement, provide in writing (which may be electronic) to the municipal advisory client, the following items of information:

(i) a statement that it is registered with the U.S. Securities and Exchange Commission and the Municipal Securities Rulemaking Board;

(ii) the website address for the Municipal Securities Rulemaking Board; and

(iii) a statement as to the availability to the municipal advisory client of a municipal advisory client brochure that is posted on the website of the Municipal Securities Rulemaking Board that describes the protections that may be provided by the Municipal Securities Rulemaking Board rules and how to file a complaint with an appropriate regulatory authority.

(c) For the purposes of this rule, a municipal advisory client shall include either a municipal entity or obligated person for whom the municipal advisor engages in municipal advisory activities, as defined in Rule G-42(f)(iv), or a broker, dealer, municipal securities dealer, municipal advisor, or investment adviser (as defined in section 202 of the Investment Advisers Act of 1940) on behalf of whom the municipal advisor undertakes a solicitation of a municipal entity or obligated person, as defined in Rule 15Ba1-1(n), 17 CFR 240.15Ba1-1(n), under the Act.

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### **Rule G-8: Books and Records to be Made by Brokers, Dealers, and Municipal Securities Dealers and Municipal Advisors**

(a) *Description of Books and Records Required to be Made.* Except as otherwise specifically indicated in this rule, every broker, dealer and municipal securities dealer shall make and keep current the following books and records, to the extent applicable to the business of such broker, dealer or municipal securities dealer:

(i) - (xi) No change.

(xii) *Customer Complaints.* A record of all written complaints of customers, and persons acting on behalf of customers[,] that are received by the broker, dealer or municipal securities dealer. This record must include the complainant's name, address, and account number; the date the complaint was received; the date of the activity that gave rise to the complaint; the name of each associated person of the broker, dealer or municipal securities dealer identified in the complaint; a description of the nature of the complaint; and what action, if any, has been taken by such broker, dealer or municipal securities dealer in connection with each such complaint. In addition, this record must be kept in an electronic format using the complaint product and problem codes set forth in the Municipal Securities Rulemaking Board Rule G-8 Customer and Municipal Advisory Client Complaint Product and Problem Codes Guide.

The term "written," for the purposes of this paragraph, shall include electronic correspondence. The term "complaint" shall mean any written statement alleging a grievance involving the activities of the broker, dealer or municipal securities dealer or any associated persons of such broker, dealer or municipal securities dealer with respect to any matter involving a customer's account.

(xiii) - (xxvi) No change.

(b) – (d) No change.

(e) *Definitions.*

(i) [of] Customer. For purposes of this rule, the term "customer" shall not include a broker, dealer, [or] municipal securities dealer or municipal advisor acting in its capacity as such or the issuer of the securities which are the subject of the transaction in question.

(ii) *Municipal Advisory Client*. For the purposes of paragraph (h)(vi) of this rule, the term “municipal advisory client” shall include either a municipal entity or obligated person for whom the municipal advisor engages in municipal advisory activities as defined in Rule G-42(f)(iv), or a broker, dealer, municipal securities dealer, municipal advisor, or investment adviser (as defined in section 202 of the Investment Advisers Act of 1940) on behalf of whom the municipal advisor undertakes a solicitation of a municipal entity or obligated person, as defined in Rule 15Ba1-1(n), 17 CFR 240.15Ba1-1(n), under the Act.

(f) – (g) No change.

(h) *Municipal Advisor Records*. Every municipal advisor that is registered or required to be registered under section 15B of the Act and the rules and regulations thereunder shall make and keep current the following books and records:

(i) - (v) No change.

(vi) *Municipal Advisory Client Complaints*. A record of all written complaints of municipal advisory clients or persons acting on behalf of municipal advisory clients that are received by the municipal advisor. This record must include the complainant’s name, address, and municipal advisory client number or code, if any; the date the complaint was received; the date of the activity that gave rise to the complaint; the name of each associated person of the municipal advisor identified in the complaint; a description of the nature of the complaint; and what action, if any, has been taken by such municipal advisor in connection with each such complaint. In addition, this record must be kept in an electronic format using the complaint product and problem codes set forth in the Municipal Securities Rulemaking Board Rule G-8 Customer and Municipal Advisory Client Complaint Product and Problem Codes Guide.

The term “written,” for the purposes of this paragraph, shall include electronic correspondence. The term “complaint” shall mean any written statement alleging a grievance involving the municipal advisory activities of the municipal advisor or any associated person of such municipal advisor.

**---Supplementary Material:**

**.01 Electronic Recordkeeping.** Paragraphs (a)(xii) and (h)(vi) of this rule require that customer complaint logs be kept in an electronic format. For those purposes, “electronic format” is defined as any computer software program that is used for storing, organizing and/or manipulating data that can be provided promptly upon request to a regulatory authority.

**.02 Other Reporting Requirements.** In addition to the recordkeeping requirements of Paragraphs (a)(xii) and (h)(vi) of Rule G-8, the regulated entity may be required to promptly report certain written customer or municipal advisory client complaints to other appropriate regulatory authorities. Those written customer or municipal advisory client complaints that may be required to be promptly reported to other appropriate regulatory authorities include

complaints in which the customer or municipal advisory client alleges theft or misappropriation of funds or securities or of forgery.

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**Rule G-9: Preservation of Records**

(a) – (g) No change.

(h) *Municipal Advisor Records.*

(i) - (ii) No change.

(iii) The records described in Rule G-8(h)(iii) and (vi) shall be preserved for at least six years; provided, however, that copies of Forms G-37x shall be preserved for the period during which such Forms G-37x are effective and for at least six years following the end of such effectiveness.

(i) – (k) No change.

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**Rule G-32 Interpretation – Notice Regarding Electronic Delivery and Receipt of Information by Municipal Advisors**

In November 1998, the MSRB published an interpretation about the use of electronic media to deliver and receive information by brokers, dealers and municipal securities dealers under Board rules (the “1998 interpretation”). Since that time, the MSRB has been granted rulemaking authority over municipal advisors, and in the exercise of that authority, the MSRB has been developing a comprehensive regulatory framework for municipal advisors.

The Board believes that the use of electronic media to deliver and receive information under Board rules also is important for municipal advisors, and extends the guidance provided in the 1998 interpretation, as relevant, to municipal advisors. See **Rule G-32 Interpretation – Notice Regarding Electronic Delivery and Receipt of Information by Brokers, Dealers and Municipal Securities Dealers (November 20, 1998).**