

EXHIBIT 5

Rule G-18: Best Execution

(a) In any transaction in a municipal security for or with a customer or a customer of another broker, dealer, or municipal securities dealer (“dealer”), a dealer must use reasonable diligence to ascertain the best market for the subject security and buy or sell in that market so that the resultant price to the customer is as favorable as possible under prevailing market conditions. Among the factors that will be considered in determining whether a dealer has used “reasonable diligence,” with no single factor being determinative, are:

- (1) the character of the market for the security (e.g., price, volatility, and relative liquidity);
- (2) the size and type of transaction;
- (3) the number of markets checked;
- (4) the information reviewed to determine the current market for the subject security or similar securities;
- (5) the accessibility of quotations; and
- (6) the terms and conditions of the customer’s inquiry or order, including any bids or offers, that result in the transaction, as communicated to the dealer.

(b) In any transaction for or with a customer or a customer of another dealer, a dealer must not interject a third party between itself and the best market for the subject security in a manner inconsistent with paragraph (a) of this rule.

(c) The obligations described in paragraphs (a) and (b) above apply to transactions in which the dealer is acting as agent and transactions in which the dealer is acting as principal. These obligations are distinct from the fairness and reasonableness of commissions, markups or markdowns, which are governed by Rule G-30.

---Supplementary Material:

.01 Purpose. The principal purpose of this rule is to promote, for customer transactions, dealers’ use of reasonable diligence in accordance with paragraph (a). A failure to have actually obtained the most favorable price possible will not necessarily mean that the dealer failed to use reasonable diligence.

.02 Maintenance of Adequate Resources. A dealer’s failure to maintain adequate resources (e.g., staff or technology) is not a justification for executing away from the best available market. The level of resources that a dealer maintains should take into account the nature of the dealer’s municipal securities business, including its level of sales and trading activity.

.03 Execution of Customer Transactions. A dealer must make every effort to execute a customer transaction promptly, taking into account prevailing market conditions. In certain market conditions a dealer may need more time to use reasonable diligence to ascertain the best market for the subject security.

.04 Definition of “Market.” The term “market” or “markets,” for the purposes of this rule, unless the context requires otherwise, encompasses a variety of different venues, including but not limited to broker’s brokers, alternative trading systems or platforms, or other counterparties, which may include the dealer itself as principal. The term is to be construed broadly, recognizing that municipal securities currently trade over the counter without a central exchange or platform. This expansive interpretation is meant both to inform dealers as to the breadth of the scope of venues that must be considered in the furtherance of their best-execution obligations and to promote fair competition among dealers (including broker’s brokers), alternative trading systems and platforms, and any other venue that may emerge, by not mandating that certain trading venues have less relevance than others in the course of determining a dealer’s best-execution obligations.

.05 Best Execution and Executing Brokers. A dealer’s duty to provide best execution in any transaction “for or with” “a customer of another dealer” does not apply in instances when the other dealer is simply executing a customer transaction against the dealer’s quote. A dealer’s duty to provide best execution to customer orders received from other dealers arises only when an order is routed from another dealer to the dealer for handling and execution.

.06 Securities with Limited Quotations or Pricing Information. Although the best-execution requirements in this rule apply to transactions in all municipal securities (other than municipal fund securities), markets for municipal securities may differ dramatically. One of the areas in which a dealer must be especially diligent in ensuring that it has met its best-execution obligations is with respect to customer transactions involving securities for which there is limited pricing information or quotations available. Each dealer must have written policies and procedures in place that address how the dealer will make its best-execution determinations with respect to such a security in the absence of pricing information or multiple quotations and must document its compliance with those policies and procedures. For example, a dealer generally should seek out other sources of pricing information and potential liquidity for such a security, including other dealers that the dealer previously has traded with in the security. Additionally, a dealer generally should, in determining whether the resultant price to the customer is as favorable as possible under prevailing market conditions, analyze other data to which it reasonably has access.

.07 Customer Instructions Regarding Handling of Bids or Offers. If a dealer receives an unsolicited instruction from a customer designating a particular market for the execution of the customer’s transaction, the dealer is not required to make a best-execution determination beyond the customer’s specific instruction. Dealers are, however, still required to process that customer’s transaction promptly and in accordance with the terms of the customer’s bid or offer.

.08 Review of Policies and Procedures and Execution Quality.

(a) A dealer must, at a minimum, conduct annual reviews of its policies and procedures for determining the best available market for the executions of its customers’ transactions. While no more frequent interval is specifically required, a dealer must conduct these reviews at a frequency reasonably related to the nature of its municipal securities business.

including but not limited to its level of sales and trading activity. In conducting its periodic reviews, a dealer must assess whether its policies and procedures are reasonably designed to achieve best execution, taking into account the quality of the executions the dealer is obtaining under its current policies and procedures, changes in market structure, new entrants, the availability of additional pre-trade and post-trade data, and the availability of new technologies, and to make promptly any necessary modifications to such policies and procedures as may be appropriate in light of such reviews.

(b) A dealer that routes its customers' transactions to another dealer that has agreed to handle those transactions as agent or riskless principal for the customer (e.g., a clearing firm or other executing dealer) may rely on that other dealer's periodic reviews as long as the results and rationale of the review are fully disclosed to the dealer and the dealer periodically reviews how the other dealer's review is conducted and the results of the review.

.09 Exemption for Municipal Fund Securities. The provisions of this rule do not apply to transactions in municipal fund securities.

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Rule G-48: Transactions with Sophisticated Municipal Market Professionals

A broker, dealer, or municipal securities dealer's obligations to a customer that it reasonably concludes is a Sophisticated Municipal Market Professional, or SMMP, as defined in Rule D-15, shall be modified as follows:

(a) - (d) No change.

(e) Best Execution. The broker, dealer, or municipal securities dealer shall not have any obligation under Rule G-18 to use reasonable diligence to ascertain the best market for the subject security and buy or sell in that market so that the resultant price to the SMMP is as favorable as possible under prevailing market conditions.

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Rule D-15: Sophisticated Municipal Market Professional

The term "sophisticated municipal market professional" or "SMMP" [shall mean a customer of a broker, dealer or municipal securities dealer that is:] is defined by three essential requirements: the nature of the customer; a determination of sophistication by the broker, dealer or municipal securities dealer ("dealer"); and an affirmation by the customer; as specified below.

(a) Nature of the Customer. The customer must be:

(1) a bank, savings and loan association, insurance company, or registered investment company; [or]

(2) an investment adviser registered either with the [Securities and Exchange] Commission under Section 203 of the Investment Advisers Act of 1940 or with a state securities commission (or any agency or office performing like functions); or

(3) any other person or entity [(whether a natural person, corporation, partnership, trust, or otherwise)] with total assets of at least \$50 million.[:, and,]

(b) Dealer Determination of Customer Sophistication. The dealer must have [that the broker, dealer or municipal securities dealer has] a reasonable basis to believe that the customer is capable of evaluating investment risks and market value independently, both in general and with regard to particular transactions and investment strategies in municipal securities[, and that affirmatively indicates that it is exercising independent judgment in evaluating the recommendations of the broker, dealer or municipal securities dealer].

(c) Customer Affirmation. The customer must affirmatively indicate that it:

(1) is exercising independent judgment in evaluating:

(A) the recommendations of the dealer;

(B) the quality of execution of the customer's transactions by the dealer; and

(C) the transaction price for non-recommended secondary market agency transactions as to which (i) the dealer's services have been explicitly limited to providing anonymity, communication, order matching and/or clearance functions and (ii) the dealer does not exercise discretion as to how or when the transactions are executed; and

(2) has timely access to material information that is available publicly through established industry sources as defined in Rule G-47(b)(i) and (ii).

---Supplementary Material:

.01 No change.

.02 Customer Affirmation. The customer affirmation may be given [A customer may affirm that it is exercising independent judgment] either orally or in writing, and [such affirmation] may be given on a trade-by-trade basis, a type-of-transaction basis, [on] a type-of-municipal-security basis (*e.g.*, general obligation, revenue, variable rate[, etc.]), or [on] an account-wide basis.