

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

(a) – (e) No change.

(f) Reserved. [Minimum Denominations.]

[(i) Except as provided in this section (f), a broker, dealer or municipal securities dealer shall not effect a customer transaction in municipal securities issued after June 1, 2002 in an amount lower than the minimum denomination of the issue.]

[(ii) The prohibition in subsection (f)(i) of this rule shall not apply to the purchase of securities from a customer in an amount below the minimum denomination if the broker, dealer or municipal securities dealer determines that the customer's position in the issue already is below the minimum denomination and that the entire position would be liquidated by the transaction. In determining whether this is the case, a broker, dealer or municipal securities dealer may rely either upon customer account information in its possession or upon a written statement by the customer as to its position in an issue.]

[(iii) The prohibition in subsection (f)(i) of this rule shall not apply to the sale of securities to a customer in an amount below the minimum denomination if the broker, dealer or municipal securities dealer determines that the securities position being sold is the result of a customer liquidating a position below the minimum denomination, as described in subsection (f)(ii) of this rule. In determining whether this is the case, a broker, dealer or municipal securities dealer may rely upon customer account records in its possession or upon a written statement provided by the party from which the securities are purchased. A broker, dealer or municipal securities dealer effecting a sale to a customer under this subsection (iii) shall at or before the completion of the transaction, give or send to the customer a written statement informing the customer that the quantity of securities being sold is below the minimum denomination for the issue and that this may adversely affect the liquidity of the position unless the customer has other securities from the issue that can be combined to reach the minimum denomination. Such written statement may be included on the customer's confirmation or may be provided on a document separate from the confirmation.]

(g) No change.

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Rule G-49: Transactions Below the Minimum Denomination of an Issue

(a) Prohibition Applicable to a Customer Transaction. Except as provided in section (b), a broker, dealer or municipal securities dealer ("dealer") shall not effect a customer transaction in municipal securities issued after June 1, 2002 in an amount lower than the minimum denomination of the issue.

(b) Exceptions to Prohibition Applicable to a Customer Transaction.

(i) The prohibition in section (a) of this rule shall not apply to the purchase of securities from a customer in an amount below the minimum denomination if the dealer determines that the

customer's position in the issue already is below the minimum denomination and the entire position of the customer would be liquidated by the transaction.

(ii) The prohibition in section (a) of this rule shall not apply to the sale of securities to a customer in an amount below the minimum denomination, provided that the below-minimum denomination position being sold is the same amount as the below-minimum denomination position that the dealer acquired from a customer in a transaction where such customer fully liquidated its position in the security, as described in section (b)(i) of this rule; or, the below-minimum denomination position being sold was acquired by the dealer in an inter-dealer transaction and the amount being sold under paragraph (A) or, in the aggregate, under paragraph (B), of this subsection is the same amount as the below-minimum denomination position that the dealer acquired in the inter-dealer transaction. In effecting such a sale to a customer in an amount below the minimum denomination, the dealer may:

(A) Sell the entire below-minimum denomination position to one customer; or

(B) Sell the entire, or a portion of, the below-minimum denomination position to one or more customers that have a position in the issue and any remainder to a maximum of one customer that does not have a position in the issue, even if the transaction(s) do not result in a customer increasing its position to an amount at or above the minimum denomination.

(iii) A dealer effecting a purchase from or sale to a customer under this section (b) shall determine its customer's position in the subject security based upon the account records in the dealer's possession or upon a written statement provided to the dealer by its customer. A dealer effecting a sale to a customer under subsection (ii), shall at or before the completion of the transaction, give or send to the customer a written statement informing the customer that the quantity of securities being sold is below the minimum denomination for the issue and this may adversely affect the liquidity of the position unless the customer has other securities from the issue that can be combined to reach the minimum denomination of the issue. A dealer shall not be required to give or send a customer such written statement if, pursuant to subsection (b)(ii) of this rule, the dealer effects the sale of securities to the customer and the sale results in the customer having a position at or above the minimum denomination. Such written statement may be included on the customer's confirmation or may be provided on a document separate from the confirmation.

(c) Limitations Applicable to a Transaction Between Dealers. A dealer shall not sell municipal securities issued after June 1, 2002 to another dealer in an amount below the minimum denomination of the issue, unless the dealer acquired the below-minimum denomination position from a customer in compliance with section (b)(i) of this rule or acquired the below-minimum denomination position from another dealer, and sells such securities to a dealer in a transaction at an amount that is equal to or greater than the amount of the below-minimum denomination position acquired.