

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-64201, File No. SR-MSRB-2011-04)

April 6, 2011

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Order Granting Approval of Proposed Rule Change to Amend the MSRB Short-term Obligation Rate Transparency (SHORT) Subscription Service

I. Introduction

On February 10, 2011, the Municipal Securities Rulemaking Board (“MSRB”), filed with the Securities and Exchange Commission (“Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Exchange Act”),¹ and Rule 19b-4 thereunder,² a proposed rule change to amend the MSRB’s Short-term Obligation Rate Transparency subscription service to provide subscribers with additional information as well as documents. The proposed rule change was published for comment in the Federal Register on March 2, 2011.³ The Commission received no comment letters about the proposed rule change. This order approves the proposed rule change.

II. Description of the Proposed Rule Change

The Short-term Obligation Rate Transparency (“SHORT”) System is a facility of the MSRB for the collection and dissemination of information about securities bearing interest at short-term rates. Rule G-34(c), on variable rate security market information, currently requires certain dealers to report to the SHORT System interest rates and descriptive information about Auction Rate Securities (“ARS”) and Variable

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 63950 (February 23, 2011), 76 FR 11547 (the “Commission’s Notice”).

Rate Demand Obligations (“VRDOs”). All reported information is disseminated from the SHORT System to subscribers pursuant to the MSRB SHORT subscription service⁴ and is posted to the MSRB’s Electronic Municipal Market Access (“EMMA”) web portal pursuant to the EMMA short-term obligation rate transparency service.

On August 20, 2010, the Commission approved changes to Rule G-34(c) that will increase the information dealers are required to report to the SHORT System. This rule change will add to the SHORT System documents that define auction procedures and interest rate setting mechanisms for ARS and liquidity facilities for VDROs, information about orders submitted for an ARS auction, and additional information about VRDOs.⁵ To provide subscribers with access to these additional items of information and documents, the proposed rule change would amend the SHORT subscription service to include the additional information and documents as well as an ARS “bid to cover” ratio that would be computed by the SHORT System. A more complete description of the proposal is contained in the Commission’s Notice.

The MSRB has requested an effective date for the proposed rule change of May 16, 2011.

III. Discussion and Commission Findings

The Commission has carefully considered the proposed rule change and finds that the proposed rule change is consistent with the requirements of the

⁴ The SHORT subscription service became effective September 30, 2010. See Securities Exchange Act Release No. 34-62993, September 24, 2010 (File No. SR-MSRB-2010-06).

⁵ See Securities Exchange Act Release No. 62755, August 20, 2010 (File No. SR-MSRB-2010-02).

Exchange Act and the rules and regulations thereunder applicable to the MSRB⁶ and, in particular, the requirements of Section 15B(b)(2)(C) of the Exchange Act⁷ and the rules and regulations thereunder. Section 15B(b)(2)(C) of the Exchange Act requires, among other things, that the MSRB's rules shall

be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in municipal securities and municipal financial products, to remove impediments to and perfect the mechanism of a free and open market in municipal securities and municipal financial products, and, in general, to protect investors, municipal entities, obligated persons, and the public interest.

The Commission believes that the proposed rule change is consistent with the Exchange Act in that the amendments to the SHORT subscription service would serve as an additional mechanism by which the MSRB works toward removing impediments to and helping to perfect the mechanisms of a free and open market in municipal securities. The subscription service would make the additional information and documents collected by the SHORT System available to market participants for re-dissemination and for use in creating value-added products and services. Such re-dissemination and third-party use would provide market participants, including investors and the general public, additional avenues for obtaining the information collected by the SHORT System and would make additional tools available for making well-informed investment decisions. Broad access to the information and documents collected by the SHORT System, in addition to the

⁶ In approving this proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

⁷ 15 U.S.C. 78o-4(b)(2)(C).

public access through the EMMA web portal, should further assist in preventing fraudulent and manipulative acts and practices by improving the opportunity for public investors to access material information about Auction Rate Securities and Variable Rate Demand Obligations.

The Commission further believes that broader re-dissemination and third-party use of the information and documents collected by the SHORT System should promote a more fair and efficient municipal securities market in which transactions are effected on the basis of material information available to all parties to such transactions, which should allow for fairer pricing of transactions based on a more complete understanding of the terms of the securities (including any changes thereto).

The proposed rule change will become effective on May 16, 2011, as requested by the MSRB.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Exchange Act, that the proposed rule change (SR-MSRB-2011-04), be, and it hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁸

Cathy H. Ahn
Deputy Secretary

⁸ 17 CFR 200.30-3(a)(12).