

# MSRB Notice

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**Category**

Uniform Practice

**Affected Rules**

[Rule G-12](#)

## Request for Comment on Retrospective Rule Review of Rule G-12(c) on Inter-Dealer Confirmations and Related Interpretive Guidance

### Overview

As part of its ongoing retrospective review of its rules and published interpretations and rulebook modernization efforts, the Municipal Securities Rulemaking Board (“MSRB” or “Board”) seeks comment on draft amendments to MSRB Rule G-12, on uniform practice, to codify, retire and reorganize certain interpretive guidance. The draft amendments do not propose any new requirements and are not intended to impose any new burdens; they are intended to help streamline the MSRB rule book by retiring potentially outdated or superfluous guidance and to facilitate compliance by, among other things, incorporating key principles established over decades of interpretive guidance into the relevant rule text.

The draft amendments to Rule G-12 would codify certain existing interpretive guidance pertaining to confirmation disclosure requirements for inter-dealer municipal securities transactions that are ineligible for automated comparison into existing Rule G-12(c); make certain clarifying amendments to the rule text to reorganize the rule; and retire certain guidance that would be codified or is already codified in current MSRB rules or that would be consolidated into frequently asked questions (FAQs) pertaining to Rule G-12(c), Rule G-15, on customer confirmations, and other MSRB rules. Any interpretive guidance that is retired under this initiative would be archived on the MSRB website to streamline the rule book.

The MSRB invites market participants and the public to submit comments in response to this request, along with any other information they believe



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would be useful to the MSRB. Comments should be submitted no later than December 15, 2023 and may be submitted by [clicking here](#) or in paper form. Comments submitted in paper form should be sent to Ronald W. Smith, Corporate Secretary, Municipal Securities Rulemaking Board, 1300 I Street NW, Suite 1000, Washington, DC 20005. All comments will be available for public inspection on the MSRB's website.<sup>1</sup>

## Background

Consistent with the MSRB's strategic plan and as part of the constant care and keeping of the MSRB's rule book, the MSRB strives to ensure that, among other things, the MSRB's rules and related guidance are effectively protecting investors, issuers and the public interest, are reflective of current market practices, have not become overly burdensome, are harmonized with the rules of other regulators, as appropriate, and do not reflect unconscious bias in the substance, operation or impact of such rules and guidance. To facilitate these goals, the MSRB engages in periodic retrospective reviews of particular rules. Additionally, the MSRB has initiated a long-term initiative to review the MSRB's catalogue of interpretive guidance and clarify, codify, amend and/or retire guidance that no longer achieves its intended purposes. The retrospective review of Rule G-12(c) and related interpretive guidance stems from the MSRB's undertaking to review its body of interpretive guidance.

Rule G-12(c) sets forth the confirmation disclosure requirements for inter-dealer municipal securities transactions that are ineligible for automated comparison in a system operated by a registered clearing agency (*i.e.*, the Depository Trust & Clearing Corporation), also referred to herein as "inter-dealer confirmations." It outlines a list of disclosure requirements related to inter-dealer confirmations. Prior to the 1990s, this rule was analogous to the MSRB's customer confirmation disclosure requirements, Rule G-15(a). However, Rule G-12(c), unlike Rule G-15(a), has not been updated since 1995, primarily due to the fact that the vast majority of inter-dealer trades are eligible for automated comparison and therefore are not subject to the provisions of Rule G-12(c). For transactions that are eligible for automated comparison and therefore are not subject to Rule G-12(c), information regarding such transactions is instead conveyed through the automated comparison process mandated under Rule G-12(f).

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<sup>1</sup> Comments generally are posted on the MSRB's website without change. Personal identifying information such as name, address, telephone number or email address will not be edited from submissions. Therefore, commenters should submit only information that they wish to make available publicly.

As part of the MSRB's rule book modernization initiative, the MSRB is taking this opportunity to address modernization of Rule G-12(c). In connection with this initiative, the MSRB reviewed a total of forty pieces of interpretive guidance, most of which dates back to the 1970s and 1980s and in many cases applied to both Rules G-12 and G-15. Over time, much of this guidance was codified into Rule G-15(a) but not into Rule G-12(c). In some instances, the current rule text of Rule G-15(a) or current business practices have superseded other aspects of such guidance.

The MSRB is seeking comment on draft amendments to Rule G-12(c) sourced from various pieces of interpretive guidance identified in Appendix A. Appendix A includes a complete list of the guidance reviewed in connection with this Request for Comment. The MSRB also seeks comment on retiring certain guidance that may be outdated or may have limited business utility at this point.<sup>2</sup> Lastly, the MSRB seeks comment on guidance to potentially be retained and updated or consolidated as restated guidance or FAQs at a later time, as part of this initiative.

The MSRB believes that this retrospective rule review would allow for modernization of the rules, while simultaneously ensuring the rule continues to achieve its goals consistent with current market practices without placing undue compliance burdens on regulated entities.

## Summary of Draft Amendments

Draft amendments to Rule G-12 would codify principles from interpretive guidance into the rule text and would reorganize the content of Rule G-12(c) to align with the format followed in the analogous provisions of Rule G-15(a). They also would include certain technical modifications to the rule requirements that would simplify and clarify the existing requirements under Rule G-12(c) and promote better compliance. Additionally, draft amendments to current Rule G-12(c)(v) would regroup requirements by principles drawn from current Rule G-12(c)(v) and (vi) and list them into three broad categories pertaining to: (1) transaction information; (2) securities identification information; and (3) securities descriptive information. Relatedly, draft amendments to current Rule G-12(c)(vi) would replace the current content with a new definitions section.

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<sup>2</sup> The MSRB has proposed to retire two other pieces of guidance related to this topic [Appendix A, item V.a. and V.b.] under a separate rule book modernization initiative pertaining to Rule G-47, on time of trade disclosure. See [MSRB Notice 2023-02, Request for Comment Regarding Retrospective Review of G-47 and Rule D-15](#) (Feb. 16, 2023).

The draft amendments to Rule G-12(c)(v) and Rule G-12(c)(vi) are described in more detail below.

### A. Transaction Information

Draft amended Rule G-12(c)(v)(A) would require inter-dealer confirmations for transactions to include the following information regarding eleven terms of the transaction:

1. Confirming party's name, address and telephone number;
2. Contra party identification;
3. Designation of purchase from or sale to;
4. Par value of the securities;
5. Trade date;
6. Settlement date;
7. Yield and dollar price;
8. Amount of concession;
9. Final monies;
10. Delivery of securities; and
11. Additional information about the transaction.

The substantive amendments to this subparagraph propose to:

- Reorganize items 1-8 noted above that currently appear under Rule G-12(c)(v) and Rule G-12(c)(vi)<sup>3</sup> into draft amended Rule G-12(c)(v)(A) and codify related existing interpretive guidance, as applicable.
  - Draft amended Rule G-12(c)(v)(A) generally would retain existing requirements but revise the format by dividing the information as follows: (1) disclosure rules regarding transactions effected on a yield basis; (2) transactions effected on a dollar price basis; (3)

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<sup>3</sup> As noted earlier, the majority of the requirements included in current Rule G-12(v) and (vi) would be amended and/or moved to the subsections created under the new draft amended Rule G-12(v) and draft amended Rule G-12(c)(vi). For example, current Rule G-12(c)(v), subparagraphs (A) through (D) and (H) through (N) would be moved and reorganized under draft amended Rule G-12(c)(v)(A); concepts noted under Rule G-12(c)(v)(E) would be broken up and moved to draft amended Rule G-12(c)(v)(B) and G-12(c)(v)(C); and draft amended Rule G-12(c)(vi) would now include definitions drawn from the current Rule G-12(c)(v) and the draft amended language. Any "new" content that appears in draft amended Rule G-12(v)-(vi) is drawn from the interpretive guidance noted in Appendix A (I) & (II).

how yield and dollar price shall be computed and shown on the confirmations; and (4) any exceptions.<sup>4</sup>

- This section also would codify existing guidance:
  - regarding the use of “in whole calls” for the purpose of calculation of yield and dollar price<sup>5</sup> and other related disclosure obligations such as requirements for transactions effected on a put option date.<sup>6</sup>
  - related to additional yield and dollar price disclosure rules applicable to specific situations of declining premium calls,<sup>7</sup> continuously callable securities,<sup>8</sup> and zero coupon securities.<sup>9</sup>
  - regarding the requirement that all yield and dollar price computations must be made in accordance with MSRB Rule G-33, on calculations.<sup>10</sup>

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<sup>4</sup> To further streamline the rule text and improve the rule’s readability, the draft amendments would remove reference to “par option” from the rule text and amend the text from “lowest” to “lower” to keep the text analogous to Rule G-15(a). The draft amendments would change the text to indicate that yield shown on the confirmations must be computed to the lower of call date or maturity date (instead of lowest of price to call, price to par option, or price to maturity). This change would harmonize the rule text with the MSRB’s understanding of the current business practice of using the term “call date” to reflect any type of call, such as a par option call or a premium call.

<sup>5</sup> See [Interpretive Guidance, G-15, Pricing to Call](#) (Dec. 10, 1980) [Appendix A, Item II.a.]; [Interpretive Guidance, G-15, Callable Securities: Pricing to Call and Extraordinary Mandatory Redemption Features](#) (Feb. 10, 1984) [Appendix A, Item II.f.]; [Interpretive Guidance, G-15, Calculation of Price and Yield on Continuously Callable Securities](#) (Aug. 15, 1989) [Appendix A, Item II.e.].

<sup>6</sup> See [Interpretive Guidance, G-12, Confirmation Disclosure: Put Option Bonds](#), April 24, 1981 [Appendix A, Item I.a.]. See also [Interpretive Guidance, G-17, Put Options Bonds: Safekeeping, Pricing](#) (Feb. 18, 1983) [Appendix A, Item I.k.]; [Interpretive Guidance, G-17, Notice Concerning the Application of Board Rules to Put Option Bonds](#) (Sept. 30, 1985) [Appendix A, Item II.i.]. All three pieces of guidance relate to requirements regarding put options.

<sup>7</sup> See [Interpretive Guidance, G-15, Pricing to Call](#) (Dec. 10, 1980) [Appendix A, Item II.a.].

<sup>8</sup> See [Interpretive Guidance, G-15, Calculation of Price and Yield on Continuously Callable Securities](#) (Aug. 15, 1989) [Appendix A, Item II.e.].

<sup>9</sup> See [Interpretive Guidance, G-15, Yield Disclosures: Yields to Call on Zero Coupon Bonds](#) (Jan. 4, 1984) [Appendix A, Item II.j.].

<sup>10</sup> See [Interpretive Guidance, G-15, Original Issue Discount, Zero Coupon Securities: Disclosure of, Pricing to Call Feature](#) (June 30, 1982) [Appendix A, Item II.c.]; [Interpretive Guidance, G-33, Calculations for Securities with Periodic Interest Payments](#) (Feb. 23, 2016) [Appendix A, Item I.n.].

- Reorganize the current rule text related to item 9 noted above (calculation and display of final monies) into a designated final monies section with terms such as total dollar amount, accrued interest extended principal amount and information related to delivery of securities.
- Reorganize existing rule text pertaining to item 10 noted above (delivery of securities).
- Reorganize existing rule text and codify guidance related to item 11 noted above (additional information about the transaction) capturing any additional information that may be necessary to ensure that the parties agree to the details of the transaction.<sup>11</sup>

## B. Security Identification Information

Draft amended Rule G-12(c)(v)(B) would require inter-dealer confirmations to include, at a minimum, the following securities identification information:

1. The name of the issuer;
2. CUSIP number;
3. Maturity date;
4. Interest rate; and
5. Dated date.

The substantive amendments to this subparagraph propose to:

- Reorganize existing rule text that appears in floating paragraphs under current Rule G-12(c)(v), Rule G-12(c)(v)(E), Rule G-12(c)(v)(F) and Rule G-12(c)(vi)(A) into draft amended subparagraph Rule G-12(c)(v)(B), such as name of the issuer, CUSIP number, maturity date, interest rate for zero coupon securities and variable rate securities and dated date.
- Codify existing guidance on special disclosure requirements related to name, designation, maturity date and dated date disclosure for stripped coupon securities.<sup>12</sup>

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<sup>11</sup> See [Interpretive Guidance, G-12, Confirmation Requirements for Partially Refunded Securities](#) (Aug. 15, 1989) [Appendix A, Item II.b.].

<sup>12</sup> See [Interpretive Guidance, G-15, Notice Concerning Stripped Coupon Municipal Securities](#) (Mar. 13, 1989) [Appendix A, Item II.d.].

- Codify existing guidance on special disclosure requirements for interest rate for zero coupon securities<sup>13</sup> and variable securities.<sup>14</sup>

### C. Securities Descriptive Information

Draft amended Rule G-12(c)(v)(C) would require inter-dealer confirmations to include the following descriptive information about the securities:

1. Credit backing;
2. Features of the securities;
3. Information on status of securities; and
4. Tax information.

The substantive amendments to this subparagraph propose to:

- Reorganize existing rule text under Rule G-12(c)(v)(E), Rule G-12(c)(vi)(C), Rule G-12(c)(vi)(D), and Rule G-12(c)(vi)(G) into draft amended Rule G-12(c)(v)(C) such as disclosure regarding book-entry only securities, periodic interest payment, prerefunded and called securities, and securities in default.
- Codify existing guidance on credit backing features (item 1 noted above):
  - to designate if the bond is a revenue bond, to identify the source of revenue,<sup>15</sup> and to include additional clarifying language that such disclosure obligation may be met if the designation appears in the formal title of the confirmation or elsewhere in the security.<sup>16</sup>

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<sup>13</sup> See [Interpretive Guidance, G-15, Notice Concerning “Zero Coupon” and “Stepped Coupon” Securities](#) (Apr 27, 1982) [Appendix A, Item I.g.].

<sup>14</sup> See [Interpretive Guidance, G-15, Confirmation Disclosure Requirements Applicable to Variable-Rate Municipal Securities](#) (Dec. 10, 1980) [Appendix A, Item I.f.].

<sup>15</sup> See [Interpretive Guidance, G-15, Confirmation Requirements](#) (Mar. 25, 1980) [Appendix A, Item I.e.].

<sup>16</sup> See [Interpretive Guidance, G-15, Securities Description: Revenue Securities](#) (Dec. 1, 1982) [Appendix A, Item I.i.] [Interpretive Guidance, G-15, Callable securities: disclosure](#), (Aug. 23, 1982) [Appendix A, Item I.h].

- related to additional credit backing features noting that, if a letter of credit is used, the identity of the bank issuing the letter of credit must be disclosed.<sup>17</sup>
- Codify existing guidance on features of securities (item 2 noted above):
  - related to the callability of a security (including the exceptions noted for catastrophe or calamity call features);<sup>18</sup>
  - related to disclosure of the date and price of the next pricing call since catastrophe calls cannot be used to compute a yield or dollar price;<sup>19</sup> and for a notification that, if any call features exist in addition to the next pricing call, disclosure must be made on the confirmation that “additional call features exist that may affect yield; complete information will be provided upon request.”<sup>20</sup>
  - related to designation of puttable, if securities are puttable.<sup>21</sup>
- Codify existing guidance regarding status of securities (item 3 noted above):
  - related to escrowed to maturity securities, that if securities are advance refunded to the maturity date and the issue has no call feature (except for a sinking fund), then it would be described on confirmations as escrowed-to-maturity, and if a sinking fund is operable, there should be an additional notation of “callable;”<sup>22</sup>

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<sup>17</sup> See [Interpretive Guidance, G-15, Securities Description: Securities Backed by Letters of Credit](#) (Dec. 2, 1982) [Appendix A, Item I.j.].

<sup>18</sup> See [Interpretive Guidance, G-15, Interpretive Notice on Rule G-12 on Uniform Practice and Rule G-15 on Customer Confirmations](#) (Nov. 28, 1977) [Appendix A, Item I.c.]; [Interpretive Guidance, G-15, Callable Securities: “Catastrophe” Calls](#) (Nov. 7, 1977) [Appendix A, Item I.b.].

<sup>19</sup> See [Interpretive Guidance, G-15, Callable Securities: “Catastrophe” Calls](#) (Nov. 7, 1977) [Appendix A, Item I.b.]; [Interpretive Guidance, G-15, Callable Securities: Extraordinary Mandatory Redemption Features](#) (Feb. 18, 1983) [Appendix A, Item I.l.].

<sup>20</sup> See [Interpretive Guidance, G-15, Confirmation Disclosure Requirements for Callable Municipal Securities](#) (Feb. 20, 1986) [Appendix A, Item I.m.].

<sup>21</sup> See [Interpretive Guidance, G-12, Delivery Requirements: Put Option Bonds](#), Feb. 27, 1985 [Appendix A, Item II.h.]; G-17, [Notice Concerning the Application of Board Rules to Put Option Bonds](#), Sept. 30, 1985 [Appendix A, Item II.i.].

<sup>22</sup> See [Interpretive Guidance, G-17, Notice of Interpretation on Escrowed-to-Maturity Securities: Rules G-17, G-12 and G-15](#) (Sept. 21, 1987) [Appendix A, Item II.g.].

- related to advance refunded securities with an explicitly reserved call feature other than a sinking fund to be described as “escrowed to [redemption date] – callable;”<sup>23</sup>
- related to disclosure where underlying stripped coupon securities are advance refunded, then the description should note “escrowed-to-maturity” or “pre-refunded” as applicable.<sup>24</sup>
- Reorganize existing obligations regarding tax information (item 4 noted above) under current Rule G-12(c)(vi)(C), Rule G-12(c)(vi)(D), and Rule G-12(c)(vi)(G) into draft amended Rule G-12(c)(v)(C)(4).

### Other technical amendments

The draft amendments also would:

- Add definitions in draft amended Rule G-12(c)(vi) for the terms stepped coupon securities, zero coupon securities, stripped coupon securities and pricing call to add clarity.
- Remove references to disclosure regarding denomination of certificates to be delivered in case of bearer bonds since bearer bonds are no longer issued in the municipal securities market.
- Make certain other clarifying and technical changes such as updating internal cross-references under Rule G-12(g)(C)(3).

## Related Initiatives

### I. Guidance to be Partially Retained and Published as Consolidated FAQs

The MSRB recognizes that after codification of the guidance into the draft amended rule text, certain pieces of guidance may still contain explanatory principles or examples that could be beneficial to the industry in understanding relevant obligations under Rules G-15 and G-12(c). These pieces of guidance are identified in Appendix A (II). The MSRB anticipates retaining and streamlining the relevant principles into a consolidated set of FAQs (to be published at a later date) and retiring the source guidance at the

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<sup>23</sup> See [Interpretive Guidance, G-17, Notice of Interpretation on Escrowed-to-Maturity Securities: Rules G-17, G-12 and G-15](#) (Sept. 21, 1987) [Appendix A, Item II.g.]; [Interpretive Guidance, G-15, Callable Securities: Pricing to Call](#), (Jun. 8, 1978) [Appendix A, Item I.d.].

<sup>24</sup> See [Interpretive Guidance, G-15, Notice Concerning Stripped Coupon Municipal Securities](#) (Mar. 13, 1989) [Appendix A, Item II.d.].

time of the publication of the FAQs. The MSRB envisions the FAQs would retain substantive principles under the existing guidance that focus on:<sup>25</sup>

- which call provisions would be used for computation of yield and dollar price, such as in-whole calls and not in-part calls;
- the correct method of computing price from yield on certain types of "partially prerefunded" issues that have a mandatory sinking fund redemption;
- the description to be included on a confirmation of an issue that is "partially prerefunded;"
- dollar price calculation of an original issue discount or zero coupon security when calculated to a call feature which would be lower than the dollar price to maturity;
- disclosure related to the existence of a sinking fund call to be disclosed on the confirmation;
- stripped coupon securities, including guidance on clearance and settlement of stripped coupon securities and on the application of MSRB rules to transactions in stripped coupon instruments;
- disclosure of "extraordinary mandatory redemption" feature on the confirmation and guidance on the use of such feature for purposes of computing a yield or dollar price;
- certain information regarding application of MSRB rules to put option bonds such as Rules G-12, G-15 and G-17; and
- disclosure regarding call price used in the computation of a dollar price or yield on a transaction in a zero coupon security should be stated on the confirmation in terms of the percentage of a maturity value.

## II. Guidance Proposed to be Retired as Superfluous

The MSRB invites comments as to the appropriateness of retiring each piece of guidance noted below. The guidance identified below corresponds to Appendix A (III). The MSRB has identified various pieces of interpretive guidance where, at the time of publication, the underlying content was designed to address a novel or frequently asked question, but is now believed to be outdated due to current market practices or that may have limited utility today.<sup>26</sup> As previously indicated, any guidance retired under

<sup>25</sup> This is not an exhaustive list of all potential FAQs.

<sup>26</sup> In one such piece of guidance, the MSRB's rulemaking activity since the publication of the original guidance deemed the subject guidance as moot. Specifically in [Interpretive Letter, G-15, Agency Transaction: Pricing](#), dated September 20, 1979 [Appendix A, Item III.i.], the

this category would be archived on the MSRB website for any remaining historical value. The MSRB seeks comment as to whether any of the guidance identified below is still a valuable source of guidance to the industry and as such, whether all or any portion should be retained in the rule book.

- In [Interpretive Guidance, G-12, Confirmation: Mailing of WAI Confirmation](#), dated April 30, 1982 [Appendix A, Item III.c.], the MSRB confirmed telephonic guidance regarding initial “when, as and if issued” (WAI) confirmations on “pre-sale” orders in connection with a new issuance of municipal securities. This guidance concerns an “inquiry as to the time limit by which a municipal securities dealers must send out [a WAI confirmation] in connection with allocations of securities to ‘pre-sale’ orders, and the propriety of a dealer’s sending out such confirmations prior to the award of the new issue.” Consistent with the MSRB’s guidance that its rules prohibit a dealer from sending out initial WAI confirmations prior to the trade date, the MSRB understands that the fact pattern presented in the guidance does not occur anymore and that the guidance may have become superfluous in the decades since its issuance.
- In [Interpretive Guidance, G-12, Confirmation: Mailing of WAI, “All or None” Confirmation](#), dated October 7, 1982 [Appendix A, Item III.b.], the MSRB provided guidance specific to “all or none” underwritings. As described in the guidance, “an ‘all or none’ underwriting of a new issue of municipal securities is an underwriting in which the municipal securities dealer agrees to accept liability for the issue at a given price only under a stated contingency, usually that the entire issue is sold within a stated period. The dealer typically ‘presettles’ with the purchasers of the securities, with the customers receiving confirmations and paying for the securities while the underwriting is taking place. Pursuant to SEC rule 15c2-4 all customer funds must be held in a special escrow account for the issue until such time as the contingency is met (*e.g.*, the entire issue is sold) and the funds are released to the issuer; if the contingency is not met, the funds are returned to the purchasers and the securities are not issued.” The MSRB understands that such structures are uncommon today and

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MSRB responded to an inquiry regarding confirmation disclosure in the context of agency transactions where the professional receives a concession or other dealer allowance as its remuneration. As noted in the MSRB rule book, this guidance was applicable to Rule G-15 prior to the amendments effective on January 16, 1992. Given that the current rule text has superseded this guidance, the MSRB is proposing to retire this guidance.

that, as a result, the guidance may have become superfluous in the decades since its issuance.

- In [Interpretive Guidance, G-12, Confirmation Disclosures: Tender Option Bonds with Adjustable Tender Fees](#), dated October 3, 1984 (the “October 3, 1984 guidance”) [Appendix A, Item III.e.] the MSRB noted the requirement to include the phrase “less fee for put” on the confirmations requiring stated interest rate and provided other guidance on interest rate disclosure for tender option bonds with adjustable tender fees. However, the MSRB understands that such fees are not customary in the municipal market anymore and that, as a result, the guidance may have become superfluous in the decades since its issuance.<sup>27</sup>
- In [Interpretive Guidance, G-12, Confirmation Disclosure: Advance Refunded Securities](#), dated, January 4, 1984 [Appendix A, Item III.d.], the MSRB provided guidance pertaining to disclosures related to advance refunding of issues by certificate numbers. The MSRB understands that certificate numbers are no longer used in the market for determining redemption of bonds. As a result, the MSRB believes that such guidance may have become superfluous since its issuance.
- In [Interpretive Guidance, G-12, Confirmation Disclosure: Put Option Bonds](#), dated May 11, 1981 [Appendix A, Item III.a.], the MSRB provided guidance on confirmation disclosure requirements regarding disclosure of yield to the put option date and designation to such effect. The guidance was issued when Rule G-15 did not have an explicit requirement regarding the presentation of a yield or a dollar price to be computed to the “put option” date as a part of the standard confirmation processing. The MSRB notes that the text of Rule G-15(a)(i)(A)(5) has since superseded such guidance as it mandates calculation and disclosure of yield to a put option date and the draft amended text for Rule G-12 would incorporate the same principle, which also reflects the current market practice; therefore, the MSRB proposes to retire this guidance.

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<sup>27</sup> Relatedly, in [Interpretive Guidance, G-12, Confirmation Disclosures: Tender Option Bonds with Adjustable Tender Fees](#), dated March 5, 1985 [Appendix A, Item III.f], the MSRB declined to postpone the effective date of the October 3, 1984 guidance. Given the passage of time since such guidance and the lack of application of the related content, the MSRB believes that such guidance is superfluous and is electing to retire it.

- In [Interpretive Guidance, G-15, Callable Securities: Pricing to Call](#), dated March 9, 1979 [Appendix A, Item III.g.], the MSRB provided guidance on a specific fact pattern pertaining to pricing of callable securities. The principles mentioned under this guidance are either codified in the rule text or contain information that the MSRB believes may have limited utility at this point in the market given the passage of time since the issuance of the guidance. Specifically, the guidance notes that, for purposes of dollar price disclosure, dollar price should not be computed based on an in-part call (such as sinking funds), which is noted in a more recent guidance.<sup>28</sup> Additionally, the principle related to catastrophe call features is already codified under Rule G-15(a)(i)(C)(2)(a). The last relevant concept reminds dealers that, if a serial bond maturity is prior to the call date, the dollar price calculation should be to the maturity date. The MSRB understands that this principle has since become well understood in the marketplace. As a result, the MSRB proposes to retire this guidance given its likely limited utility in the rule book at this point.
- In [Interpretive Guidance, G-15, Callable Securities: Pricing Transactions on Construction Loan Notes](#), dated March 5, 1984 [Appendix A, Item III.h.], the MSRB answered a query regarding how yield calculation rules noted in Rule G-12 and Rule G-15 would apply to a confirmation of a transaction in construction loan notes, which generally are callable “in whole” six months prior to the stated maturity date at par. The guidance notes that, since the call feature is an “in whole” call, it must be used to calculate the dollar price, which would be computed to the lower of the price of the call feature or the price to maturity. The guidance further notes that, if a transaction is effected on a dollar price basis, it should note the yield to the lower of the yield to this call feature or a yield to maturity. These principles are codified in the rule text for Rule G-15 and would be codified under the draft amended rule text for Rule G-12 as well. As a result, the MSRB proposes to retire this guidance.
- In [Interpretive Guidance, G-15, Securities Description: Prerefunded Securities](#), dated February 17, 1998 [Appendix A, Item III.j], the MSRB provided guidance which stated that, if securities are called or prerefunded, dealers must note this fact (along with the call price and the maturity date fixed by the call notice) on the customer's confirmation. The guidance also stated that the fact that an issuer's intent to prerefund an issue is material information and should be

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<sup>28</sup> This principle will be saved as an FAQ, to be published at a later date.

disclosed to the customer. Both of these principles already exist under current MSRB rules, specifically Rule G-12(c)(vi)(E), Rule G-15(a)(i)(C)(3)(a) and Rule G-47, Supplementary Material .03(n). As a result, the MSRB proposes to retire this guidance.

### III. Other Guidance

The MSRB is not proposing to amend or retire the guidance identified in Appendix A (IV) at this time. However, the MSRB seeks comment as to whether any such guidance should be retired or amended.

## Economic Analysis

Section 15B(b)(2)(C) of the Exchange Act requires that MSRB rules not be designed to impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Exchange Act. The Board carefully considers the costs and benefits of new and amended rules. Accordingly, the Board's policy states, prior to proceeding with a rulemaking, the Board should evaluate the need for the potential rule change and determine whether the rule change as drafted would, in its judgement, meet that need and would impose any burden on competition.<sup>29</sup> The MSRB does not believe that the draft amendments to Rule G-12 to codify, retire and reorganize certain interpretive guidance would result in any burden on competition in accordance with the purposes of the Exchange Act. The MSRB seeks comment on the economic effects of amending Rule G-12(c), on uniform industry practices for processing, clearance and settlement of transactions between dealers.

### A. Need for draft amendments to Rule G-12

Rule G-12(c) establishes the confirmation disclosure requirements for inter-dealer municipal securities transactions that are ineligible for automated comparison by DTCC. As part of the MSRB's rule book modernization initiative,<sup>30</sup> the MSRB reviewed 40 pieces of interpretive guidance related to

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<sup>29</sup> 15 U.S.C. 78o-4(b)(2)(C). *See also* an explanation of the MSRB's Policy on the Use of Economic Analysis in MSRB Rulemaking. Available at: [Policy on the Use of Economic Analysis in MSRB Rulemaking](#) | MSRB.

<sup>30</sup> The MSRB last updated Rule G-12(c) in 1995.

Rule G-12(c),<sup>31</sup> most of which dated to the 1970s and 1980s. In many instances, the business practices of the industry have superseded the intent of the guidance. The draft amendments to Rule G-12(c) are intended to improve the operational efficiency and promote regulatory certainty by clarifying the obligations of dealers as they relate to inter-dealer confirmations.

Specifically, the purpose of this Request for Comment is to codify certain existing interpretive guidance pertaining to confirmation disclosure requirements for inter-dealer municipal securities transactions that are ineligible for automated comparison into existing Rule G-12(c); make certain clarifying amendments to the rule text to reorganize the rule; and retire certain guidance that would be codified or is already codified in current MSRB rules or that would be consolidated into frequently asked questions (FAQs) pertaining to Rule G-12(c), Rule G-15 and other MSRB rules. Based on the MSRB's analysis, by codifying some pieces of existing interpretive guidance into Rule G-12(c), retaining and restating or consolidating some other pieces of existing guidance as a consolidated set of FAQs and retiring the remaining pieces of existing guidance pertaining to Rule G-12(c), the draft amendments to Rule G-12(c) are intended to streamline the confirmation disclosure requirements, and therefore would reduce the burden on dealers.

#### **B. Relevant baselines against which the likely economic impact of the draft changes can be considered**

To evaluate the potential impact of the draft amendments to Rule G-12(c), a baseline or baselines must be established as a point of reference to compare the expected state with draft amended Rule G-12(c). The economic impact of the draft changes is generally viewed as the difference between the baseline state and the expected state. For the purposes of this request for comment, the baseline is current Rule G-12(c), with the separate 40 pieces of interpretive guidance.

#### **C. Identifying and evaluating reasonable alternative regulatory approaches**

The MSRB policy on economic analysis in rulemaking addresses the need to consider alternative regulatory approaches, when applicable. Under this

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<sup>31</sup> Appendix A includes a complete list of the 40 pieces of interpretive guidance identified under this Request for Comment. One of the 40 pieces is related to Rule G-33, which would be incorporated into draft Rule G-12(c).

policy, only reasonable regulatory alternatives should be considered and evaluated.

One alternative the MSRB considered was to fully harmonize Rule G-12(c) with all provisions of Rule G-15(a) on customer confirmations, rather than incorporating into Rule G-12(c) some aspects of the interpretive guidance and retaining other interpretations. While Rule G-12(c) addresses solely those inter-dealer transactions that are ineligible for automated comparison, Rule G-15(a) addresses the requirements for dealers to provide customers with written confirmations in all customer transactions. Under this alternative, dealers would be required to provide confirmations to other dealers for inter-dealer municipal securities transactions that are ineligible for automated comparison in a system operated by a registered clearing agency with the same level of disclosure as on a customer confirmation. While the MSRB generally seeks to harmonize existing rules, in this instance it would not be appropriate or necessary. Dealers are generally more sophisticated than customers, especially retail customers, and even without any further disclosure requirement, dealers on both sides of an inter-dealer trade already possess sufficient information to complete a trade, including an inter-dealer trade ineligible for automated comparison. It is for this reason that the MSRB has deemed this alternative as inferior to the draft amendment.

Another alternative the MSRB considered was to embed all remaining pieces of guidance (after retiring certain superfluous guidance) into Rule G-12(c) and Rule G-15(a). In this alternative, all guidance would be directly added to both rules. As part of the rule book modernization, this would allow compliance personnel to only have to look to one place (Rule G-12(c)) for inter-dealer confirmation requirements and one place (Rule G-15(a)) for customer confirmation requirements. However, there are benefits to not having every standalone interpretive guidance embedded into rule text, as the purpose of interpretive guidance for certain more complex or nuanced situations is to provide additional clarity and context to existing rules while remaining flexible and to allow for changes as industry practices and technology evolves. By providing this information directly in the rule text, the MSRB would be limiting its ability to adapt to potential changes in the future and may inevitably design a rule that would be either overly broad and cumbersome or overly restrictive. It is for this reason that the MSRB deemed this alternative as inferior to the draft amendment.

#### **D. Assessing the benefits and costs of the draft changes**

The MSRB policy on economic analysis in rulemaking requires consideration of the likely costs and benefits of a draft rule change when the rule change

proposal is fully implemented against the context of the economic baselines. The MSRB is currently unable to quantify the economic effects of draft amendments to Rule G-12(c) in totality because not all of the information necessary to provide a reasonable estimate is available. Given the limitations on the MSRB's ability to conduct a quantitative assessment of the costs and benefits associated with the draft amendments to Rule G-12(c), the MSRB has considered these costs and benefits primarily in qualitative terms and believes the aggregate benefits should exceed the aggregate costs. Regardless, the MSRB is seeking, as part of this Request for Comment, additional data or studies relevant to the costs and benefits of the draft amendments.

### **Benefits**

The MSRB believes codifying principles from interpretive guidance into the rule text and reorganizing the content of Rule G-12(c) to align with the format followed in the analogous provisions of Rule G-15(a) would streamline the confirmation disclosure requirements for inter-dealer municipal securities transactions that are ineligible for automated comparison by a registered clearing agency from the current combination of rule language and large body of separate interpretive pieces. Thus, the draft amendments to Rule G-12(c) would reduce the compliance burden on dealers by eliminating outdated guidance and consolidate duplicative guidance that would streamline and incorporate most relevant guidance into the body of the rule, potentially leading to greater compliance with the rule and current related interpretive guidance and promoting their investor protection goals. The MSRB believes that dealers would benefit from increased efficiency and reduced compliance costs with streamlined rule text that incorporates the source interpretive guidance.

### **Costs**

The MSRB acknowledges that dealers would likely incur minor incremental costs as a result of the proposed actions, relative to the baseline state (current state). These costs may include the one-time upfront costs related to revising related policies and procedures and ongoing costs such as compliance costs associated with maintaining and updating dealer confirmations. However, the draft changes, such as codifying existing interpretive guidance into Rule G-12(c), may not add incremental ongoing costs since dealers are presumably already in compliance with the existing interpretive guidance and relevant MSRB rules, including the recordkeeping requirements. Similarly, the revisions to a dealer's policies and procedures may not be extensive if the dealer presumably already incorporates the review of existing interpretive guidance into their current policies and

procedures. Overall, the MSRB believes the aggregate upfront and any ongoing costs of these changes are expected to be relatively minor.

### **Effect on Competition, Efficiency, and Capital Formation**

The MSRB believes that the draft amendments to Rule G-12(c) and proposed actions would neither impose a burden on competition nor hinder capital formation. The draft amendments would improve the municipal securities market's operational efficiency and promote regulatory certainty by providing dealers with a clearer understanding of regulatory obligations that are incorporated into the rule text. At present, the MSRB is unable to quantitatively evaluate the magnitude of the efficiency gains or losses, but believes the overall incremental benefits accumulated over time for all market participants would outweigh the minor upfront costs of revising policies and procedures, with no expected incremental change in the ongoing compliance and recordkeeping costs by dealers. The MSRB does not expect that the draft amendments to Rule G-12(c) would impose a burden on competition for dealers, as the draft amendments are applicable to all dealers and the upfront costs are expected to be relatively minor for all dealers.

### **Request for Comment**

1. Would the draft amendments achieve the objectives of clarifying and modernizing the rule text regarding confirmation disclosures required for the inter-dealer transactions that are ineligible for automated comparison? If not, please consider providing examples of how to provide greater clarity regarding these regulatory obligations.
2. How might the MSRB better clarify and streamline the Rule G-12(c) text? Are there any other confirmation disclosures that are not specifically discussed in this Request for Comment that should be added (including any confirmation disclosures that are required under Rule G-15(a)) into Rule G-12(c) to promote consistency in the market?
3. The MSRB believes that very few inter-dealer trades currently rely on Rule G-12(c) because the vast majority of such trades are in fact eligible for automated comparison. Is this correct? What are some situations in which Rule G-12(c) applies?
4. For transactions in which Rule G-12(c) applies, have differences between Rule G-12(c) and Rule G-15(a) resulted in any challenges for dealers executing transactions with customers? For example, if a

dealer sells to a customer a municipal security subject to Rule G-12(c) that it acquired from another dealer, does the difference in information requirements under the two rules impair the selling dealer's ability to fulfill its obligation to provide the required information in the customer confirmation under Rule G-15(a)? If so, what items of information typically cause such problems and would the draft amendments address such problems?

5. More generally, have dealers purchasing municipal securities subject to Rule G-12(c) been harmed or experienced operational inefficiencies or other difficulties as a result of the inclusion or exclusion of particular items of information under current Rule G-12(c)? If so, what items of information typically cause such problems and would the draft amendments address such problems?
6. Are there any existing requirements under Rule G-12(c) or draft amended Rule G-12(c) that should be eliminated in addition to any requirements addressed in the questions above? If so, why?
7. As identified in Appendix A (I), Appendix A (III) and Appendix A (V) in this Request for Comment, the MSRB is retiring various pieces of guidance pertaining to confirmation disclosure obligations. Is there any MSRB guidance pertaining to confirmation disclosure obligations that the MSRB proposes to retire that may still be beneficial for the market and should be retained? For example, should the MSRB retain one or more items that represent well understood concepts or common knowledge in the industry, address uncommon practices or are otherwise viewed as of limited utility in order to provide guidance to new market entrants or in the event of shifts in market practice? Please indicate so, and why?
8. As noted above, the MSRB proposes to retain the guidance identified in Appendix A (IV) in this Request for Comment without change at this time. Is there any MSRB guidance listed under Appendix A (IV) that market participants believe is not beneficial at this point and should be retired or amended instead?
9. In Rule G-15 Guidance: [Yield Disclosures: Yields to Call on Zero Coupon Bonds](#) dated January 4, 1984, the MSRB noted that, in the case of a computation of a yield or dollar price to a call or option feature on a transaction in a callable zero coupon security, for the purposes of Rule G-12 and Rule G-15, the call price shown on the confirmation should be expressed in terms of a percentage of the security's maturity value. This would be incorporated into the draft

amendment to Rule G-12(c)(v)(A)(7)(c)(iii)(C). The MSRB seeks comment on the current market practice in this area. Do commenters agree with this approach? Is this still the current market practice?

10. Currently Rule G-12(c)(vi)(H)(1) requires an “ex-legal” designation on confirmations. The draft amendments would delete the “ex-legal” delivery designation from Rule G-12(c). The MSRB understands that “ex legal” is a term which refers to the absence of a legal opinion and an “ex legal” designation on a confirmation describes the rare instances where a bond is physically delivered without a legal opinion attached. This reference was removed from Rule G-15(a) in 1995 due to the movement away from physical delivery of certificates. To further promote consistency with the analogous confirmation requirements noted in Rule G-15(a), the MSRB proposes to remove this confirmation disclosure requirement from Rule G-12(c) as well.<sup>32</sup> Does the market see any benefit in retaining the “ex-legal” confirmation disclosure requirement?
11. Currently, Rule G-12(c)(v)(E) provides that the description of the bonds should specify if they are “limited tax.” Traditionally, a limited tax bond is a general obligation bond secured by a specific tax or category of taxes, or a specific portion of any such taxes. This requirement was deleted from Rule G-15(a) in 1995 since its meaning over time had become ambiguous as various states implemented a variety of their own tax limitation measures. In staying consistent with Rule G-15(a), the MSRB proposes to remove this requirement from Rule G-12.<sup>33</sup> Is there any benefit to retaining this requirement?
12. In Rule [G-15 Guidance: Securities Description: Revenue Securities](#) dated December 1, 1982, the MSRB notes that for purposes of Rule G-12 and Rule G-15, revenue securities should be designated as such, regardless of whether such designation appears in the formal title of the security. This could lead to the revenue designation being stated twice on the confirmation, once in the title, and again in a separate information block. In 1995, MSRB acknowledged this redundancy issue and revised Rule G-15(a) to make clear that, if the bond is identified as a revenue bond on the title, there is no need to make an

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<sup>32</sup> The deletion of this provision, however, does not affect a dealer’s obligation under Rule G-47 to disclose all material facts at the time of the transaction.

<sup>33</sup> The deletion of this provision, however, does not affect a dealer’s obligation under Rule G-47 to disclose all material facts at the time of the transaction.

additional disclosure that the bond is a revenue bond. The MSRB proposes to follow the same approach by adding similar rule text into draft amended Rule G-12(c) and eliminating the requirement of redundant confirmation disclosures. Do commenters agree with this approach?

13. If the MSRB were to codify the text noted under Rule [G-15 Guidance: Confirmation Disclosure Requirements for Callable Municipal Securities](#), dated February 20, 1986, under draft amended Rule G-12(c)(v)(C)(2)(a) as is, in the event of alerting customers to additional call features, the draft amended rule text would require the confirmation disclosure to note that other call features exist, and dealers “must provide clarifying information about the noted call.” The MSRB addressed this obligation in 1995 when it revised Rule G-15(a) to put customers on notice regarding the presence of additional call features and for dealers to furnish the information “upon customers’ request” instead of a mandatory obligation for dealers to provide information. This approach is less burdensome for dealers. The MSRB proposes to make a similar change to Rule G-12(c) since this approach would be analogous to Rule G-15(a). Also, under Rule G-12(c)(v)(C)(2)(a), the MSRB is using the phrase “next pricing call” as noted under Rule G-15(a), instead of the term “first ‘in-whole’ call” as noted under the guidance to stay consistent with the terminology used in the market. Do commenters agree with both of the proposed language enhancements reflected in the draft amended rule text?
  
14. In [Rule G-33 Guidance: Calculations for Securities with Periodic Interest Payments](#), dated February 23, 2016, the MSRB reminded dealers that computations of yields and dollar prices shall be made in accordance with the formulas prescribed in Rule G-33; this requirement already exists in Rule G-15(a) and is being proposed in the draft amended rule text of Rule G-12(c). Further, this notice provides that prior to July 18, 2016, dealers would be in compliance with Rule G-33(b)(i)(B)(2) if calculating price and yield on interest-bearing securities with periodic interest payments and more than one coupon period to redemption factoring in the actual interest frequency rather than assuming a semi-annual interest payment. Since the safe harbor given in this guidance in 2016 is no longer applicable, the MSRB is seeking to retire and archive this guidance. Is there any aspect of this guidance that should be retained in any way? If so, please specify.

15. Would the draft amended rule text impose any burdens unique to minority and women-owned business enterprise (“MWBE”), veteran-owned business enterprise (“VBE”) or other special designation firms? If so, do commenters have any specific recommendations to alleviate these burdens while still promoting the objectives of Rule G-12(c)? Please offer suggestions.
16. Would the obligations proposed in connection with Rule G-12(c) result in an undue impact on access to business opportunities for small dealers? If so, do commenters have any specific recommendations to alleviate these burdens while still promoting the objectives of Rule G-12(c)? Please offer suggestions.
17. Would the obligations proposed in connection with the draft amendments to Rule G-12(c) result in an undue impact on access to business opportunities for MWBE, VBE or other special designation firms? If so, do commenters have any specific recommendations to alleviate these impacts while still promoting the objectives of Rule G-12(c)? Please offer suggestions.
18. Would draft amended Rule G-12(c) result in an undue impact on access to business opportunities for small dealers? If so, do commenters have any specific recommendations to alleviate these burdens while still promoting the objectives of Rule G-12(c)? Please offer suggestions.

Questions about this notice should be directed to Abha Mohla, Associate Director, Market Regulation, at 202-838-1500.

September 28, 2023

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## Text of Draft Amendments \*

### Rule G-12: Uniform Practice

(a) – (b) No change.

(c) *Dealer Confirmations*. All municipal securities transactions that are ineligible for automated comparison in a system operated by a registered clearing agency shall be subject to the provisions of this section (c).

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\* Underlining indicates new language; strikethrough denotes deletions.

(i) – (iv) No change.

(v) Each confirmation shall contain the following information:

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

~~(A)~~(1) confirming party's name, address and telephone number;

~~(B)~~(2) "contra party" identification;

~~(C)~~(3) designation of purchase from or sale to;

~~(D)~~(4) Par Value. The par value of the securities shall be shown. For zero coupon securities, the maturity value of the securities must be shown if it differs from the par value;

~~(E) description of the securities, including at a minimum the name of the issuer, interest rate, maturity date, and if the securities are limited tax, subject to redemption prior to maturity (callable), or revenue bonds, an indication to such effect, including in the case of revenue bonds the type of revenue, if necessary for a materially complete description of the securities and in the case of any securities, if necessary for a materially complete description of the securities, the name of any company or other person in addition to the issuer obligated, directly or indirectly, with respect to debt service or, if there is more than one such obligor, the statement "multiple obligors" may be shown;~~

~~(F) CUSIP number, if any, assigned to the securities;~~

~~(G)~~(5) trade date;

~~(H)~~(6) settlement date shall be noted on all confirmations with the exception of initial confirmation for a "when, as and if issued" transaction;

~~(I) yield at which transaction was effected and resulting dollar price, except in the case of securities which are traded on the basis of dollar price or securities sold at par, in which event only dollar price need be shown (in cases in which securities are priced to call or to par option, this must be stated and the call or option date and price used in the calculation must be shown, and where a transaction is effected on a yield basis, the dollar price shall be calculated to the lowest of price to call, price to par option, or price to maturity);~~

(7) Yield and dollar price. Yields and dollar prices shall be computed and shown in the following manner, subject to the exceptions stated in subparagraph (A)(7)(d) of this paragraph:

(a) For transactions that are effected on the basis of a yield to maturity, yield to a call date, or yield to a put date:

(i) The yield at which the transaction was effected shall be shown and, if that yield is to a call date or to a put date, this shall be noted, along with the date and dollar price of the call or put date.

(ii) A dollar price shall be computed and shown in accordance with the rules in subparagraph (A)(7)(c) of this paragraph.

(b) For transactions that are effected on the basis of a dollar price:

(i) The dollar price at which the transaction was effected shall be shown.

(ii) A yield shall be computed and shown in accordance with subparagraph (A)(7)(c) of this paragraph, unless the transaction was effected at "par."

(c) In computing yield and dollar price, the following rules shall be observed:

(i) The yield or dollar price computed and shown shall be computed to the lower of call or maturity date, with the exceptions noted in this subparagraph (A)(7)(d).

(ii) For purposes of computing yield to call or dollar price to call, only those call features that represent "in whole calls" of the type that may be used by the issuer without restriction in a refunding ("pricing calls") shall be considered in computations made under this subparagraph (A)(7).

(iii) With respect to the following specific situations, these additional rules shall be observed:

(A) Declining premium calls. For those securities subject to a series of pricing calls at declining premiums, the call date resulting in the lowest yield or dollar price shall be considered the yield to call or dollar price to call.

(B) Continuously callable securities. For those securities that, at the time of trade, are subject to a notice of a pricing call at any time, the yield to call or dollar price to call shall be computed based upon the assumption that a notice of call may be issued on the day after trade date or on any subsequent date.

(C) Zero coupon securities. For zero coupon securities, the call price shown on the confirmation shall be expressed in terms of a percentage of the security's maturity value.

(iv) Computations shall be made in accordance with the requirements of Rule G-33.

(d) Notwithstanding the requirements noted in subparagraph (v)(A)(7):

(i) Securities traded on a discounted basis. For securities traded on a discounted basis, a yield shall not be shown.

(ii) "When, as and if issued" basis. For transactions effected on a "when, as and if issued" basis, the resulting dollar price shall not be shown.

~~(8)~~ amount of concession, if any, per \$1000 par value unless stated to be an aggregate figure, *provided, however*, that for a transaction in securities maturing in two or more years and, at the time of the transaction, paying investment return solely through capital appreciation, the concession, if any, shall be expressed as a percentage of the price of these securities;

(9) Final monies. The following information relating to the calculation and display of final monies shall be shown on all confirmations except for initial confirmations for transactions effected on a "when, as and if issued" basis:

(a) total dollar amount of transaction;

(b) amount of accrued interest, with special requirements for the following securities:

(i) Zero coupon securities. For zero coupon securities, no figure for accrued interest shall be shown;

(ii) Securities traded on discounted basis. For securities traded on a discounted basis (other than discounted securities traded on a yield-equivalent basis), no figure for accrued interest shall be shown;

(c) if the securities pay interest on a current basis but are traded without interest, a notation of "flat;"

(d) Extended principal amount, with special requirements for securities traded on a discounted basis (other than discounted securities sold on a yield-equivalent basis), rate of discount shall be shown and total dollar amount of

discount may be shown in lieu of the resulting dollar price and extended principal amount;

(10) Delivery of securities. The following information regarding the delivery of securities shall be shown:

(a) Denominations of securities other than bonds, and, in the case of bonds, denominations other than those specified in paragraph (e)(v) hereof;

(b) Delivery instructions. Instructions, if available, regarding receipt or delivery of securities and form of payment, if other than as usual and customary between the parties.

(11) Additional information about the transaction. In addition to the transaction information required above, such other information that may be necessary to ensure that the parties agree to the details of the transaction also shall be shown.

(B) Securities identification information. The confirmation shall include a securities identification which includes, at a minimum:

(1) the name of the issuer, and for stripped coupon securities, the trade name and series designation assigned to the stripped coupon municipal security by the broker, dealer or municipal securities dealer sponsoring the program must be shown;

(2) CUSIP number, if any, assigned to the securities;

(3) maturity date, if any, and for stripped coupon securities, the maturity date of the instrument must be shown in lieu of the maturity date of the underlying securities;

(4) interest rate, if any, with special requirements for the following securities:

(a) Zero coupon securities. For zero coupon securities, the interest rate must be shown as 0%;

(b) Variable rate securities. For securities with a variable or floating interest rate, the interest rate must be shown as "variable;"

(5) dated date if it affects the price or interest calculation, and first interest payment date, if other than semi-annual, with special requirements for the following securities:

(a) Stripped coupon securities. For stripped coupon securities, the date that interest begins accruing to the custodian for payment to the beneficial owner shall be shown in lieu of the dated date of the underlying securities. This date, along with

the first date that interest will be paid to the owner, must be stated on the confirmation whenever it is necessary for calculation of price or accrued interest.

(C) Securities descriptive information. The confirmation shall include descriptive information about the securities which includes, at a minimum:

(1) Credit backing. The following information, if applicable, regarding the credit backing of the security:

(a) Revenue securities. For revenue securities, a notation of that fact, and a notation of the primary source of revenue (e.g., project name). This subparagraph will be satisfied if these designations appear on the confirmation in the formal title of the security or elsewhere in the securities description.

(b) Securities with additional credit backing. The name of any company or other person in addition to the issuer obligated, directly or indirectly, with respect to debt service or, if there is more than one such obligor, the statement "multiple obligors" may be shown and, if a letter of credit is used, the identity of the bank issuing the letter of credit must be noted.

(2) Features of the securities. The following information, if applicable, regarding features of the securities:

(a) Callable securities. If the securities are subject to call prior to maturity through any means, a notation of "callable" shall be included. This shall not be required if the only call feature applicable to the securities is a "catastrophe" or "calamity" call feature, such as one relating to an event such as an act of God or eminent domain, and which event is beyond the control of the issuer of the securities. The date and price of the next pricing call shall be included and so designated. Other specific call features are not required to be listed unless required by subparagraph (A)(7)(c)(ii) of this paragraph on computation and display of price and yield. If there are any call features in addition to the next pricing call, disclosure must be made on the confirmation that "additional call features exist that may affect yield; complete information will be provided upon request;"

(b) Puttable securities. If securities are puttable by the customer, a designation to that effect;

(c) Stepped coupon securities. If stepped coupon securities, a designation to that effect;

(d) Book-entry only securities. If the securities are available only in book entry form, a designation to that effect;

(e) Periodic interest payment. With respect to securities that pay interest on other than a semi-annual basis, a statement of the basis on which interest is paid.

(3) Information on status of securities. The following information, as applicable, regarding the status of the security shall be included:

(a) Prerefunded and called securities. If the securities are called or "prerefunded," a designation to such effect, the date of maturity which has been fixed by the call notice, and the amount of the call price;

(b) Escrowed to maturity securities. If the securities are advance refunded to maturity date and no call feature (with the exception of a sinking fund call) is explicitly reserved by the issuer, the securities must be described as "escrowed to maturity" and, if a sinking fund call is operable with respect to the securities, additionally described as "callable."

(c) Advanced refunded/callable securities. If advanced refunded securities have an explicitly reserved call feature other than a sinking fund call, the securities shall be described as "escrowed to [redemption date]—callable."

(d) Advanced refunded/stripped coupon securities. If the municipal securities underlying stripped coupon securities are advance-refunded, the stripped coupon securities shall be described as "escrowed-to-maturity," or "pre-refunded" as applicable.

(e) Securities in default. If the securities are in default as to the payment of interest or principal, they shall be described as "in default."

(4) Tax information. The following information that may be related to the tax treatment of the security:

(a) Taxable securities. If the securities are identified by the issuer or sold by the underwriter as subject to federal taxation, a designation to that effect.

(b) Alternative minimum tax securities. If interest on the securities is identified by the issuer or underwriter as subject to the alternative minimum tax, a designation to that effect.

(c) Original issue discount securities. If the securities pay periodic interest and are sold by the underwriter as original issue discount securities, a designation that they are "original issue discount" securities.

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

(A) Stepped coupon securities. The term "stepped coupon securities" shall mean securities with the interest rate periodically changing on a pre-established schedule.

(B) Zero coupon securities. The term "zero coupon securities" shall mean securities maturing in more than two years and paying investment return solely at redemption.

(C) Stripped coupon securities. The term "stripped coupon securities" shall have the same meaning as in SEC staff letter dated January 19, 1989 (Stripped Coupon Municipal Securities, SEC No-Action Letter, Fed. Sec. L. Rep. (CCH) ¶ 78,949 (Jan. 19, 1989)), reprinted in MSRB Reports, Vol. 9, No. 1 (March 1989) at 6-7.

(D) The term "pricing call" shall mean a call feature that represents "an in whole call" of the type that may be used by the issuer without restriction in a refunding.

~~(K) amount of accrued interest;~~

~~(L) extended principal amount;~~

~~(M) total dollar amount of transaction; and~~

~~(N) instructions, if available, regarding receipt or delivery of securities, and form of payment if other than as usual and customary between the parties.~~

~~The confirmation for a transaction in securities traded on a discounted basis (other than discounted securities traded on a yield equivalent basis) shall not be required to show the pricing information specified in subparagraph (I) nor the accrued interest specified in subparagraph (K). Such information shall, however, contain the rate of discount and resulting dollar price. Such confirmation may, in lieu of the resulting dollar price and the extended principal amount specified in subparagraph (L), show the total dollar amount of the discount.~~

~~The confirmation for a transaction in securities maturing in more than two years and paying investment return solely at redemption shall not show the par value of the securities specified in subparagraph (D) and shall not be required to show the amount of accrued interest specified in subparagraph (K). Such confirmation shall, however, show the maturity value of the securities and specify that the interest rate on the securities is "0%."~~

~~The initial confirmation for a "when, as and if issued" transaction shall not be required to contain the information specified in subparagraphs (H), (K), (L), and (M) of this paragraph or the resulting dollar price as specified in subparagraph (I).~~

~~(vi) In addition to the information required by paragraph (v) above, each confirmation shall contain the following information, if applicable:~~

~~(A) dated date if it affects the price or interest calculation, and first interest payment date, if other than semi-annual;~~

~~(B) if the securities are available only in book entry form, a designation to such effect;~~

~~(C) if the securities are identified by the issuer or sold by the underwriter as subject to federal taxation, a designation to that effect;~~

~~(D) if the interest on the securities is identified by the issuer or the underwriter as subject to the alternative minimum tax, a designation to that effect;~~

~~(E) if the securities are "called" or "pre-refunded," a designation to such effect, the date of maturity which has been fixed by the call notice, and the amount of the call price;~~

~~(F) denominations of securities other than bonds, and, in the case of bonds, denominations other than those specified in paragraph (e)(v) hereof;~~

~~(G) if the securities pay periodic interest and are sold by the underwriter as original issue discount securities, a designation that they are "original issue discount" securities;~~

~~(H) any special instructions or qualifications, or factors affecting payment of principal or interest, such as (1) "ex legal," or (2) if the securities are traded without interest, "flat," or (3) if the securities are in default as to the payment of interest or principal, "in default," or (4) with respect to securities with periodic interest payments, if such securities pay interest on other than a semi-annual basis, a statement of the basis on which interest is paid; and~~

~~(I) such other information as may be necessary to ensure that the parties agree to the details of the transaction.~~

(d) No change.

(e) *Delivery of securities.* The following provisions shall, unless otherwise agreed by the parties, govern the delivery of securities:

(i) - (iv) No change.

(v) *Units of Delivery.* ~~Delivery of bonds shall be made in the following denominations:~~

~~(A) for bearer bonds, in denominations of \$1,000 or \$5,000 par value; and~~

~~(B) for registered bonds, delivery of bonds shall made~~ in denominations which are multiples of \$1,000 par value, up to \$100,000 par value.

(B) Delivery of other municipal securities shall be made in the denominations specified on the confirmation as required pursuant to paragraph (c)(vi)(v)(A)(10) of this rule except that

deliveries of notes may be made in denominations smaller than those specified if the notes delivered can be aggregated to constitute the denominations specified.

(vi) – (xvi) No change.

(f) No change.

(g) *Rejections and Reclamations.*

(i) - (ii) No change.

(iii) *Basis for Reclamation and Time Limits.* A reclamation may be made by the receiving party or a demand for reclamation may be made by the delivering party if, subsequent to delivery, information is discovered which, if known at the time of the delivery, would have caused the delivery not to constitute good delivery, provided such reclamation or demand for reclamation is made within the following time limits:

(A) - (B) No change.

(C) reclamation or demand for reclamation by reason of the following shall be made within 18 months following the date of delivery:

(1) - (2) No change.

(3) information pertaining to the description of the securities was inaccurate for either of the following reasons:

(i) information required by subparagraph (c)(v)~~(E)~~(C) of this rule was omitted or erroneously noted on a confirmation, or

(ii) information material to the transaction but not required by subparagraph (c)(v)~~(E)~~(C) of this rule was erroneously noted on a confirmation.

(D) No change.

(iv) – (vi) No change.

(h) – (j) No change.

\* \* \* \* \*

## Appendix A: List of All Interpretive Guidance

- I. **Guidance to be Retired Following Codification into Rule G-12(c) (14 items)**
  - a. G-12, [Confirmation Disclosure: Put Option Bonds](#), April 24, 1981
  - b. G-15, [Callable Securities: "Catastrophe" Calls](#), November 7, 1977
  - c. G-15, [Interpretive Notice on Rule G-12 on Uniform Practice and Rule G-15 on Customer Confirmations](#), November 28, 1977
  - d. G-15, [Callable Securities: Pricing to Call](#), June 8, 1978
  - e. G-15, [Confirmation Requirements](#), March 25, 1980
  - f. G-15, [Confirmation Disclosure Requirements Applicable to Variable-Rate Municipal Securities](#), December 10, 1980
  - g. G-15, [Notice Concerning "Zero Coupon" and "Stepped Coupon" Securities](#), April 27, 1982
  - h. G-15, [Callable Securities: Disclosure](#), August 23, 1982
  - i. G-15, [Securities Description: Revenue Securities](#), December 1, 1982
  - j. G-15, [Securities Description: Securities Backed by Letters of Credit](#), December 2, 1982
  - k. G-17, [Put Option Bonds: Safekeeping, Pricing](#), February 18, 1983
  - l. G-15, [Callable Securities: Extraordinary Mandatory Redemption Features](#), February 18, 1983
  - m. G-15, [Confirmation Disclosure Requirements for Callable Municipal Securities](#), February 20, 1986
  - n. G-33, [Calculations for Securities with Periodic Interest Payments](#), February 23, 2016
  
- II. **Guidance to be Partially Codified and/or Partially Merged into a Consolidated Set of FAQs (10 items)**
  - a. G-15, [Pricing to Call](#), December 10, 1980
  - b. G-12, [Confirmation Requirements for Partially Refunded Securities](#), August 15, 1989
  - c. G-15, [Original Issue Discount, Zero coupon Securities: Disclosure of, Pricing to Call Feature](#), June 30, 1982
  - d. G-15, [Notice Concerning Stripped Coupon Municipal Securities](#), March 13, 1989
  - e. G-15, [Calculation of Price and Yield on Continuously Callable Securities](#), August 15, 1989
  - f. G-15, [Callable Securities: Pricing to Call and Extraordinary Mandatory Redemption Features](#), February 10, 1984
  - g. G-17, [Notice of Interpretation on Escrowed-to Maturity Securities: Rules G-17, G-12 and G-15](#), September 21, 1987
  - h. G-12, [Delivery Requirements: Put Option Bonds](#), February 27, 1985
  - i. G-17, [Notice Concerning the Application of Board Rules to Put Option Bonds](#), September 30, 1985 (*multiple rules*)
  - j. G-15, [Yield Disclosures: Yields to Call on Zero Coupon Bonds](#), January 4, 1984
  
- III. **Guidance to be Retired as Superfluous – Potentially Outdated Guidance or Guidance with Limited Utility (10 items)**
  - a. G-12, [Confirmation Disclosure: Put Option Bonds](#), May 11, 1981
  - b. G-12, [Confirmation: Mailing of WAIL, "All or None" Confirmation](#), October 7, 1982
  - c. G-12, [Confirmation: Mailing of WAIL Confirmation](#), April 30, 1982

- d. G-12, [Confirmation Disclosure: Advance Refunded Securities](#), January 4, 1984
- e. G-12, [Confirmation Disclosures: Tender Option Bonds with Adjustable Tender Fees](#), October 3, 1984
- f. G-12, [Confirmation Disclosures: Render Option Bonds with Adjustable Tender Fees](#), March 5, 1985
- g. G-15, [Callable Securities: Pricing to Call](#), March 9, 1979
- h. G-15, [Callable Securities: Pricing Transactions on Construction Loan Notes](#), March 5, 1984
- i. G-15, [Agency Transaction: Pricing](#), September 20, 1979
- j. G-15, [Securities Description: Prerefunded Securities](#), February 17, 1998

**IV. Guidance to be Retained (4 items)**

- a. G-15, [Automated Clearance: "Internal" Transactions](#), September 21, 1983
- b. G-12, [Application of the Board's Rules to Trades in Misdescribed or Non-Existent Securities](#), January 12, 1984
- c. G-12, [Notice on Determining Whether Transactions Are Inter-Dealer or Customer Transactions: Rules G-12 and G-15](#), May 1, 1988
- d. G-12, [Interpretation on the Application of Rules G-8, G-12 and G-14 to Specific Electronic Trading Systems](#), March 26, 2001

**V. Guidance to be Retired Under the Rule G-47 Retrospective Rule Review Initiative (2 items)**

- a. G-15, [Disclosure of Pricing: Calculating the Dollar Price of Partially Prerefunded Bonds](#), May 15, 1986
- b. G-15, [Notice Concerning Confirmation, Delivery and Reclamation of Interchangeable Securities](#), August 10, 1988

**COMMENT LETTER ON NOTICE 2023-08 (SEPTEMBER 28, 2023)**

Securities Industry and Financial Markets Association: Letter from Leslie M. Norwood, Managing Director and Associate General Counsel, Head of Municipal Securities, dated December 15, 2023



December 15, 2023

**VIA ELECTRONIC SUBMISSION**

Ronald W. Smith  
Corporate Secretary  
Municipal Securities Rulemaking Board  
1300 I Street NW, Suite 1000  
Washington, DC 20005

**Re: MSRB Notice 2023-08 – Request for Comment on Retrospective Rule Review of Rule G-12(c) on Inter-Dealer Confirmations and Related Interpretive Guidance**

Dear Mr. Smith,

The Securities Industry and Financial Markets Association (“SIFMA”)<sup>1</sup> appreciates this opportunity to provide input on the MSRB’s retrospective review of Rule G-12(c).<sup>2</sup> Overall, SIFMA applauds the MSRB’s review of these rules to facilitate compliance and reduce unnecessary burdens while ensuring Rule G-12(c) continues to achieve its goals consistent with current market practices. Rule G-12(c) is outdated and should be eliminated. Should the MSRB decide to retain Rule G-12(c), SIFMA recommends the MSRB proceed with a more measured pace of change to avoid unintended consequences.

**Recommendations**

- Rule G-12(c) should be deleted as electronification of systems has rendered it obsolete and eliminated the need for interdealer trade disclosures.
- If the MSRB chooses to retain Rule G-12(c), the amount of guidance being amended, codified, merged into the rule, or retired by the Notice is significant and the volume of

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<sup>1</sup> SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry’s nearly 1 million employees, we advocate for legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA).

<sup>2</sup> See MSRB Notice 2023-08 (Sept. 28, 2023) (the “Notice”).

guidance makes it difficult to fully assess any unintended consequences resulting from the proposed changes.

- Given the scope of proposed changes, the MSRB should prioritize addressing guidance that is not being incorporated into the rule or otherwise does not require a rule amendment before taking further action on items that do trigger such amendments.

**I. Rule G-12(c) Should Be Deleted as Electronification of Systems has Rendered it Obsolete and Eliminated the Need for Interdealer Trade Disclosures.**

**a. *Electronification of Systems Has Made Paper Interdealer Confirmations Obsolete.***

Rule G-12(c) should be deleted as electronification of systems has rendered it obsolete. Rule G-12(c) had value when it was originally adopted, and it served a valid purpose in an operational environment where there were a significant number of trades that were ineligible for automated comparison. However, Rule G-12(c) has been made obsolete in large part to the speed of computers as settlement cycles have continued to shrink from T+3 to the current T+2 and the planned move to T+1 in May 2024.

While Rule G-15 customer confirmations still have value, paper interdealer confirmations do not. Currently, industry practice is to evidence interdealer trades with Bloomberg screen captures, VCONs, or trade blotters. These are also the types of items that FINRA examiners ask for as evidence of interdealer trades.

**b. *Dealers Need Information to Settle Trades, Not Disclosures.***

Rule G-12(c), if the MSRB chooses to retain it in some form, should be pared down and materially simplified. For interdealer trades, the only information that should be required to be transmitted is that which is required to settle the trade. There is no need to harmonize Rule G-12(c) and Rule G-15. As stated above, Rule G-15, as well as Rule G-47, describes information disclosures due at the time of confirmation, or trade, to customers. These information disclosures are unnecessary to send to dealers, and merely create a web of potential regulatory foot-faults without any benefit.

To be clear, dealers rely on their information service vendors for all data points related to trade execution, confirmations, clearance, and settlement. In the current environment, no dealers would use data received inbound on a G-12(c) interdealer confirmation to populate a G-15 customer confirmation. Operationally, dealer computer systems are not designed to consume data from interdealer confirmations or anywhere other than their information service vendor to update their security master database. Aside from the technological challenges, the risk that the data may be incorrect would be too great. As a necessary cost of doing business, all dealers have access to reliable security master information through an information service vendor. As dealers all have access to reliable security master information in order to conduct business, there is no need for dealers to send security disclosure information to other dealers on interdealer trades.

Again, the only information that is necessary for a dealer to send to another dealer regarding a trade is the information needed to settle the trade.

SIFMA would welcome a retrospective review by the MSRB of Rule G-12(h) on close-out procedures, as we feel Rule G-12(h) could be better aligned with current market practices and MSRB goals.

**II. If the MSRB Chooses to Proceed, the Amount of Guidance Being Amended, Codified, Merged into the Rule, or Retired by the Notice Should be Reduced.**

While SIFMA members applaud the goal of reducing unnecessary duplication in the rule book, the number of pieces of guidance being amended, codified, merged into Rule G-12(c) or retired by the Notice is overwhelming and could be better paced over the course of more than just a single request for comment. A more focused investigation and analysis would be beneficial to understand the scope of these changes in terms of number of trades impacted, including closeouts, step-out trades, and other special yet common situations. The significant scope of the proposed rule changes makes it difficult to gauge any unintended consequences. Further study on various current market practices, industry vendor processes, and information flows are necessary before proceeding with specific incorporation of new rule text.

**III. The MSRB Should Prioritize Addressing Guidance Not Being Incorporated into the Rule Before Taking Further Action.**

The MSRB should prioritize addressing guidance not being incorporated into the rule and allow those changes to be implemented before taking further action. Changes to rules themselves can cause significant unintended consequences, increasing risks of non-compliance. SIFMA recommends that MSRB address the guidance to be retired or codified into FAQs before addressing guidance that is proposed to be codified into the rule. Addressing these many pieces of varied guidance in a phased approach will allow for a more paced and thoughtful process that will hopefully avoid most or all unintended consequences. In any case, MSRB has asserted in the request for comment that the proposed changes are merely duplicative and/or non-substantive. Therefore, SIFMA would appreciate specific assurances in any rule filing that if a firm has existing policies and procedures that are compliant with the existing rule, such policies and procedures would not need to be substantively updated once such changes become operative.

\* \* \*

Thank you for considering SIFMA's comments. Overall, SIFMA appreciates the MSRB's retrospective rule review project and its objective to aid compliance by regulated entities and reduce unnecessary burdens while ensuring the rule continues to achieve its goals. SIFMA asks that the MSRB consider our comments in furtherance of these goals, particularly the potential elimination of Rule G-12(c) due to changes in the speed of technology and market practices. If the MSRB chooses to continue with this project, we ask that the MSRB further analyze the scope of the impact of the proposed changes and various current market practices, and adopt any

changes with a more incremental approach. SIFMA would also welcome a retrospective review by the MSRB of rule G-12(h) on close-out procedures, as we feel the rule could be better aligned with current market practices and MSRB goals. If a fuller discussion of our comments would be helpful, I can be reached at (212) 313-1130 or lnorwood@sifma.org.

Sincerely,

A handwritten signature in black ink, appearing to be 'L. Norwood', written in a cursive style.

Leslie M. Norwood  
Managing Director and Associate General Counsel  
Head of Municipal Securities

cc: ***Municipal Securities Rulemaking Board***

Ernesto A. Lanza, Chief Regulatory and Policy Officer  
Abha Mohla, Associate Director, Market Regulation

**APPENDIX A****QUESTIONS**

1. Would the draft amendments achieve the objectives of clarifying and modernizing the rule text regarding confirmation disclosures required for the inter-dealer transactions that are ineligible for automated comparison? If not, please consider providing examples of how to provide greater clarity regarding these regulatory obligations.

No. Rule G-12(c) should be eliminated or pared down to be limited to information required for trade settlement. Dealers do not need disclosure information like this from other dealers, as all dealers have access to security master information.

Also, the speed of current technology makes paper inter-dealer confirmations obsolete. Interdealer trades are currently evidenced by Bloomberg screen captures, VCONs or trade blotters. Current market practice has almost all trades being submitted for automated comparison. If the trade fails to settle, then dealers sort out the issue in real-time through phone calls and electronic messages. The current settlement cycle of T+2 does not allow time for dealers to wait for a paper inter-dealer confirmation before remediating a failed trade, and settlement cycles are scheduled to reduce even further to T+1 in May 2024.

Further, should the MSRB believe it necessary to proceed with amendments to Rule G-12(c), codifying, merging, and/or retiring several different pieces of guidance requires a more deliberate and incremental approach to avoid unintentional consequences. We have concerns about guidance that is codified into the rule, as condensing language can cause new interpretation issues and compliance concerns. If this initiative continues, the MSRB should prioritize addressing guidance that is not proposed to be incorporated into Rule G-12(c) first.

2. How might the MSRB better clarify and streamline the Rule G-12(c) text? Are there any other confirmation disclosures that are not specifically discussed in this Request for Comment that should be added (including any confirmation disclosures that are required under Rule G-15(a)) into Rule G-12(c) to promote consistency in the market?

Rule G-12(c) should be eliminated or pared down to be limited to information required for trade settlement. There is no need to harmonize Rule G-15(a) and Rule G-12(c). Dealers do not need disclosure information like this from other dealers, as all dealers have access to security master information. The MSRB should focus its retrospective rulebook efforts on Rule G-12(h) on close-outs.

3. The MSRB believes that very few inter-dealer trades currently rely on Rule G-12(c) because the vast majority of such trades are in fact eligible for automated comparison. Is this correct? What are some situations in which Rule G-12(c) applies?

While buy-ins, close-outs and step-out trades may require exception processing, they are almost always<sup>3</sup> submitted for automated comparison before they are exited from NSCC, and the continuous netting settlement process, to DTCC for ex-clearing settlement. Any exceptions represent far less than 1% of total trading counts and volume.

4. For transactions in which Rule G-12(c) applies, have differences between Rule G-12(c) and Rule G-15(a) resulted in any challenges for dealers executing transactions with customers? For example, if a dealer sells to a customer a municipal security subject to Rule G-12(c) that it acquired from another dealer, does the difference in information requirements under the two rules impair the selling dealer's ability to fulfill its obligation to provide the required information in the customer confirmation under Rule G-15(a)? If so, what items of information typically cause such problems and would the draft amendments address such problems?

No. The information needed for a client confirmation is very different than the minimal information needed to operationally settle an interdealer trade. Dealers rely on information service vendors to provide all information needed for trading, confirmations, clearance and settlement, and would never use data received on a paper confirmation for a subsequent electronic trade. The draft amendments do not address the core issue which is that Rule G-12(c) is obsolete.

5. More generally, have dealers purchasing municipal securities subject to Rule G-12(c) been harmed or experienced operational inefficiencies or other difficulties as a result of the inclusion or exclusion of particular items of information under current Rule G-12(c)? If so, what items of information typically cause such problems and would the draft amendments address such problems?

Operationally, market practice has rendered interdealer confirmations obsolete. If paper interdealer confirmations are created, they are typically not utilized in any way, and immediately discarded. The requirement to have an interdealer confirmation pursuant to Rule G-12(c) is inefficient, burdensome and wasteful. Rule G-12(c) merely creates regulatory compliance risks without benefits. Rule G-12(c) should be eliminated or pared down to be limited to information required for trade settlement. Dealers do not need disclosure information from other dealers, as all dealers have access to security master information.

6. Are there any existing requirements under Rule G-12(c) or draft amended Rule G-12(c) that should be eliminated in addition to any requirements addressed in the questions above? If so, why?

Yes, Rule G-12(c) should be eliminated in whole, in addition to any requirements addressed in the questions above.

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<sup>3</sup> It is possible there may be rare trades which are ineligible for automated comparison in NSCC's RTTM system due to the lack of a CUSIP number on that particular security.

7. As identified in Appendix A (I), Appendix A (III) and Appendix A (V) in this Request for Comment, the MSRB is retiring various pieces of guidance pertaining to confirmation disclosure obligations. Is there any MSRB guidance pertaining to confirmation disclosure obligations that the MSRB proposes to retire that may still be beneficial for the market and should be retained? For example, should the MSRB retain one or more items that represent well understood concepts or common knowledge in the industry, address uncommon practices or are otherwise viewed as of limited utility in order to provide guidance to new market entrants or in the event of shifts in market practice? Please indicate so, and why?

At this time, even if Rule G-12(c) is retained, SIFMA agrees that the MSRB should retire the guidance as suggested in the Notice. However, Rule G-12(c) should be eliminated or pared down to be limited to information required for trade settlement. Dealers do not need disclosure information like this from other dealers, as all dealers have access to security master information.

8. As noted above, the MSRB proposes to retain the guidance identified in Appendix A (IV) in this Request for Comment without change at this time. Is there any MSRB guidance listed under Appendix A (IV) that market participants believe is not beneficial at this point and should be retired or amended instead?

SIFMA members agree that the guidance identified in Appendix A (IV) in the Notice should be retained without change at this time. These pieces of guidance largely relate to determining the character of the trade, which may continue to be beneficial.

9. In Rule G-15 Guidance: Yield Disclosures: Yields to Call on Zero Coupon Bonds dated January 4, 1984, the MSRB noted that, in the case of a computation of a yield or dollar price to a call or option feature on a transaction in a callable zero coupon security, for the purposes of Rule G-12 and Rule G-15, the call price shown on the confirmation should be expressed in terms of a percentage of the security's maturity value. This would be incorporated into the draft MSRB Notice 2023-08 amendment to Rule G-12(c)(v)(A)(7)(c)(iii)(C). The MSRB seeks comment on the current market practice in this area. Do commenters agree with this approach? Is this still the current market practice?

It is still current market practice to express the call price of a zero coupon security in terms of a percentage of the security's maturity value and SIFMA agrees with this approach for G-15 customer confirmations. However, Rule G-12(c) should be eliminated or pared down to be limited to information required for trade settlement. Yield to call information is not required for trade settlement. Dealers do not need this kind of disclosure information from other dealers, as all dealers have access to security master information.

10. Currently Rule G-12(c)(vi)(H)(1) requires an "ex-legal" designation on confirmations. The draft amendments would delete the "ex-legal" delivery designation from Rule G-12(c). The MSRB understands that "ex legal" is a term which refers to the absence of a

legal opinion and an “ex legal” designation on a confirmation describes the rare instances where a bond is physically delivered without a legal opinion attached. This reference was removed from Rule G-15(a) in 1995 due to the movement away from physical delivery of certificates. To further promote consistency with the analogous confirmation requirements noted in Rule G-15(a), the MSRB proposes to remove this confirmation disclosure requirement from Rule G-12(c) as well. Does the market see any benefit in retaining the “ex-legal” confirmation disclosure requirement?

If the MSRB keeps Rule G-12(c), SIFMA agrees that removing this term from Rule G-12(c) is appropriate. However, Rule G-12(c) should be eliminated or pared down to be limited to information required for trade settlement. Dealers do not need disclosure information like this from other dealers, as all dealers have access to security master information.

11. Currently, Rule G-12(c)(v)(E) provides that the description of the bonds should specify if they are “limited tax.” Traditionally, a limited tax bond is a general obligation bond secured by a specific tax or category of taxes, or a specific portion of any such taxes. This requirement was deleted from Rule G-15(a) in 1995 since its meaning over time had become ambiguous as various states implemented a variety of their own tax limitation measures. In staying consistent with Rule G-15(a), the MSRB proposes to remove this requirement from Rule G-12. Is there any benefit to retaining this requirement?

SIFMA agrees that there is no benefit to retaining this requirement in Rule G-12(c). Also, this type of disclosure is not needed for trade settlement. Dealers do not need disclosure information from other dealers, as all dealers have access to security master information. Maintaining disclosure requirements in Rule G-12(c) merely creates a regulatory burden for no tangible benefit to market participants.

12. In Rule G-15 Guidance: Securities Description: Revenue Securities dated December 1, 1982, the MSRB notes that for purposes of Rule G-12 and Rule G-15, revenue securities should be designated as such, regardless of whether such designation appears in the formal title of the security. This could lead to the revenue designation being stated twice on the confirmation, once in the title, and again in a separate information block. In 1995, MSRB acknowledged this redundancy issue and revised Rule G-15(a) to make clear that, if the bond is identified as a revenue bond on the title, there is no need to make an additional disclosure that the bond is a revenue bond. The MSRB proposes to follow the same approach by adding similar rule text into draft amended Rule G-12(c) and eliminating the requirement of redundant confirmation disclosures. Do commenters agree with this approach?

SIFMA agrees with this approach, if the MSRB decides to retain Rule G-12(c). However, Rule G-12(c) should be eliminated or pared down to be limited to information required for trade settlement. Dealers do not need disclosure information from other dealers, as all dealers have access to security master information.

13. If the MSRB were to codify the text noted under Rule G-15 Guidance: Confirmation Disclosure Requirements for Callable Municipal Securities, dated February 20, 1986, under draft amended Rule G-12(c)(v)(C)(2)(a) as is, in the event of alerting customers to additional call features, the draft amended rule text would require the confirmation disclosure to note that other call features exist, and dealers “must provide clarifying information about the noted call.” The MSRB addressed this obligation in 1995 when it revised Rule G-15(a) to put customers on notice regarding the presence of additional call features and for dealers to furnish the information “upon customers’ request” instead of a mandatory obligation for dealers to provide information. This approach is less burdensome for dealers. The MSRB proposes to make a similar change to Rule G-12(c) since this approach would be analogous to Rule G-15(a). Also, under Rule G-12(c)(v)(C)(2)(a), the MSRB is using the phrase “next pricing call” as noted under Rule G-15(a), instead of the term “first ‘in-whole’ call” as noted under the guidance to stay consistent with the terminology used in the market. Do commenters agree with both of the proposed language enhancements reflected in the draft amended rule text?

SIFMA agrees with both of these language changes, should the MSRB decide to retain Rule G-12(c). However, Rule G-12(c) should be eliminated or pared down to be limited to information required for trade settlement. Dealers do not need disclosure information from other dealers, as all dealers have access to security master information.

14. In Rule G-33 Guidance: Calculations for Securities with Periodic Interest Payments, dated February 23, 2016, the MSRB reminded dealers that computations of yields and dollar prices shall be made in accordance with the formulas prescribed in Rule G-33; this requirement already exists in Rule G-15(a) and is being proposed in the draft amended rule text of Rule G-12(c). Further, this notice provides that prior to July 18, 2016, dealers would be in compliance with Rule G-33(b)(i)(B)(2) if calculating price and yield on interest-bearing securities with periodic interest payments and more than one coupon period to redemption factoring in the actual interest frequency rather than assuming a semi-annual interest payment. Since the safe harbor given in this guidance in 2016 is no longer applicable, the MSRB is seeking to retire and archive this guidance. Is there any aspect of this guidance that should be retained in any way? If so, please specify.

This guidance does not need to be retained.

15. Would the draft amended rule text impose any burdens unique to minority and women-owned business enterprise (“MWBE”), veteran-owned business enterprise (“VBE”) or other special designation firms? If so, do commenters have any specific recommendations to alleviate these burdens while still promoting the objectives of Rule G-12(c)? Please offer suggestions.

No, these changes would not impose any unique burdens on MWBE, VBE or other special designation firms, other than those that may otherwise be classified as small firms. Eliminating Rule G-12(c) would reduce the burdens on these dealers without reducing any information or protections to market participants.

16. Would the obligations proposed in connection with Rule G-12(c) result in an undue impact on access to business opportunities for small dealers? If so, do commenters have any specific recommendations to alleviate these burdens while still promoting the objectives of Rule G-12(c)? Please offer suggestions.

Regulatory changes typically do create higher burdens on small dealers that may have less resources for systems and compliance changes. Eliminating Rule G-12(c) would reduce the burdens on these dealers without reducing any information to or protections for market participants.

17. Would the obligations proposed in connection with the draft amendments to Rule G-12(c) result in an undue impact on access to business opportunities for MWBE, VBE or other special designation firms? If so, do commenters have any specific recommendations to alleviate these impacts while still promoting the objectives of Rule G-12(c)? Please offer suggestions.

No, these draft amendments would not result in an undue impact on access to business opportunities for MWBE, VBE or other special designation firms. However, eliminating Rule G-12(c) would clearly reduce the burdens on these dealers.

18. Would draft amended Rule G-12(c) result in an undue impact on access to business opportunities for small dealers? If so, do commenters have any specific recommendations to alleviate these burdens while still promoting the objectives of Rule G-12(c)? Please offer suggestions.

These draft amendments would not result in an undue impact on access to business opportunities for small dealer firms. However, SIFMA feels a better result would be to eliminate Rule G-12(c).