

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-51892; File No. SR-MSRB-2005-08)

June 21, 2005

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing of Proposed Rule Change Regarding Amendments to Rule G-40, on Electronic Mail Contacts, and Form G-40

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on May 26, 2005, the Municipal Securities Rulemaking Board (“MSRB” or “Board”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the MSRB. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. SELF-REGULATORY ORGANIZATION'S STATEMENT OF THE TERMS OF SUBSTANCE OF THE PROPOSED RULE CHANGE

The MSRB is filing with the Commission a proposed rule change consisting of amendments to Rule G-40, on electronic mail contacts, and Form G-40 that would: (i) eliminate the need for paper submission of original forms; (ii) require each broker, dealer and municipal securities dealer (collectively “dealers”) to maintain an Internet electronic mail account to permit communication with the MSRB; and (iii) require each dealer to review and, if necessary, update its Primary Contact information each calendar quarter. The text of the proposed rule change, as well as proposed amended Form G-40, are

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

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

available on the MSRB's Web site (<http://www.msrb.org>), at the MSRB's principal office, and at the Commission's Public Reference Room.

II. SELF-REGULATORY ORGANIZATION'S STATEMENT OF THE PURPOSE OF, AND STATUTORY BASIS FOR, THE PROPOSED RULE CHANGE

In its filing with the Commission, the MSRB included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The MSRB has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The events of September 11, 2001 and the weeks that followed, emphasized the importance of, and need for an efficient and reliable means of official communication between regulators and the industry. Establishing a reliable method for electronic communication was necessary to allow the MSRB to efficiently alert dealers to official communications, including time-sensitive developments, rule changes, notices, etc., as well as to facilitate dealers' internal distribution of such information. In addition, the MSRB discontinued publication of MSRB Reports in 2002; MSRB notices have since been available exclusively on the MSRB's Web site at [www.msrb.org](http://www.msrb.org). Thus, in 2002 the MSRB adopted Rule G-40, on e-mail contacts, to ensure that such notices and other MSRB communications continued to reach each dealer.<sup>3</sup>

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<sup>3</sup> Rule G-40 was approved in SEC Release No. 34-46043 (June 6, 2002), 67 FR 40762.

Rule G-40 requires dealers to use Form G-40 to appoint a “Primary Contact” for purposes of electronic communication between the dealer and the MSRB. The Primary Contact must be either a Series 53-registered municipal securities principal or a Series 51-registered municipal fund securities limited principal.<sup>4</sup> Currently, dealers must submit their original Forms G-40 by mail. Thereafter, any changes to the forms may be made by mail or electronically through the dealer’s electronic G-40 account using the appropriate user ID and password.

As the process of electronic communication between dealers and the MSRB has evolved over the past few years, it has become apparent that certain changes and enhancements are now required to ensure that this process remains both efficient and practical. In addition, the MSRB has observed that certain differences exist between Rule G-40 and similar NASD requirements. Whenever possible, the MSRB attempts to adopt similar provisions and comparable language to NASD rules in order to facilitate dealer understanding of and compliance with such provisions, as well as inspection and enforcement. NASD requires that each member appoint an “executive representative” to, among other things, serve as the official contact person between the member and the NASD.<sup>5</sup> NASD also requires that the executive representative maintain an Internet e-mail account for communication with NASD. And in May 2004, NASD Rule 1150 became effective which requires NASD members to review and, if necessary, update

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<sup>4</sup> Dealers may also appoint an “Optional Contact” and this person does not have to be a registered principal.

<sup>5</sup> Article IV, Section 3 of the NASD By-Laws requires members to appoint and certify to NASD one “executive representative” to represent, vote and act for the member in all NASD affairs. The executive representative must be a member of the firm’s senior management and a registered principal of the member.

their executive representative designation and contact information within 17 business days after the end of each calendar quarter.<sup>6</sup>

The MSRB believes that Rule G-40 should contain an update provision similar to NASD's, and that, like NASD, its entire process should be electronic. Thus, the proposed amendments to Rule G-40 would require dealers to maintain an Internet e-mail account to permit communication with the MSRB, and would require that all Form G-40 submissions – initial forms and subsequent updates and amendments – be completed electronically using the appropriate user ID and password. In addition, the amendments would require dealers to review and, if necessary, update information on their Primary Contact within 17 business days after the end of each calendar quarter. The proposed amendments to Rule G-40 necessitate certain changes to Form G-40, including an indication that electronic submission is required.

## 2. Statutory Basis

The MSRB believes that the proposed rule change is consistent with Section 15B(b)(2)(I) of the Act,<sup>7</sup> which authorizes the MSRB to adopt rules that provide for the operation and administration of the MSRB. The MSRB believes that the proposed rule change is consistent with this provision in that it will facilitate effective electronic communication between dealers and the MSRB, and that by ensuring MSRB requirements for electronic communication are substantially similar to NASD requirements, it will facilitate dealer understanding of, and compliance with, these requirements.

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<sup>6</sup> SEC Release No. 34-49497 (March 29, 2004), 69 FR 17723.

<sup>7</sup> 15 U.S.C. 78o-4(b)(2)(I).

B. Self-Regulatory Organization's Statement on Burden on Competition

The MSRB does not believe that the proposed rule change will result in any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received on the proposal.

III. DATE OF EFFECTIVENESS OF THE PROPOSED RULE CHANGE AND TIMING FOR COMMISSION ACTION

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- A. by order approve such proposed rule change, or
- B. institute proceedings to determine whether the proposed rule change should be disapproved.

IV. SOLICITATION OF COMMENTS

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form

(<http://www.sec.gov/rules/sro.shtml>); or

- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-MSRB-2005-08 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, Station Place, 100 F Street, NE, Washington, DC 20549-9303.

All submissions should refer to File Number SR-MSRB-2005-08. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing also will be available for inspection and copying at the MSRB's offices. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information

that you wish to make available publicly. All submissions should refer to File Number SR-MSRB-2005-08 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>8</sup>

Jill M. Peterson  
Assistant Secretary

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<sup>8</sup> 17 CFR 200.30-3(a)(12).