

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-53960, File No. SR-MSRB-2006-01)

June 8, 2006

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Order Approving Proposed Rule Change and Amendment No. 1 Relating to Withdrawal of Obsolete Question-and-Answer Interpretive Guidance under Former Rule G-38, on Consultants, and Certain Question-and-Answer Interpretive Guidance Relating to the Definition of “Solicitation” under Rule G-37, on Political Contributions and Prohibitions on Municipal Securities Business

On March 28, 2006, the Municipal Securities Rulemaking Board (“MSRB” or “Board”), filed with the Securities and Exchange Commission (“SEC” or “Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² a proposed rule change to delete obsolete Question-and-Answer (“Q&A”) interpretive guidance under former Rule G-38, on consultants, and certain Q&A interpretive guidance relating to the definition of “solicitation” under Rule G-37, on political contributions and prohibitions on municipal securities business. On April 20, 2006, the MSRB filed Amendment No. 1 to the proposed rule change.³ The proposed rule change was published for comment in the Federal Register on May 5, 2006.⁴ The Commission received no comment letters regarding the proposal.

The proposed rule change deletes obsolete Q&A interpretive guidance under

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Amendment No. 1 deletes one additional Q&A providing interpretive guidance under Rule G-37 and former Rule G-38.

⁴ See Securities Exchange Act Release No. 53746 (May 1, 2006), 71 FR 26577 (May 5, 2006).

former Rule G-38, on consultants, and certain Q&A interpretive guidance relating to the definition of “solicitation” under Rule G-37. On August 29, 2005, new Rule G-38, on solicitation of municipal securities business, became effective, superseding former Rule G-38 on consultants.⁵ The MSRB had previously published a number of Q&A interpretations on the former rule, none of which continue to apply to new Rule G-38 since the consultant provisions to which they relate are no longer in effect. Accordingly, the MSRB is deleting all obsolete Rule G-38 Qs&As.

The MSRB filed a related proposed rule change⁶ relating to the definition of solicitation under MSRB Rules G-37 and G-38 (the “companion proposed rule change”). The companion proposed rule change inserts the substantive language of the Rule G-37 solicitation Qs&As deleted in this proposal into the text of the solicitation guidance provided in the companion proposed rule change. Accordingly, the proposed rule change and the companion proposed rule change consolidate the MSRB’s guidance on the definition of solicitation for purposes of Rules G-37 and G-38.

The Commission finds that the proposed rule change, as amended, is consistent with the requirements of the Act and the rules and regulations thereunder applicable to the MSRB⁷ and, in particular, the requirements of Section 15B(b)(2)(C) of the Act⁸ and the rules and regulations thereunder. Section 15B(b)(2)(C) of the Act requires, among

⁵ Securities Exchange Act Release No. 52278 (August 17, 2005); 70 FR 49342 (August 23, 2005).

⁶ See File No. SR-MSRB-2005-11.

⁷ In approving this rule the Commission notes that it has considered the proposed rule’s impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

⁸ 15 U.S.C. 78o-4(b)(2)(C).

other things, that the MSRB's rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in municipal securities, to remove impediments to and perfect the mechanism of a free and open market in municipal securities, and, in general, to protect investors and the public interest.⁹ In particular, the Commission finds that the proposed rule change will help dealers understand their obligations under MSRB rules designed to maintain standards of fair practice and professionalism, thereby helping to maintain public trust and confidence in the integrity of the municipal securities market.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,¹⁰ that

⁹ Id.

¹⁰ 15 U.S.C. 78s(b)(2).

the proposed rule change (SR-MSRB-2006-01), as amended, be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹¹

Nancy M. Morris
Secretary

¹¹ 17 CFR 200.30-3(a)(12).