

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-75934; File No. SR-MSRB-2015-10)

September 17, 2015

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Revise the Effective Date of New Rule G-18, on Best Execution of Transactions in Municipal Securities, and Amendments to Rule G-48, on Transactions with Sophisticated Municipal Market Professionals, and Rule D-15, on the Definition of Sophisticated Municipal Market Professional

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on September 3, 2015, the Municipal Securities Rulemaking Board (the “MSRB” or “Board”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II 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 filed with the Commission a proposed rule change to revise the effective date of new Rule G-18, on best execution of transactions in municipal securities, and amendments to Rule G-48, on transactions with sophisticated municipal market professionals (“SMMPs”), and Rule D-15, on the definition of SMMP (“proposed rule change”).³ The MSRB has designated the proposed rule change for immediate effectiveness. The new effective date of Rule G-18 and the related amendments to Rules G-48 and D-15 (“related amendments”) will be 120 days from the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The Commission approved new Rule G-18 and amendments to Rule G-48 and Rule D-15 on December 5, 2014, which were previously scheduled to become effective on December 7, 2015. See Exchange Act Release No. 73764 (Dec. 5, 2014), 79 FR 73658 (Dec. 11, 2014) (SR-MSRB-2014-07) (“SEC Approval Order”).

date of publication by the MSRB of implementation guidance on those rules, but no later than April 29, 2016. Upon publication of the implementation guidance, the MSRB will announce the resulting specific effective date.

The text of the proposed rule change is available on the MSRB's website at www.msrb.org/Rules-and-Interpretations/SEC-Filings/2015-Filings.aspx, 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 MSRB proposes to revise the effective date of Rule G-18 and the related amendments. On December 5, 2014, the Commission approved Rule G-18 and the related amendments with an effective date of one year after Commission approval, which is December 7, 2015.⁴ The core provision of Rule G-18 generally will require dealers, in any transaction for or with a customer or a customer of another dealer, to use reasonable diligence to ascertain the best market for the subject security and to buy or sell in that market so that the resultant price to the customer is as favorable as possible under prevailing market conditions.

⁴ Id.

In its 2012 Report on the Municipal Securities Market,⁵ the Commission recommended that the MSRB consider buttressing existing fair-pricing standards by establishing a best-execution obligation and providing guidance to dealers on how best-execution concepts would be applied to municipal securities transactions. After the final terms of the new obligation were established through the Commission's approval of Rule G-18 and the related amendments on December 5, 2014, the MSRB began an initiative to develop implementation guidance consistent with the Commission's additional recommendation. As previously indicated during the rulemaking process, the MSRB has planned to publish the implementation guidance prior to Rule G-18 and the related amendments becoming effective⁶ and to coordinate with the Financial Industry Regulatory Authority ("FINRA") with the aim to establish consistent guidance, as appropriate, on the application of best-execution standards in both the municipal securities and corporate debt markets.⁷ Also as publicly announced, the Commission committed to work closely with the MSRB and FINRA as they work together to provide guidance on best-execution obligations under their respective rules.⁸ Throughout the initiative to develop implementation

⁵ SEC Report on the Municipal Securities Markets (July 31, 2012), 149-50, [available at http://www.sec.gov/news/studies/2012/munireport073112.pdf](http://www.sec.gov/news/studies/2012/munireport073112.pdf).

⁶ See the MSRB's proposed rule change, [available at http://www.msrb.org/~media/Files/SEC-Filings/2014/MSRB-2014-07.ashx?la=en](http://www.msrb.org/~media/Files/SEC-Filings/2014/MSRB-2014-07.ashx?la=en); Exchange Act Release No. 72956 (September 2, 2014), 79 FR 53236, 53245 (September 8, 2014) (SR-MSRB-2014-07), [available at http://www.msrb.org/~media/Files/SEC-Filings/2014/MSRB-2014-07-Fed-Reg-Notice.ashx?la=en](http://www.msrb.org/~media/Files/SEC-Filings/2014/MSRB-2014-07-Fed-Reg-Notice.ashx?la=en); MSRB response to comments, [available at http://www.sec.gov/comments/sr-msrb-2014-07/msrb201407-8.pdf](http://www.sec.gov/comments/sr-msrb-2014-07/msrb201407-8.pdf); SEC Approval Order at 73662; MSRB Notice 2014-22, [available at http://www.msrb.org/~media/Files/Regulatory-Notices/Announcements/2014-22.ashx?n=1](http://www.msrb.org/~media/Files/Regulatory-Notices/Announcements/2014-22.ashx?n=1) ("Approval Notice").

⁷ See MSRB response to comments (SR-MSRB-2014-07), SEC Approval Order, and Approval Notice.

⁸ See Mary Jo White, Chair, Securities and Exchange Commission, Intermediation in the Modern Securities Markets: Putting Technology and Competition to Work for Investors

guidance, the MSRB has coordinated with the Commission and FINRA and, currently, this process continues.

The MSRB has intended, in part based on dialogue with market participants, to publish the implementation guidance approximately four months in advance of the effective date to provide dealers sufficient time to review the guidance and utilize it, for example, in their development or revision of policies and procedures necessary to comply with Rule G-18 and the related amendments. Accordingly, the MSRB submits this proposed rule change to revise the effective date of Rule G-18 and the related amendments to be 120 days from the date the implementation guidance is published by the MSRB, but no later than April 29, 2016. The proposed rule change is designed to afford dealers four months with the use of the published implementation guidance to prepare to comply with the requirements of Rule G-18 and the related amendments, as the MSRB has intended and believes to be sufficient.

2. Statutory Basis

The MSRB believes that the proposed rule change is consistent with Section 15B(b)(2)(C) of the Act,⁹ which provides that the MSRB's rules shall:

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

(June 20, 2014) (“[T]o assure that brokers are subject to meaningful obligations to achieve the best executions for investors in both corporate and municipal bond transactions, we will be working closely with . . . FINRA and the MSRB as they work together to provide practical guidance on how brokers might effectively achieve best execution.”).

⁹ 15 U.S.C. 78o-4(b)(2)(C).

The proposed rule change does not alter any rule language but revises the effective date of Rule G-18 and the related amendments, which were previously approved by the Commission. By providing a period of four months from the date the implementation guidance is published by the MSRB (ending no later than April 29, 2016), the MSRB believes the proposed rule change will promote compliance with the new best-execution rule and will further the stated purposes of Rule G-18 and the related amendments to promote just and equitable principles of trade, facilitate transactions in municipal securities, remove impediments to and perfect the mechanism of a free and open market in municipal securities and protect investors. In addition, by generally making the effective date a function of the publication of the implementation guidance by the MSRB, the revision provides the municipal securities industry with greater certainty regarding the length and adequacy of the implementation period.

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

Section 15B(b)(2)(C) of the Act¹⁰ requires that MSRB rules be designed not to impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. The MSRB does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the Act. The proposed rule change will not alter any rule language and will, instead, only revise the effective date of Rule G-18 and the related amendments to be 120 days after the publication of the implementation guidance by the MSRB, but no later than April 29, 2016.

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 proposed rule change.

¹⁰ Id.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Pursuant to Section 19(b)(3)(A)¹¹ of the Act and Rule 19b-4(f)(6)¹² thereunder, the MSRB has designated the proposed rule change as one that effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate. A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative until 30 days after the date of filing.¹³ However, Rule 19b-4(f)(6)(iii) permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest.¹⁴ The MSRB has requested that the Commission designate the proposed rule change operative upon filing, as specified in Rule 19b-4(f)(6)(iii), which would make the proposed rule change operative on September 3, 2015.¹⁵

According to the MSRB, the proposed rule change is designed to afford dealers four months with the use of the published implementation guidance to prepare to comply with the requirements of new Rule G-18 and the related amendments. The MSRB believes the proposed rule change provides dealers with sufficient time to review such guidance and utilize it, for

¹¹ 15 U.S.C. 78s(b)(3)(A).

¹² 17 CFR 240.19b-4(f)(6).

¹³ Id.

¹⁴ In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change, along with a brief description and text of such proposed rule change, at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Commission has designated a shorter time for delivery of such written notice.

¹⁵ See SR-MSRB-2015-10 (September 3, 2015).

example, in their development or revision of policies and procedures necessary to comply with new Rule G-18 and the related amendments. The MSRB also stated that the proposed rule change provides the municipal securities industry with greater certainty regarding the length and adequacy of the implementation period. The Commission believes the proposed rule change is consistent with the protection of investors and the public interest because it will help promote consistent and accurate compliance and further the stated purposes of new Rule G-18 and the related amendments. In addition, the proposed rule change does not alter any rule language and will, instead, only revise the effective date of new Rule G-18 and the related amendments, which were previously approved by the Commission. Therefore, the Commission hereby designates the proposed rule change operative upon filing.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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. Please include File Number SR-MSRB-2015-10 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

All submissions should refer to File Number SR-MSRB-2015-10. 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 website (<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 website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 am and 3:00 pm. Copies of the filing also will be available for inspection and copying at the principal office of the MSRB. 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-2015-10 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, pursuant to delegated authority.¹⁶

Brent J. Fields
Secretary

¹⁶ 17 CFR 200.30-3(a)(12).