

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-50820; File No. SR-MSRB-2004-06)

December 8, 2004

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Order Approving Proposed Rule Change To Create Real-Time Transaction Price Service and Propose Annual Subscription Fee

On October 26, 2004, 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 create the Real-Time Transaction Price Service (the “Service”) and propose an annual subscription fee for the Service. The proposed rule change was published for comment in the Federal Register on November 4, 2004.³ The Commission received one comment letter regarding the proposal.⁴ On November 30, 2004, the MSRB filed a response to the comment letter.⁵ This order approves the proposed rule change.

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to the MSRB⁶

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Securities Exchange Act Release No. 50605 (October 29, 2004), 69 FR 64346 (November 4, 2004) (“Notice”).

⁴ See e-mail letter from Al Adler, CEO, Munibond.com, to rule-comments@sec.gov, dated November 4, 2004 (“Mr. Adler’s Letter”).

⁵ See letter from Jill C. Finder, Assistant General Counsel, MSRB, to Martha M. Haines, Chief, Office of Municipal Securities, Division of Market Regulation, Commission, dated November 30, 2004 (“MSRB’s Response Letter”).

⁶ 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).

and, in particular, the requirements of Section 15B(b)(2)(C) of the Act and the rules and regulations thereunder.⁷ Section 15B(b)(2)(C) of the Act requires, among 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.⁸ In particular, the Commission finds that the proposed rule change will increase transparency and facilitate the fair pricing of municipal securities transactions.

Mr. Adler's Letter expressed concerns about the pricing of the Real-Time Transaction Price Service, stating that the Service will increase the abuses and inequalities in the municipal bond market and will be of immediate benefit to large bond dealers at the expense of small investors. Mr. Adler stated that the delivery fee was drastically inflated to discourage small bond investors from using the Service and that the MSRB should cut the fee for the Service as far as possible, perhaps even making it free, if the MSRB wants to help the small municipal bond investor have any degree of information parity with the larger firms.

The MSRB's Response Letter states that the MSRB's intent is to achieve the widest possible dissemination of the real-time data, with the ultimate goal of making the data available to investors for free or at a very modest cost. The MSRB stated that it strongly encourages the redistribution of data obtained through the Real-Time

⁷ 15 U.S.C. 78o-4(b)(2)(C).

⁸ Id.

Transaction Reporting System, and that, toward this end, subscribers to the Service will be allowed to re-disseminate transaction data to an unlimited number of their own customers or clients at no additional charge. The MSRB further stated that by not charging for or restricting re-dissemination of the transaction data, the MSRB wishes to encourage information vendors -- and various other entities that make securities data available to members of the securities industry and the public -- to use the transaction data in their products and services. Finally, the MSRB stated that, through this approach, the MSRB anticipates that it will be possible for a typical individual investor to obtain the transaction data that is relevant to his or her investments for free or at a very modest cost.

After careful consideration, the Commission believes the proposed annual subscription fee for the Real-Time Transaction Price Service satisfies the statutory standards, and that the proposed rule change will increase transparency and facilitate the fair pricing of municipal securities transactions. For the reasons discussed above, the Commission finds that the proposal is consistent with the Act and the rules and regulations thereunder.

IT IS THEREFORE ORDERED, pursuant to Section 19(b)(2) of the Act,⁹ that the

⁹ 15 U.S.C. 78s(b)(2).

proposed rule change (SR-MSRB-2004-06) be, and hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁰

Margaret H. McFarland
Deputy Secretary

¹⁰ 17 CFR 200.30-3(a)(12).