

("MSIL®")⁴ and (ii) an amendment to Rule G-36. In its current form, Rule G-36 requires that a broker, dealer or municipal securities dealer that acts as managing or sole underwriter for most primary offerings send the official statement and Form G-36(OS) to the MSIL® system within certain time frames set forth in the rule.⁵ In the case of an advance refunding, the managing or sole underwriter must send both the prepared advance refunding documentation and Form G-36(ARD) to the MSIL® system.⁶

In November 1998, the MSRB published an interpretive release describing requisite standards for dealers to satisfy document delivery obligations by means of electronic communications.⁷ Since publication of the notice, the MSRB has encouraged modernization of disclosure practices in the primary and secondary municipal securities market. This proposed rule change implements an optional system of electronic submission by underwriters of official statements, advance refunding documents and Form G-36 (ARD) to the MSIL® system. Additionally, the proposed change amends rule G-36 in order to effectuate this electronic system. The new system will allow underwriters to choose between documents submissions in either electronic or paper form.

The Commission must approve a proposed MSRB rule change if the Commission finds the proposal is consistent with the requirements of the Act and the rules and regulations thereunder that govern the MSRB.⁸ The Commission finds that the proposed rule change meets this standard. In

particular, the Commission finds that the proposed rule is consistent with the requirements of Section 15B(b)(2)(C) of the Act,⁹ which requires, in pertinent part, 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, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national system, and, in general, to protect investors and the public interest.

It Is Therefore Ordered, pursuant to Section 19(b)(2) of the Act¹⁰, that the proposed rule change (File No. MSRB-2001-03) be, and it hereby is approved.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-44642; File No. MSRB-2001-04]

Self-Regulatory Organizations; Municipal Securities Rulemaking Board (MSRB); Order Granting Approval of Proposed Rule Change Relating to In-firm Delivery of the Regulatory Element of the Continuing Education Requirement

August 1, 2001.

On June 14, 2001, the Municipal Securities Rulemaking Board ("MSRB") filed with the Securities and Exchange Commission ("Commission"), pursuant to Section 10(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² a proposed rule change to amended rules G-3, on professional qualifications, rule G-8, on books and records, G-9, on record retention, and G-27, on supervision. The proposed rule change will allow dealers to provide in-firm delivery of the Regulatory Element of the continuing education requirement.

The proposed rule change was published for comment in the **Federal**

Register on June 28, 2001.³ The Commission received no comments on the proposal. This order approves the proposal.

In its current form, Rule G-3(h)(i)(A)(1) requires that each registered person who is not exempt from the rule, complete the Regulatory Element on the occurrence of his or her second registration anniversary and every three years thereafter. The Regulatory Element is a three and one half hour computer-based training program previously only administered at the location of an outside vendor. On each occasion, the training must be completed within 120 days after the registered person's anniversary date. A registered person who has not completed the Regulatory Element within the prescribed time periods is deemed to be inactive until the Regulatory Element has been fulfilled, and may not conduct, or be compensated for, activities requiring a securities registration.

The MSRB proposed rule change integrates the in-firm delivery requirements as specified by the Securities Industry/Regulatory Council on Continuing Education ("Council"), an overseer of the continuing education program for the securities industry. The Council recommends and assists in developing specific content and questions for the Regulatory Element, and minimum core curricula for the Firm Element. The Council, working with representatives from the North American Securities Administrators Association, and with the knowledge of the Council's Securities and Exchange Commission liaisons, developed a model under which brokers, dealers and municipal securities dealers may deliver the Regulatory Element computer-based training on firm premises. The model requires that the broker, dealer or municipal securities dealer meet certain conditions for in-firm delivery relating to supervision, computer hardware and security of the training delivery environment.

The Commission believes the proposed rule change is consistent with the protection of investors and the public interest on account that it facilitates the ability of registered persons to satisfy their obligations to meet the Regulatory Element of the continuing education requirement. Additionally, the Commission believes that the proposed rule change will not impose any burden on competition, since it equally applies to all brokers,

⁴ Municipal Securities Information Library and MSIL are registered trademarks of the MSRB.

⁵ For primary offerings subject to Exchange Act Rule 15c2-12, the final official statement and Form G-36(OS) must be sent to the MSIL® system within one business day after receipt of the official statement from the issuer, but no later than ten business days after the sale date of the offering. For most primary offerings exempt from Rule 15c2-12 for which an official statement in final form is being prepared, such official statement and Form G-36(OS) must be sent to the MSIL® system by the later of one business day after the closing of the underwriting or one business day after receipt of the official statement from the issuer. Rule G-36(c)(iii) provides exemptions from the rule requirements for certain limited types of offerings.

⁶ The advance refunding document and Form G-36(ARD) must be sent to the MSIL® system within five business days after the closing of the underwriting.

⁷ See Rule G-32 Interpretation—Notice Regarding Electronic Delivery and Receipt of Information by Brokers, Dealers and Municipal Securities Dealers, November 20, 1998, *MSRB Rule Book*, (January 1, 2001) at 161.

⁸ In approving this proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁹ 15 U.S.C. 78o-4(b)(2)(C).

¹⁰ 15 U.S.C. 78s(b)(2).

¹¹ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Release No. 34-44464 (June 22, 2001), 66 FR 34499.

dealers and municipal securities dealers.

The Commission must approve a proposed MSRB rule change if the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder that govern the MSRB.⁴ The Commission finds that the proposed rule change meets this standard. In particular, the Commission finds that the proposed rule is consistent with the requirements of Section 15B(b)(2)(C) of the Act,⁵ which requires, 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, settling, process information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national system, and, in general, to protect investors and the public interest.

It Is Therefore Ordered, pursuant to Section 19(b)(2) of the Act⁶, that the proposed rule change (File No. MSRB-2001-04) be, and it hereby is, approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority⁷.

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-44648; File No. SR-NSCC-2001-11]

Self-Regulatory Organizations; National Securities Clearing Corporation; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Regarding IntraDay Contract Reports

August 2, 2001.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),¹ notice is hereby given that on June 14, 2001, the National Securities Clearing Corporation ("NSCC") filed with the Securities and Exchange

Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which items have been prepared primarily by NSCC. 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 proposed rule change modifies NSCC's Procedures to provide that contract lists may be made available to members on an intraday basis. The proposed rule change also amends NSCC's Rules to provide that the earlier production of trade reports will not change the timing of NSCC's trade guaranty.

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

In its filing with the Commission, NSCC 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. NSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.²

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

Delivering trade data output to NSCC's participants throughout the day has been identified as one of many components necessary to meet the challenge of shortening the clearance and settlement process as the securities industry moves towards settlement on a T+1 basis. Accordingly and in preparation for the move towards shortened settlement cycles, NSCC is modifying its Procedures³ to provide that contract lists may be issued to participants on a multibatch intraday basis to report trade activity that has been submitted by or on behalf of participants through such intraday processing time. NSCC states that such reporting will provide its participants with trade information on an earlier and more frequent basis as well as increase NSCC's processing capacity.

The provisions of intraday reports is not at this time intended to impact or

change the timing of NSCC's trade guaranty obligations, which under the current rules become effective at midnight of the day on which trades are reported to participants as compared or recorded. NSCC generally reports trades on T+1. The timing of the guaranty was based on the fact that NSCC has historically provided its participants with end of day contract reporting early in the morning of T+1. NSCC wants to make contract sheets available intraday throughout the day on trade date but does not want at this time to be required to provide an earlier trade guaranty. NSCC is currently analyzing what risk procedures it needs to cover an early guaranty.

To ensure that the earlier trade reporting does not impact the trade guaranty, NSCC is modifying Addenda K and M. As both addenda currently set forth NSCC's trade guaranty policies, these provisions are being consolidated in Addendum K, and Addendum M will be deleted. The revised Addendum K will now provide that NSCC will guaranty the completion of CNS and balance order trades as of the later of: (i) Midnight of T + 1 or (ii) midnight of the day the trades are reported to participants as compared or recorded on contracts. In addition, certain changes are being made to Addendum K to delete provisions relating to services (relating to New York Windows and the International Securities Clearing Corporation) NSCC no longer provides.

NSCC states that this rule change permits trade information to be made available to NSCC's participants on an earlier and more frequent basis and therefore will facilitate the prompt and accurate clearance and settlement of securities transactions without jeopardizing the safety and soundness of the clearing process. NSCC believes that the proposed rule change is therefore consistent with the requirements with Section 17A(b)(3)(F) of the Act and the rules and regulations thereunder.

(B) Self-Regulatory Organization's Statement on Burden on Competition

NSCC does not believe that the proposed rule change will have an impact on or impose a burden on competition.

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

No written comments relating to the proposed rule change have been solicited or received. NSCC will notify the Commission of any written comments it receives.

⁴ In approving this proposed rule change, the Commission notes that it has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

⁵ 15 U.S.C. 78o-4(b)(2)(C).

⁶ 15 U.S.C. 78s(b)(2).

⁷ 17 CFR 200.30-3(a)(12).

¹ 15 U.S.C. 78s(b)(1).

² The Commission has modified parts of these statements.

³ NSCC's Procedure II, Trade Comparison Service.