

issue (CUSIP number) was traded four or more times. Based upon transaction data reported to the Board in March, April and May 1998, it appears that approximately one thousand issues will be traded four or more times on a typical day.

The Combined Daily Report includes summary information describing the day's market in municipal securities. The summary covers all municipal securities trades, regardless of frequency of trading. The following data elements for each issue would be published in the Combined Daily Report: (1) The CUSIP number that identifies the issue; (2) A short description of the issue that was traded; (3) The total number of trades in the issue (both inter-dealer and customer) that were reported to the MSRB; (4) The total dollar value of all trades in the issue on the trade date; (5) The highest price of all trades in the issue; (6) The lowest price of all trades in the issue; (7) The arithmetic mean of all trades whose par values were between \$100,000 and \$1,000,000; (8) The number of trades whose par values were between \$100,000 and \$1,000,000; (9) Whether the issue was traded while in "when," "as," and "if issued" status; and (10) Assumed settlement date.⁸

Review Process for Customer Transaction Data Used in Combined Daily Report

Customer transaction records submitted by dealers are reviewed automatically as part of data processing within the TRS. Trade records are excluded from eligibility for the Combined Daily Report if: (i) the trade date reported in the record is for a day other than the day being reported in the Combined Daily Report; (ii) the trade record or the file containing the trade record is not in the required format or otherwise violates stated system input requirements;⁹ (iii) the submitter of the file has not filed with the Board the required information to identify itself; (iv) the trade record contains a dealer identifier that is unknown to the

Board;¹⁰ (v) the information contained in the trade record is so substantially outside expected parameters that an input error is suspected; (vi) the CUSIP number submitted is not known to be a valid CUSIP number for a municipal securities issues;¹¹ or (vii) the trade record contains no dollar price and a dollar price cannot be calculated from the reported yield on the transaction using the Board's available data about the security and standard yield-to-price calculation techniques for securities with periodic interest payments and with more than six months to redemption, contained in Board rule G-33(b)(i)(B)(2).¹²

III. Discussion

The Commission finds that the proposed rule change is consistent with Section 15B(b)(2)(C) of the Act,¹³ which requires, in pertinent part, that the Board'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 * * * 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."¹⁴

The Commission believes that the Service will increase transparency in the municipal securities market by adding information about transactions between dealers and customers to the information currently disseminated by the Program. This should promote investor confidence in the market and its pricing mechanism.

The Combined Report's format will be the same as that of the Inter-Dealer Report, which should simplify use of the new report. The Board represents that if experience with the Combined Daily Report indicates revisions are

needed, it will revise the format to ensure that the Program will continue to provide market transparency to market participants. The Commission notes that the Board does not expect or intend to make a profit from the Service.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹⁵ that the proposed rule change (SR-MSRB-98-9) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁶

Margaret H. McFarland,
Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-40349; File No. SR-MSRB-98-11]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Municipal Securities Rulemaking Board Relating to Reports of Sales and Purchases, Pursuant to Rule G-14

August 20, 1998.

On August 20, 1998, the Municipal Securities Rulemaking Board ("the Board" or "MSRB") filed with the Securities and Exchange Commission ("Commission" or "SEC") a proposed rule change (File No. SR-MSRB-98-11) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder.² The proposed rule change is described in Items I, II and III below, which Items have been prepared by the Board. 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 Board is filing herewith a proposed rule change to set the effective date to begin operation of a service ("the Service") to provide daily reports from the Board's Transaction Reporting Program ("the Program") that will summarize information about customer and interdealer transactions in municipal securities reported to the Board under Rule G-14.

⁸In some cases, it is necessary to assume a settlement date to calculate price from yield for inclusion of the price in the Combined Daily Report. The assumed settlement date for both inter-dealer and customer trades will be 15 business days after the trade date (T+15). When it has been necessary to assume a settlement date, this date will be shown on the Combined Daily Report.

⁹Format requirements and input procedures are described in "Board to Proceed with Customer Transaction Reporting Program: Rule G-14" (MSRB Reports, Vol. 16, No. 3 (September 1996) at 3-16). This document, along with explanatory questions and answers and the latest information on the Program, can be found on the Board's World Wide Web site (www.msrb.org).

¹⁰To identify dealers, the Board uses symbols assigned to dealers by the NASD. Dealers are required to obtain a valid symbol under Rule G-14(b)(iii). The transaction reporting procedures contained within Rule G-14 also require that each dealer effecting customer transactions provide the Board with certain contact information and testing-related information.

¹¹The Board currently receives updated information on municipal securities CUSIP numbers each day from the CUSIP Service Bureau and J.J. Kenny Co., Inc.

¹²The current software used for calculation is provided by TIPs, Inc. The securities information used to calculate price from yield currently is provided by J.J. Kenny Co., Inc.

¹³15 U.S.C. 78o-4(b)(2)(C).

¹⁴In approving this rule change, the Commission has considered the proposed rule's impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

¹⁵15 U.S.C. 78s(b)(2).

¹⁶17 CFR 200.30-3(a)(12).

¹15 U.S.C. 78s(b)(1).

²17 CFR 240.19b-4.

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 Board 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 texts of these statements may be examined at the places specified in Item IV below. The Board 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.

(a) The purpose of the Service is to increase transparency in the municipal securities market by adding information about transactions between dealers and customers ("customer transactions") to the information currently disseminated by the Program. Under the proposed rule change, aggregate data about market activity and certain volume and price information about transactions in frequently traded securities will be disseminated to promote investor confidence in the market and its pricing mechanism. The Service will provide a daily public report summarizing prices and volumes of trading in the municipal securities market during the previous day (the "Combined Daily Report"). The Combined Daily Report's format is a revision of the Board's currently produced Inter-Dealer Daily Report. Like the Inter-Dealer Daily Report, the Combined Daily Report will be made available by approximately 6:00 a.m. each business day, reporting on the previous day's market. Subscribers will transfer the report, in electronic form, from the Board's system to their own computer systems. A printed copy of the report will be available for examination, free of charge, in the Board's Public Access Facility in Alexandria, Virginia. These dissemination methods are the same as for the current Inter-Dealer Daily Report.

Background

In June 1998, the Board filed with the Commission its intention to institute the Service and establish a \$15,000 fee for an annual subscription to the Service.³ The June 1998 filing described the Program and the daily reports that will summarize information about customer

and interdealer transactions in municipal securities reported to the Board under Rule G-14. That filing also noted that the fee is structured to defray the Board's cost of disseminating the transaction data and to defray, in part, the cost of collecting and compiling transaction data that will be used in the Program and that the Board does not expect or intend to make a profit from the Service.

The Commission approved the June 1998 filing on August 19, 1998.⁴ In the June 1998 filing, the Board stated that it would file with the Commission, in advance, an exact date for beginning operation of the Service. Under the proposed rule change in the present filing, operation will begin August 24, 1998.

(b) The Board has adopted the proposed rule change pursuant to Section 15B(b)(2)(C) of the Act,⁵ which requires, in pertinent part, that the Board'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."

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

The Board does not believe that the proposed rule change will impose any burden on competition in that it applies equally to all dealers in municipal securities.

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

No comments were received in response to the Board's June 1998 filing which described the Service and announced the fee. Written comments were neither solicited nor received in regard to the present proposed rule change.

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

The Board has designated this proposed rule change as constituting a

stated policy, practice, or interpretation with respect to the administration or enforcement of an existing Board rule under Section 19(b)(3)(A) of the Act,⁶ which renders the proposed rule change effective upon receipt of this filing by the Commission. The proposed rule change merely sets the formal effective date for a Board facility, the plan for which previously has been approved by the Commission. At any time within sixty days of the filing of the proposed rule change, the Commission may summarily abrogate 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.⁷ Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549. 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 the filing will also be available for inspection and copying at the Board's principal office. All submissions should refer to File No. SR-MSRB-98-11 and should be submitted by September 16, 1998.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁸

Margaret M. McFarland,
Deputy Secretary.

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⁶ 15 U.S.C. 78s(b)(3)(A).

⁷ In reviewing this proposed rule change, the Commission has considered its impact on efficiency, competition and capital formation. 15 U.S.C. 78c(f).

⁸ 17 CFR 200.30-3(a)(12).

³ Securities Exchange Act Release No. 40176 (July 7, 1998), 63 FR 56072 (July 13, 1998).

⁴ Securities Exchange Act Release No. 40337 (August 19, 1998). The Combined Daily Report is described in this release.

⁵ 15 U.S.C. 78o-4(b)(2)(C).