

the system would permit electronic submission of amendments only if the original official statement or advance refunding document had been submitted electronically. The MSRB agrees that this would be an appropriate change, allowing for more expedited dissemination of amendments to official statements and advance refunding documents to the marketplace. This should help to minimize erroneous reliance on outdated documents.

*Miscellaneous.* One commenter suggests that the MSRB expand the definition of advance refunding document to include verification reports and defeasance opinions.<sup>21</sup> Although the MSRB agrees that such documents may be important in the valuation of advance refunded securities, it does not believe that underwriters are well positioned to provide such information in many circumstances, particularly since such documents often are not delivered until well after the underwriting period has lapsed.

Another commentator states that the proposed electronic system was a "great idea" but that "those individual investors who do not have access to a PC will have problems."<sup>22</sup> This commentator apparently has confused the obligation of underwriters to submit official statements to the MSRB under rule G-36 with the obligation of dealers selling new issue municipal securities to customers to deliver official statements to such customers under rule G-32. The MSRB understands the concern expressed by this commentator and notes that paper versions of official statements are required to be delivered to customers unless the dealer meets the requirements for electronic delivery set forth in the 1998 MSRB Notice.

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

Within 35 days of the publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve the proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

### 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. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. 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 MSRB's principal offices. All submissions should refer to File No. SR-MSRB-2001-03 and should be submitted by July 19, 2001.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>23</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-44464; File No. SR-MSRB-2001-04]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Municipal Securities Rulemaking Board Relating to In-Firm Delivery of the Regulatory Element of the Continuing Education Requirement

June 22, 2001.

On June 14, 2001, the Municipal Securities Rulemaking Board ("Board" or "MSRB") filed with the Securities and Exchange Commission ("Commission" or "SEC") a proposed rule change (File No. SR-MSRB-2001-04), pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), and Rule 19b-4 thereunder. 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 amendments to 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 Regulatory Element of the continuing education requirement. The text of the proposed rule change is below.<sup>1</sup>

#### Rule G-3. Classification of Principals and Representatives; Numerical Requirements; Testing; Continuing Education Requirements

No broker, dealer or municipal securities dealer or person who is a municipal securities representative, municipal securities principal of financial and operations principal (as hereafter defined) shall be qualified for purposes of rule G-2 unless such broker, dealer or municipal securities dealer or person meets the requirements of this rule.

(a) through (g) No change.

(h) Continuing Education Requirements

This section (h) prescribes requirements regarding the continuing education of certain registered persons subsequent to their registration with a securities association with respect to a person associated with a member of such association, or the appropriation regulatory agency as defined in section 3(a)(34) of the Act with respect to a person associated with any other broker, dealer or municipal securities dealer ("the appropriate enforcement authority"). The requirements shall consist of a Regulatory Element and a Firm Element as set forth below.

(i) Regulatory Element

(A) through (F) No change.

(G) *In-Firm Delivery of the Regulatory Element*

*Brokers, dealers and municipal securities dealers will be permitted to administer the continuing education Regulatory Element program to their registered persons by instituting an in-firm program acceptable to the Board.*

*The following procedures are required:*

(1) *Principal In-Charge.* The broker, dealer or municipal securities dealer has designated a municipal securities principal or a general securities principal to be responsible for the in-firm delivery of the Regulatory Element.

(2) *Site Requirements.*

(a) *The location of all delivery sites will be under the control of the broker, dealer or municipal securities dealer.*

(b) *Delivery of Regulatory Element continuing education will take place in an environment conducive to training. (Examples: A training facility, conference room or other area dedicated to this purpose)*

<sup>1</sup> Proposed new language is in italicized and underlined; [ ] means deletions.

<sup>21</sup> See ICI Letter.

<sup>22</sup> See Anonymous E-mail.

<sup>23</sup> 17 CFR 200.30-3(a)(12).

would be appropriate. Inappropriate locations would include a personal office or any location that is not or cannot be secured from traffic and interruptions).

(c) Where multiple delivery terminals are placed in a room, adequate separation between terminals will be maintained.

(3) Technology Requirements. The communication links and firm delivery computer hardware must comply with standards defined by the Board or its designated vendor.

(4) Supervision.

(a) The broker, dealer or municipal securities dealer's written supervisory procedures must contain the procedures implemented to comply with the requirements of in-firm delivery of the Regulatory Element continuing education.

(b) The broker, dealer or municipal securities dealer's written supervisory procedures must identify the municipal securities principal or general securities principal designated pursuant to section (h)(i)(G)(1) of this rule and contain a list of individuals authorized by the broker, dealer or municipal securities dealer to serve as proctors.

(c) Firm locations for delivery of the Regulatory Element continuing education will be specifically listed in the broker, dealer or municipal securities dealer's written supervisory procedures.

(5) Proctors.

(a) All sessions will be proctored by an authorized person during the entire Regulatory Element session. Proctors must be present in the session room or must be able to view the person(s) sitting for Regulatory Element continuing education through a window or by video monitor.

(b) The individual responsible for proctoring at each administration will sign a certification that required procedures have been followed, that no material from Regulatory Element continuing education has been reproduced, and that no candidate received any assistance to complete the session. Such certification may be part of the sign-in log required under section (h)(i)(G)(6)(c) of this rule.

(c) Individuals serving as proctors must be persons registered with a self-regulatory organization and supervised by the designated principal for purposes of in-firm delivery of the Regulatory Element continuing education.

(d) Proctors will check and verify the identification of all individuals taking Regulatory Element continuing education.

(6) Administration.

(a) All appointments will be scheduled in advance using the procedures and software specified by the Board to communicate with the Board's system and designated vendor.

(b) The broker, dealer or municipal securities dealer and its proctor will conduct each session in accordance with the administrative appointment scheduling procedures established by the Board or its designated vendor.

(c) A sign-in log will be maintained at the delivery facility. Logs will contain the date of each session, the name and social security number of the individual taking the session, the fact that required identification was

checked, the sign-in time, the sign-out time, and the name of the individual proctoring the session. Such logs are required to be retained pursuant to rules G-8 and G-9.

(d) No material will be permitted to be utilized for the session nor may any session-related material be removed.

(e) Delivery sites will be made available for inspection by the appropriate enforcement authority.

(f) Before commencing the in-firm delivery of the Regulatory Element continuing education, brokers, dealers and municipal securities dealers are required to file with the Board a letter of attestation (as specified below) signed by a municipal securities principal or general securities principal attesting to the establishment of required procedures addressing principal in-charge, supervision, site, technology, proctors, and administrative requirements. Letters filed with the Board should be sent to the Municipal Securities Rulemaking Board, Professional Qualifications Department, 1900 Duke Street, Suite 600, Alexandria, Virginia, 22314.

#### **Letter of Attestation for In-Firm Delivery of Regulatory Element Continuing Education**

{Name of broker, dealer or municipal securities dealer} has established procedures for delivering Regulatory Element continuing education on its premises. I have determined that these procedures are reasonably designed to comply with SRO requirements pertaining to in-firm delivery of Regulatory Element continuing education, including that such procedures have been implemented to comply with principal in-charge, supervision, site, technology, proctors, and administrative requirements.

Signature \_\_\_\_\_

Printed name \_\_\_\_\_

Title (Must be signed by a municipal securities principal or general securities principal of the broker, dealer or municipal securities dealer) \_\_\_\_\_

Date \_\_\_\_\_

#### **Rule G-8. Books and Records To Be Made by Brokers, Dealers and Municipal Securities Dealers**

(a) Description of Books and Records Required to be Made. Except as otherwise specifically indicated in this rule, every broker, dealer and municipal securities dealer shall make and keep current the following books and records, to the extent applicable to the business of such broker, dealer or municipal securities dealer:

(i)-(xx) No change.

(xxi) Records Concerning Sign-In Logs for In-Firm Delivery of the Regulatory Element Continuing Education. If applicable, each broker, dealer and municipal securities dealer shall maintain the records required by rule G-3(h)(i)(G)(6)(c).

(b)-(e) No change.

(f) Compliance with Rule 17a-3. Brokers, dealers and municipal securities dealers other than bank dealers which are in

compliance with rule 17a-3 of the Commission will be deemed to be in compliance with the requirements of this rule, provided that the information required by subparagraph (a)(iv)(D) of this rule as it relates to uncompleted transactions involving customers; paragraph (a)(viii); and paragraphs (a)(xi) through [(a)(xx)] (a)(xxi) shall in any event be maintained.

#### **Rule G-9. Preservation of Records**

(a) No change.

(b) Records to be Preserved for Three Years. Every broker, dealer and municipal securities dealer shall preserve the following records for a period of not less than three years:

(i) through (xi) No change.

(xii) the authorization required by rule G-8(a)(xix)(B); however, this provision shall not require maintenance of copies of negotiable instruments signed by customers [and]

(xiii) each advertisement from the date of each use [.];

(xiv) the records to be maintained pursuant to rule G-8(a)(xx); and (x)(v) the records to be maintained pursuant to rule G-8(a)(xxi).

#### **G-27. Supervision**

(a) No change.

(b) Designation of principals.

(i) through (ii) No change.

(iii) Appropriate principal. Each dealer shall designate a municipal securities principal as responsible for its supervision under sections (a) and (c) of this rule, except as provided in this section. A non-bank dealer shall designate a financial and operations principal as responsible for the financial reporting duties specified in rule G-3(d)(i)(A-E) and with primary responsibility for books and records under section (c)(v) below; provided however, that a non-bank dealer meeting the requirements of Securities Exchange Act rule 15c3-1(a)(2)(iv), (v) or (vi) or the exemption under rule 15c3-1(b)(3) may, but is not required to, designate a financial and operations principal as responsible for such financial reporting duties and with primary responsibility for such books and records. In addition, a municipal securities sales principal may be designated as responsible for supervision under section (c)(ii),(iii) and (vii) of this rule, to the extent the activities pertain to sales to or purchases from a customer; a general securities principal may be designated as responsible for supervision under sections (c)(v) and (vii)(A) of this rule and under rules G-3(h)(i)(G)(1), G-7(b) and G-21(e); and a financial and operations principal may be designated as responsible for supervision under section (c)(vi) of this rule.

(c) through (e) No change.

#### **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, for 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 Regulatory Element is a three and one-half hour computer-based training program that previously had only been administered to registered persons at the location of an outside vendor. 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. 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 Securities Industry/Regulatory Council on Continuing Education ("Council") is responsible for the oversight of the continuing education program for the securities industry. The Council's duties include recommending and helping to develop specific content and questions for the Regulatory Element, and minimum core curricula for the Firm Element. The Council is comprised of 14 representatives from a broad cross section of broker/dealers and six self-regulatory organizations, including the MSRB. 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, has 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 computer hardware and to the security of the training delivery environment. The proposed rule change encapsulates the delivery requirements as specified by the Council. Brokers, dealers and municipal securities dealers

of any size may take advantage of the in-firm delivery procedures.

2. Statutory Basis

The Board believes the proposed rule change is consistent with section 15B(b)(2)(C) of the Securities Exchange Act of 1934 ("Act"), which provides that the Board's rules shall:

be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade \* \* \* 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.

The Board believes that the proposed rule change is consistent with the Act in that it will facilitate registered persons satisfying their obligations to meet the Regulatory Element of the continuing education requirement.

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

The Board does not believe that the proposed rule change would impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act, since it would apply equally to all brokers, dealers and municipal securities dealer.

*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.

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

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding, or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve such proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

**IV. Solicitation of Comments**

Interested people are invited to submit written data, views, and arguments concerning the foregoing. People 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 offices. All submissions should refer to File No. SR-MSRB-2001-04 and should be submitted by July 19, 2001.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.<sup>2</sup>

**Margaret H. McFarland,**  
*Deputy Secretary.*

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**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-44459; File No. SR-MSRB-2001-02]

**Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Municipal Securities Rulemaking Board Relating to Interpretation of Rule G-37, on Political Contributions and Prohibitions on Municipal Securities Business, and Rule G-38, on Consultants**

June 20, 2001.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act") and Rule 19b-4 thereunder,<sup>1</sup> notice is hereby given that on June 7, 2001, the Municipal Securities Rulemaking Board ("MSRB") filed with the Securities and Exchange Commission ("Commission") the proposed rule change (File No. SR-MSRB-2001-02) as described in Items, I, II, and III 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 has filed with the Commission a proposed rule change consisting of a notice of interpretation concerning rules G-37, on political contributions and prohibitions on

<sup>2</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1) and 17 CFR 240.19b-4.