

clearing agency so that MBSCC may continue to act as a clearing agency while the Commission seeks comment on granting MBSCC permanent registration as a clearing agency. MBSCC provides for the safe and efficient clearance and settlement of transactions in mortgage backed securities.

Interested persons are invited to submit written data, views, and arguments concerning the foregoing application. Such written data, views, and arguments will be considered by the Commission in granting registration or institution proceedings to determine whether registration should be denied in accordance with section 19(a)(1) of 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 amended application for registration and all written comments will be available for inspection at the Commission's Public Reference Room, 450 Fifth Street, NW, Washington, DC 20549. All submissions should refer to File No. 600-22 and should be submitted by July 24, 2002.

It is therefore ordered that MBSCC's temporary registration as a clearing agency (File No. 600-22) be and hereby is extended through June 30, 2003.

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

Margaret H. McFarland,

Deputy Secretary.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-46124; File No. SR-MSRB-2002-06]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Municipal Securities Rulemaking Board Relating to Disclosures in Connection With New Issues

June 26, 2002.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act"),¹ notice is hereby given that on June 21, 2002 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-2002-06). 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 amendment to Rule G-32, on disclosures in connection with new issues, as well as amendments to Rule G-8, on books and records, and Rule G-9, on preservation of records (hereafter referred to as "the proposed rule change"). Below is the text of the proposed rule change. New language is italicized; deletions are in brackets.

Rule G-32. Disclosures in Connection With New Issues

(a) Customer Disclosure Requirements. No broker, dealer or municipal securities dealer shall sell, whether as principal or agent, any new issue municipal securities to a customer unless such broker, dealer or municipal securities dealer delivers to the customer no later than the settlement of the transaction:

(i) a copy of the official statement in final form prepared by or on behalf of the issuer or, if an official statement in final form is not being prepared by or on behalf of the issuer, a written notice to that effect together with a copy of an official statement in preliminary form, if any; provided, however, that:

(A) No change

(B) (1) No change

(2) sends to the customer a copy of the official statement in final form, by first class mail or other equally prompt means, no later than the business day following receipt thereof by the broker, dealer or municipal securities dealer; [and]

(B) *if two or more customers share the same address, a broker, dealer or municipal securities dealer may satisfy the delivery obligations set forth in this section (a)(i) by complying with the requirements set forth in Rule 154 of the Securities Act of 1933, on delivery of prospectuses to investors at the same address. In addition, any such broker, dealer or municipal securities dealer shall comply with paragraph (c) of Rule 154, on revocation of consent, if subject to the delivery requirements in section (a)(i)(A) of this rule, concerning a customer who participates in a periodic municipal fund security plan or a non-periodic municipal fund security program; and*

(ii) No change.

(b) through (d) No change.

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

(a) Description of Books and Records 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)-(xii) No change.

(xiii) Records Concerning Deliveries of Official Statements. A record of all deliveries to purchasers of new issue municipal securities, of official statements or other disclosures concerning the underwriting arrangements required under rule G-32[,] *and, if applicable, a record evidencing compliance with section (a)(i)(C) of rule G-32.*

(xiv)-(xxi) No change.

(b)-(g) No change.

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)-(ix) No change.

(x) all records of deliveries of rule G-32 disclosures *and, if applicable, a record evidencing compliance with section (a)(i)(C) of rule G-32* required to be retained as described in rule G-8(a)(xiii);

(xi)-(xv) No change.

(c)-(g) No change.

* * * * *

(a) Not applicable.

II. Self-Regulatory Organization's Statement of the Terms of Substance of 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 texts 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

SEC Rule 154, on delivery of prospectuses to investors at the same address, permits a broker-dealer or

⁷ 15 U.S.C. 78s(a)(1).

⁸ 17 CFR 200.30-3(a)(30).

¹ 15 U.S.C. 78s(b)(1).

issuer to satisfy its prospectus delivery requirements under the Securities Act of 1933 with respect to two or more investors sharing the same address by sending a single prospectus to that address, subject to certain conditions.^{2,3} The SEC refers to this process as "householding." In adopting Rule 154, the SEC noted that, as a result of increased ownership of securities by individuals through different accounts (e.g., brokerage accounts, individual retirement accounts and custodial accounts for minors), duplicate copies of disclosure documents often were mailed to a single household.⁴ The purpose of Rule 154 is to reduce the number of duplicate disclosure documents delivered to such investors, thereby resulting in greater convenience for investors and cost savings for broker-dealers and issuers.⁵

SEC Rule 154 permits broker-dealers to satisfy their delivery obligations by sending a single document to two or more investors sharing the same address. The investors do not have to be related. The document may be addressed to the investors as a group (e.g., "Jane Doe and Household" or "The Smith Family") or to each of the investors individually (e.g., "Jane Doe and John Smith"). The address may be a residential, commercial, or electronic address (i.e., it may be a street address, post office box, fax number, or e-mail address).⁶

The broker-dealer must obtain the investors' written consent to the delivery of a single document on behalf of all such investors, or the broker-dealer may rely on "implied consent" if the following conditions are met: (1) The investor has the same last name as the other investors, or the broker-dealer reasonably believes that they are members of the same family; (2) the dealer sends each investor written notice at least 60 days before relying on this provision, and provides each investor with an opportunity to opt out of this method of delivery;⁷ (3) the investor does not opt out during the 60-day notice period; and (4) the dealer delivers the documents to a residential street address or a post office box.⁸

^{2,3} The Commission has similar requirements under the Act and the Investment Company Act of 1940 with respect to shareholder reports.

⁴ See SEC Release No. 33-7766 (November 4, 1999).

⁵ *Id.*

⁶ An e-mail address may be used if the dealer obtains the investors' written consent for electronic delivery and it is a shared e-mail address.

⁷ The dealer must provide either a toll-free number or a pre-addressed, postage paid form.

⁸ Rule 154 provides that a dealer can assume that an address is a residential address unless it has information that indicates it is a business address.

For open-end management investment companies (i.e., mutual funds) and dealers that are required to deliver the disclosure documents of such companies, SEC Rule 154(c) requires, at least annually, that the dealer explain to investors who have provided written or implied consent how such consent can be revoked. This information may be provided through any means reasonably designed to reach the investor, such as a prospectus, shareholder report or newsletter. Unlike other issuers, mutual funds typically send investors updated disclosure materials annually, and the ongoing nature of this relationship dictates that investors be informed of their right to revoke consent and begin receiving individual copies of disclosure documents, if they so desire.

MSRB Rule G-32, on disclosures in connection with new issues, generally requires that any dealer selling municipal securities to a customer during the issue's underwriting period must deliver the official statement in final form, if any, to the customer by settlement of the transaction. The MSRB believes that, with respect to this delivery requirement, if two or more customers share the same address, Rule G-32 should allow for the same "householding" process as that contained in SEC Rule 154. In addition, Rule G-32(a)(i)(A) provides that, if a customer participates in a periodic municipal fund security plan or a non-periodic municipal fund security program and has previously received an official statement in final form in connection with such a plan or program, the dealer may sell additional shares or units to that customer if the dealer sends a copy of any new, supplemented, amended or "stickered" official statement in final form, by first class mail or other equally prompt means.⁹ Allowing for householding in the context of municipal fund securities would be particularly beneficial, especially where one family has accounts for multiple children (or each parent has separate accounts for the same child) and the dealer may be required to deliver disclosure documents on an ongoing basis (e.g., the customer participates in a periodic plan or non-periodic program).

If the dealer has reason to believe that the address is a multi-unit dwelling, the address must include the investor's unit number. See Rule 154(b)(4) and (d).

⁹ If the dealer sends a supplement, amendment or sticker without including the remaining portions of the final official statement, the dealer must include a written statement describing which documents constitute the complete final official statement and stating that it is available upon request.

Thus, the MSRB has determined to amend Rule G-32(a) to reference SEC Rule 154 and state that a dealer may satisfy its official statement delivery obligations by complying with that Rule's requirements when sending disclosure documents to two or more customers sharing the same address. The amendment further provides that dealers that are required to send ongoing disclosure documents to customers who participate in a periodic municipal fund security plan or a non-periodic municipal fund security program are specifically required to comply with SEC Rule 154(c) by providing those customers with information, at least annually, on how to revoke their consent to the householding process and thereby receive individual copies of disclosure documents, if they so desire.

The proposed rule change also amends Rule G-8, on books and records, and Rule G-9, on preservation of records, to account for the changes to Rule G-32.

(b) The MSRB has adopted the proposed rule change pursuant to Section 15B(b)(2)(C) of the Exchange Act, which authorizes the MSRB to adopt rules that shall:

be designed 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.

The proposed rule change incorporates by reference SEC Rule 154, on delivery of prospectuses to investors at the same address, and is intended as an accommodation for those brokers, dealers and municipal securities dealers that, pursuant to MSRB Rule G-32, are required to deliver multiple copies of the same disclosure document to customers sharing the same address. The proposed rule change will reduce the number of duplicate disclosure documents delivered to certain customers, thereby resulting in greater convenience for such customers and cost savings for brokers, dealers and municipal securities dealers.

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

The MSRB does not believe that the proposed rule change will 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 dealers.

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 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 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 submissions, 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 offices. All submissions should refer to File No. SR-MSRB-2002-06 and should be submitted by July 24, 2002.

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

Margaret H. McFarland,
Deputy Secretary.

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SOCIAL SECURITY ADMINISTRATION

Privacy Act of 1974; as Amended; New System of Records and New Routine Use Disclosures

AGENCY: Social Security Administration (SSA).

ACTION: New system of records and proposed routine uses.

SUMMARY: In accordance with the Privacy Act (5 U.S.C. 552a(e)(4) and (e)(11)) we are issuing public notice of our intent to establish a system of records entitled the *SSA Mass Transportation Subsidy Program System*, together with routine uses applicable to this system of records. We are also issuing notice that we may disclose personally identifiable information to consumer reporting agencies in accordance with (5 U.S.C. 552a(b)(12)) and 31 U.S.C. 3711(e).

The proposed system of records will consist of information collected by SSA for use in administering the Mass Transportation Subsidy Program established pursuant to 5 U.S.C. 7905, 26 U.S.C. 132(f), and Executive Order 13150, dated April 21, 2000. The proposed system of records is entitled the *SSA Mass Transportation Subsidy Program System*. We invite public comment on this proposal.

DATES: We filed a report of the proposed system of records and routine uses with the Chairman of the Senate Committee on Governmental Affairs, the Chairman of the House Reform Committee, and the Director, Office of Information and Regulatory Affairs, Office of Management and Budget (OMB) on June 26, 2002.

ADDRESSES: Interested individuals may comment on this publication by writing to the SSA Privacy Officer, Social Security Administration, 3-A-6 Operations Building, 6401 Security Boulevard, Baltimore, Maryland 21235-6401. All comments received will be available for public inspection at the above address.

FOR FURTHER INFORMATION CONTACT: Ms. Pamela McLaughlin, Social Insurance Specialist, Social Security Administration, Room 3-C-2 Operations Building, 6401 Security Boulevard, Baltimore, Maryland 21235-6401, telephone: (410) 965-3677, e:mail: pam.mclaughlin@ssa.gov.

SUPPLEMENTARY INFORMATION:

I. Background and Purpose of the Proposed New System of Records, the SSA Mass Transportation Subsidy Program System, 60-0305

A. General Background

Pursuant to the authority provided under 5 U.S.C. 7905, SSA has established a mass transportation subsidy program to encourage its employees to use means other than single-occupancy motor vehicles to commute to and from work. This program involves the distribution of transit passes by SSA to qualified employees for use in commuting to and/or from work by means of mass transit facilities and/or commuter highway vehicles. SSA will purchase transit passes with Agency-provided funds. The value of the transit passes received by those employees participating in the program is excluded from their gross income as qualified transportation fringe benefits pursuant to 26 U.S.C. 132(f).

B. Collection and Maintenance of the Data for the Proposed New System of Records, the SSA Mass Transportation Subsidy Program System

SSA must collect and maintain relevant information about SSA employees who are applicants for or participants in SSA's Mass Transportation Subsidy Program. This information will be maintained in the *SSA Mass Transportation Subsidy Program System* database and in manual files. The information maintained will include copies of applications and certifications; distribution lists; correspondence with applicants/participants; and administrative reports. The information maintained will also include identifying information of the participants/applicants such as: names, SSN, office addresses, office telephone numbers, bargaining unit status, transit providers and monthly transportation costs, and names, office addresses and office telephone numbers of supervisors. SSA will use the information in the proposed system to administer the SSA Mass Transportation Subsidy Program. Specifically, the information will assist SSA in managing and verifying the scheduling and distribution of transportation subsidies and the accounting of funds expended under the SSA Mass Transportation Subsidy Program. We will retrieve information from the proposed system of records by using the participants'/applicants' SSNs. This information constitutes a system of records under the Privacy Act.

¹⁰ 17 CFR 200.30-3(a)(12).