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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-50323; File No. SR-MSRB-2004-03]

### Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 Thereto Consisting of Technical Amendments to Rule G-3 Relating to Professional Qualifications

September 7, 2004.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on August 4, 2004, the Municipal Securities Rulemaking Board (“MSRB” or “Board”) 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 by the MSRB. The MSRB has filed the proposed rule change pursuant to Section 19(b)(3)(A) of the Act,<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> which renders the proposal effective upon filing with the Commission. On August 25, 2004, the MSRB filed Amendment No. 1 to the proposed rule change.<sup>5</sup> The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

#### I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The MSRB proposes to make technical amendments to MSRB Rule G-3 relating to professional qualifications. The text of the proposed rule change is

set forth below. Proposed new language is in *italics*; proposed deletions are in [brackets].

#### 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, municipal securities sales principal or 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.

No change.

(a) Municipal Securities Principal; Municipal Fund Securities Limited Principal.

(i)-(iii) No change.

(iv) Municipal Fund Securities Limited Principal.

(A)-(B) No change.

(C) Actions as Municipal Securities Principal. Any municipal fund securities limited principal may undertake all actions required or permitted under any Board rule to be taken by a municipal securities principal, but solely with respect to activities related to municipal fund securities, and shall be subject to all provisions of Board rules applicable to municipal securities principals except to the extent inconsistent with this paragraph (b)(iv).

(D) No change.

[(E) Temporary Provisions for Municipal Fund Securities Limited Principal. Notwithstanding any other provision of this rule, until March 31, 2003, the following provisions shall apply to any broker, dealer or municipal securities dealer whose municipal securities activities are limited exclusively to municipal fund securities:

(1) The broker, dealer or municipal securities dealer may designate any person who has taken and passed the General Securities Principal Qualification Examination or Investment Company and Annuity Principal Qualification Examination as a municipal fund securities limited principal.

(2) Any municipal fund securities limited principal designated as provided in clause (b)(iv)(E)(1) may undertake all actions required or permitted under any Board rule to be taken by a municipal securities principal to the same extent as set forth in subparagraph (b)(iv)(C).

(3) The broker, dealer or municipal securities dealer may count any municipal fund securities limited principal designated as provided in clause (b)(iv)(E)(1) toward the numerical requirement for municipal securities principal to the same extent as set forth in subparagraph (b)(iv)(D).

(4) On and after April 1, 2003, all municipal fund securities limited principals (including any municipal fund securities limited principals designated as provided in clause (b)(iv)(E)(1)) must be qualified as provided in subparagraph (b)(iv)(B).]

(c)-(h) 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 MSRB included statements concerning the purpose of and basis for the proposed rule change, as amended, 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. 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

###### 1. Purpose

MSRB Rule G-3, on professional qualifications, currently includes a temporary transition period provision, which expired on March 31, 2003. During the transition period, Series 24 general securities principals and Series 26 investment company/variable contracts limited principals, without further qualification, were able to supervise the activities of a broker, dealer or municipal securities dealer (collectively referred to as “dealers”) relating to municipal fund securities. Since April 1, 2003, the MSRB has required that every dealer have either a municipal fund securities limited principal (Series 51) or a municipal securities principal (Series 53), as appropriate, to supervise the dealer’s activities relating to municipal fund securities even if these are the dealer’s only municipal securities activities. Accordingly, the MSRB is deleting the expired transition period provision from MSRB Rule G-3.

MSRB Rule G-3 also provides that any municipal fund securities limited principal (Series 51) may undertake all actions required or permitted to be

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>4</sup> 17 CFR 240.19b-4(f)(2).

<sup>5</sup> See letter from Jill C. Finder, Assistant General Counsel, MSRB, to Katherine A. England, Assistant Director, Division of Market Regulation, Commission, dated August 25, 2004. Amendment No. 1 replaced the original rule filing in its entirety. For purposes of calculating the 60-day abrogation period, the Commission considers the proposal to have been filed on August 25, 2004, the date the MSRB filed Amendment No. 1. See Rule 19b-4(f)(2), 17 CFR 240.19b-4(f)(2).

taken by a traditional municipal securities principal (Series 53) under MSRB rules, but solely with respect to activities relating to municipal fund securities. Implicit in this authorization to act as a municipal securities principal is the reciprocal duty to comply with all obligations imposed by MSRB rules on municipal securities principals. The MSRB is amending MSRB Rule G-3 to make explicit this duty to comply with MSRB rules.

## 2. Statutory Basis

The MSRB believes that the proposed rule change is consistent with Section 15B(b)(2)(C) of the Act, which authorizes the MSRB to adopt rules that shall:

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.

The MSRB believes that the proposed rule change is consistent with these provisions in that it provides guidance to dealers that will facilitate their understanding of, and compliance with, existing MSRB rules by deleting an expired provision from MSRB Rule G-3 and by making explicit that Series 51 municipal fund securities limited principals are subject to all provisions of MSRB rules applicable to Series 53 municipal securities principals.

### *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.

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

The MSRB has neither solicited nor received comments on the proposed rule change.

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

The MSRB has designated this proposed rule change as constituting a stated policy, practice or interpretation with respect to the meaning, administration, or enforcement of an existing MSRB rule under Section

19(b)(3)(A)(ii) of the Act, which renders the proposed rule change effective upon receipt of this filing by the Commission. At any time within 60 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.<sup>6</sup>

## IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change, as amended, is consistent with the Act. Comments may be submitted by any of the following methods:

### *Electronic Comments*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-MSRB-2004-03 on the subject line.

### *Paper Comments*

- Send paper comments in triplicate to Jonathan G. Katz, Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609.

All submissions should refer to File Number SR-MSRB-2004-03. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). 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 also will be available for inspection and copying at the principal offices of the MSRB. All comments received will be posted without change; the Commission does

not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-MSRB-2004-03 and should be submitted on or before October 4, 2004.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>7</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-50317; File No. SR-NASD-2004-94]

### **Self-Regulatory Organizations; Order Granting Approval of Proposed Rule Change and Amendment No. 1 Thereto by the National Association of Securities Dealers, Inc. Relating to Proposed Amendments to TRACE Rule 6250 and Related TRACE Rules To Disseminate Transaction Information on Certain TRACE-Eligible Securities and Facilitate Dissemination of Such Information**

September 3, 2004.

## I. Introduction

On June 17, 2004, the National Association of Securities Dealers, Inc. ("NASD") filed with the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> a proposed rule change to: Amend NASD Rule 6250 to publicly disseminate transaction information for secondary market transactions in all TRACE-eligible securities other than those purchased or sold pursuant to Rule 144A under the Securities Act of 1933 ("Rule 144A Securities"), with information on transactions in certain securities dissemination on a delayed basis; make related amendments to Rule 6210 regarding classification of securities and Rule 6260 requiring the managing underwriter or group of underwriters to provide certain information to NASD, to facilitate dissemination of such transaction information; and delete provisions regarding market aggregates, last sale

<sup>6</sup> For purposes of calculating the 60-day abrogation period, the Commission considers the proposal to have been filed on August 25, 2004, the date the MSRB filed Amendment No. 1.

<sup>7</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.