

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 20	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2016 - * 03 Amendment No. (req. for Amendments *)
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Filing by Municipal Securities Rulemaking Board  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
	Section 3C(b)(2) * <input type="checkbox"/>

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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**Description**  
Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

**Contact Information**  
Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name \*  Last Name \*   
 Title \*   
 E-mail \*   
 Telephone \*  Fax

**Signature**  
Pursuant to the requirements of the Securities Exchange Act of 1934,  
Municipal Securities Rulemaking Board  
has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.  
(Title \*)

Date  Corporate Secretary   
 By    
 (Name \*)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

**Form 19b-4 Information \***

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

## 1. Text of the Proposed Rule Change

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934, as amended (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> the Municipal Securities Rulemaking Board (the “MSRB” or “Board”) is filing with the Securities and Exchange Commission (the “Commission” or “SEC”) a proposed rule change consisting of a proposed amendment to current Rule G-33, on calculations, and a proposed interpretive notice (collectively, the “proposed rule change”) concerning the application of proposed amended Rule G-33. The MSRB has designated the proposed rule change as “non-controversial” pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6)<sup>4</sup> thereunder, which renders it effective upon filing with the Commission.<sup>5</sup>

(a) The text of the proposed rule change is attached as Exhibit 5. Text proposed to be added is underlined, and text proposed to be deleted is enclosed in brackets.

(b) Not applicable.

(c) Not applicable.

## 2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Board at its November 20, 2015 meeting. Questions concerning this filing may be directed to Gail Marshall, Associate General Counsel – Enforcement Coordination, or Benjamin Tecmire, Counsel II at (202) 838-1500.

## 3. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

The proposed rule change would revise the mathematical formula in Rule G-33(b)(i)(B)(2), which governs how brokers, dealers, and municipal securities dealers (collectively “dealers”) calculate the dollar price of interest-bearing municipal securities with periodic interest payments (e.g., daily, monthly, quarterly or annually) that have more than six months to redemption (the “pricing formula,” as amended by the proposed rule change, the “amended pricing formula”). The proposed rule change would also clarify that the amended pricing formula is applicable for the calculations of municipal securities with periodic interest payments and more than one coupon period to redemption. The proposed rule change would similarly clarify that the formulas in Rules G-33(b)(i)(B)(1) and G-33(b)(ii)(B)(1), which are not

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<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)(iii).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

<sup>5</sup> The MSRB would announce that compliance with the proposed rule change will be required by July 18, 2016 (“compliance date”), which would coincide with previously approved changes to the MSRB’s Real-Time Transaction Reporting System.

being changed, are applicable for the calculations of municipal securities with periodic interest payments and less than six months to redemption.

The amended pricing formula would replace a formula that was originally designed to accommodate the technologies available at the time of its adoption several decades ago and reflected the limited capabilities of those technologies to efficiently conduct the more complex and advanced calculation of the amended pricing formula.<sup>6</sup> Recognizing that it resulted in only marginally less accurate price reporting on a relatively small number of transactions, the accommodation was made to presume that interest-bearing municipal securities with periodic interest payments and with more than one coupon period to redemption pay interest on a semi-annual basis. With improved access to more technologically advanced methods of computing dollar prices and yields, the amended pricing formula would dispense with the six-month presumption and instead require the use of a calculation method for yield and dollar price that is based on the actual interest payment frequency of the security. Modernizing the pricing formula would recognize the use of enhanced calculators by many market participants and produce more accurate price and yield data reported to the MSRB's Real-Time Transaction Reporting System ("RTRS"),<sup>7</sup> which the MSRB subsequently disseminates to the market and displays on its Electronic Municipal Market Access ("EMMA®") system.<sup>8</sup>

In addition, the MSRB is proposing an interpretive notice ("Notice") concerning the application of the amended pricing formula to afford dealers the flexibility to utilize the amended pricing formula prior to the mandatory compliance date.

#### Proposed Amendment to Rule G-33

Rule G-33 prescribes standard formulas for the computation of accrued interest, dollar price and yield, and related computations. Specifically, Rule G-33(b)(i)(B)(2) requires that, for interest-bearing municipal securities with periodic interest payments and more than one coupon period to redemption, dealers compute the dollar price of such securities using a formula that accounts for the present value of all future coupon payments and presumes a semi-annual payment of interest rather than the actual interest payment frequency of the security (e.g., monthly or quarterly).<sup>9</sup> By reference, Rule G-33(b)(ii)(B)(2) requires the use of the formula in

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<sup>6</sup> See e.g., Use of formulas: annual interest securities, June 6, 1983. Available at <http://www.msrb.org/Rules-and-Interpretations/MSRB-Rules/General/Rule-G-33.aspx?tab=2> ("1983 interpretive letter").

<sup>7</sup> The proposed amendments will conform the rule text regarding the required manner of calculation by dealers to the manner in which the MSRB currently calculates dollar price and yield for such securities in RTRS.

<sup>8</sup> EMMA is a registered trademark of the MSRB.

<sup>9</sup> The formula also accounts for the present value of the redemption amount and the accrued interest to be paid to the seller. Those elements of the calculation are not being changed.

Rule G-33(b)(i)(B)(2) when calculating the yield on such municipal securities with periodic interest payments and more than one coupon period to redemption.

The proposed rule change would require, for securities subject to Rule G-33(b)(i)(B)(2), that the dollar price for transactions effected on the basis of yield be computed in accordance with the amended pricing formula below:

$$P = \left[ \frac{RV}{\left(1 + \frac{Y}{M}\right)_{\text{exp}}^{N-1 + \frac{E-A}{E}}} \right] + \left[ \sum_{K=1}^N \frac{100 \cdot \frac{R}{M}}{\left(1 + \frac{Y}{M}\right)_{\text{exp}}^{K-1 + \frac{E-A}{E}}} \right] - \left[ 100 \cdot \frac{A}{E} \cdot R \right]$$

The amended pricing formula modifies the pricing formula currently prescribed by Rule G-33(b)(i)(B)(2) by eliminating the presumption in the calculation that interest-bearing municipal securities with periodic interest payments, and more than one coupon period to redemption, pay interest on a semi-annual basis. Rather than calculate for a variable of yield divided by 2 (presumed semi-annual interest payment), the amended pricing formula requires dividing yield by “M” where “M” is the number of interest payment periods per year standard for the security involved in the transaction.<sup>10</sup>

In addition, the proposed rule change would modify subparagraphs (b)(i)(B)(2) and (b)(ii)(B)(2) to clarify the applicability of the formula in Rule G-33(b)(i)(B)(2).<sup>11</sup> Because the amended pricing formula is adapted to future coupon payments that occur more frequently or less frequently than semi-annually, it is more accurate to provide that the formula is applicable for the calculations of securities with more than one coupon period to redemption rather than “with more than six months to redemption.” The proposed rule change would also make a corresponding change to subparagraphs (b)(i)(B)(1) and (b)(ii)(B)(1). Specifically the proposed rule change would clarify that the formulas in Rule G-33(b)(i)(B)(1) and G-33(b)(ii)(B)(1) are applicable for calculating dollar price and yield, respectively, on securities with one coupon period or less to redemption rather than “with six months or less to redemption.”

#### Proposed Interpretive Notice

With the current, wide availability of advanced calculator models, dealers may want to utilize the more precise amended pricing formula prior to the compliance date. The proposed interpretive notice would provide that, prior to the compliance date for Rule G-33, as amended by the proposed rule change, dealers would be in compliance with the current rule if they calculate price and yield on interest-bearing securities with periodic interest payments and more

<sup>10</sup> All other variables remain the same and the symbols for the formula are as defined in Rule G-33(b)(i)(B)(2).

<sup>11</sup> By reference, despite computing for a different end variable, G-33(b)(ii)(B)(2) uses the pricing formula in (b)(i)(B)(2).

than one coupon period to redemption factoring in the actual interest frequency in the formula rather than assuming a semi-annual interest payment.

The MSRB believes that allowing dealers this flexibility could benefit transparency without creating any material discrepancies in pricing information. Transactions in interest-bearing securities with periodic interest payments (e.g., monthly, quarterly or annually) have typically accounted for less than .05 percent of all transactions reported to the MSRB annually and, as the MSRB previously recognized, calculations for these securities that presume a semi-annual interest payment rather than the actual interest payment frequency “produce slightly less accurate results.”<sup>12</sup>

(b) Statutory Basis

The MSRB believes that the proposed rule change is consistent with Section 15B(b)(2)(C) of the Act, which requires, in pertinent part, that the MSRB’s rules 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 and municipal financial products, to remove impediments to and perfect the mechanism of a free and open market in municipal securities and municipal financial products, and, in general, to protect investors, municipal entities, obligated persons, and the public interest.

The MSRB believes that the amended pricing formula will improve the accuracy of the reporting of the dollar prices and yields on transactions in interest-bearing municipal securities that pay interest on a periodic basis. Additionally, the MSRB believes that the proposed interpretive notice will afford dealers the flexibility to utilize the more precise formula prior to the compliance date.

**4. Self-Regulatory Organization’s Statement on Burden on Competition**

Section 15B(b)(2)(C)<sup>13</sup> of the Act requires that MSRB rules not be designed to impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

In determining whether this standard has been met, the MSRB attempted to evaluate the number of firms that may need to make changes to comply with the proposed amendment and the likely challenges associated with compliance. In reviewing data from 2015, the MSRB observed that a very small percentage, approximately 1/10 of 1 percent, of municipal securities reported to RTRS pay interest on a periodic basis and trading in those securities accounted for less than ¼ of 1 percent of customer transactions reported to the MSRB. The MSRB believes that the impact of the proposed amendments would be very small and would not impose any

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<sup>12</sup> As a result of the amended pricing formula, the MSRB will delete the 1983 interpretive letter from its Rule Book.

<sup>13</sup> 15 U.S.C. 78o-4(b)(2)(C).

additional burdens on competition that are not necessary or appropriate in furtherance of the purposes of the Exchange Act.

**5. 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 on the proposed rule change.

**6. Extension of Time Period for Commission Action**

Not applicable.

**7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)**

The MSRB believes that the proposed rule change qualifies for immediate effectiveness upon filing as a “non-controversial” rule change in accordance with Section 19(b)(3)(A) of the Act<sup>14</sup> and Rule 19b-4(f)(6), thereunder.<sup>15</sup> The MSRB asserts that the proposed rule change (i) would not significantly affect the protection of investors or the public interest, (ii) would not impose any significant burden on competition, and (iii) by its terms, would not become operative for 30 days after the date of this filing, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest. In addition, the MSRB has provided the Commission with written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing, or such shorter time as the Commission may designate.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. Immediate utilization of the amended pricing formula will result in more accurate price and yield data reported to the MSRB, which will, in turn, result in more accurate data disseminated to the public. The MSRB requests the Commission waive the 30-day operative delay. Such waiver would allow the MSRB to establish a compliance date of July 18, 2016 for all dealers to conform to the amended pricing formula, while allowing dealers the flexibility to immediately utilize the amended pricing formula pursuant to the proposed interpretive notice.

For the foregoing reasons, the MSRB believes that this proposed rule change qualifies for immediate effectiveness as a “non-controversial” rule change.

**8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission**

Not applicable.

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<sup>14</sup> 15 U.S.C. 78o-4(b)(3)(A).

<sup>15</sup> 17 CFR 240.19b-4(f)(6).

**9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act**

Not applicable.

**10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act**

Not applicable.

**11. Exhibits**

Exhibit 1 Completed Notice of Proposed Rule Change for Publication in the Federal Register

Exhibit 5 Text of Proposed Rule Change



SECURITIES AND EXCHANGE COMMISSION  
 (Release No. 34-\_\_\_\_\_; File No. SR-MSRB-2016-03)

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Consisting of an Amendment to Rule G-33, on Calculations, and an Interpretive Notice

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act” or “Exchange Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on the Municipal Securities Rulemaking Board (the “MSRB” or “Board”) filed with the Securities and Exchange Commission (the “Commission” or “SEC”) the proposed rule change 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 filed with the Commission a proposed rule change consisting of a proposed amendment to Rule G-33, on calculations, and a proposed interpretive notice (the “proposed rule change”). The MSRB has designated the proposed rule change as “non-controversial” pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>3</sup> and Rule 19b-4(f)(6)<sup>4</sup> thereunder, which renders it effective upon filing with the Commission. A proposed rule change filed under Rule 19b-4(f)(6)<sup>5</sup>

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<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)(iii).

<sup>4</sup> 17 CFR 240.19b-4(f)(6).

<sup>5</sup> Id.

normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii),<sup>6</sup> however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. Immediate utilization of the amended pricing formula contained in the proposed rule change will result in more accurate price and yield data reported to the MSRB, which will, in turn, result in more accurate data disseminated to the public. The MSRB requests the Commission waive the 30-day operative delay. Such waiver would allow the MSRB to establish a compliance date of July 18, 2016 for all dealers to conform to the amended pricing formula, while allowing dealers the flexibility to immediately utilize the amended pricing formula pursuant to the proposed interpretive notice.

The text of the proposed rule change is available on the MSRB's website at [www.msrb.org/Rules-and-Interpretations/SEC-Filings/2016-Filings.aspx](http://www.msrb.org/Rules-and-Interpretations/SEC-Filings/2016-Filings.aspx), at the MSRB's principal office, and at the Commission's Public Reference Room.

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 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. 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

1. Purpose

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<sup>6</sup> 17 CFR 240.19b-4(f)(6)(iii).

The proposed rule change would revise the mathematical formula in Rule G-33(b)(i)(B)(2), which governs how brokers, dealers, and municipal securities dealers (collectively “dealers”) calculate the dollar price of interest-bearing municipal securities with periodic interest payments (e.g., daily, monthly, quarterly or annually) that have more than six months to redemption (the “pricing formula,” as amended by the proposed rule change, the “amended pricing formula”). The proposed rule change would also clarify that the amended pricing formula is applicable for the calculations of municipal securities with periodic interest payments and more than one coupon period to redemption. The proposed rule change would similarly clarify that the formulas in Rules G-33(b)(i)(B)(1) and G-33(b)(ii)(B)(1), which are not being changed, are applicable for the calculations of municipal securities with periodic interest payments and less than six months to redemption.

The amended pricing formula would replace a formula that was originally designed to accommodate the technologies available at the time of its adoption several decades ago and reflected the limited capabilities of those technologies to efficiently conduct the more complex and advanced calculation of the amended pricing formula.<sup>7</sup> Recognizing that it resulted in only marginally less accurate price reporting on a relatively small number of transactions, the accommodation was made to presume that interest-bearing municipal securities with periodic interest payments and with more than one coupon period to redemption pay interest on a semi-annual basis. With improved access to more technologically advanced methods of computing dollar prices and yields, the amended pricing formula would dispense with the six-month presumption and instead require the use of a calculation method for yield and dollar price that is

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<sup>7</sup> See e.g., Use of formulas: annual interest securities, June 6, 1983. Available at <http://www.msrb.org/Rules-and-Interpretations/MSRB-Rules/General/Rule-G-33.aspx?tab=2> (“1983 interpretive letter”).

based on the actual interest payment frequency of the security. Modernizing the pricing formula would recognize the use of enhanced calculators by many market participants and produce more accurate price and yield data reported to the MSRB's Real-Time Transaction Reporting System ("RTRS"),<sup>8</sup> which the MSRB subsequently disseminates to the market and displays on its Electronic Municipal Market Access ("EMMA®") system.<sup>9</sup>

In addition, the MSRB is proposing an interpretive notice ("Notice") concerning the application of the amended pricing formula to afford dealers the flexibility to utilize the amended pricing formula prior to the mandatory compliance date.

#### Proposed Amendment to Rule G-33

Rule G-33 prescribes standard formulas for the computation of accrued interest, dollar price and yield, and related computations. Specifically, Rule G-33(b)(i)(B)(2) requires that, for interest-bearing municipal securities with periodic interest payments and more than one coupon period to redemption, dealers compute the dollar price of such securities using a formula that accounts for the present value of all future coupon payments and presumes a semi-annual payment of interest rather than the actual interest payment frequency of the security (e.g., monthly or quarterly).<sup>10</sup> By reference, Rule G-33(b)(ii)(B)(2) requires the use of the formula in Rule G-33(b)(i)(B)(2) when calculating the yield on such municipal securities with periodic interest payments and more than one coupon period to redemption.

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<sup>8</sup> The proposed amendments will conform the rule text regarding the required manner of calculation by dealers to the manner in which the MSRB currently calculates dollar price and yield for such securities in RTRS.

<sup>9</sup> EMMA is a registered trademark of the MSRB.

<sup>10</sup> The formula also accounts for the present value of the redemption amount and the accrued interest to be paid to the seller. Those elements of the calculation are not being changed.

The proposed rule change would require, for securities subject to Rule G-33(b)(i)(B)(2), that the dollar price for transactions effected on the basis of yield be computed in accordance with the amended pricing formula below:

$$P = \left[ \frac{RV}{\left(1 + \frac{Y}{M}\right)^{\frac{N-1}{M} + \frac{E-A}{E}}} \right] + \left[ \sum_{K=1}^N \frac{100 \cdot \frac{R}{M}}{\left(1 + \frac{Y}{M}\right)^{\frac{K-1}{M} + \frac{E-A}{E}}} \right] - \left[ 100 \cdot \frac{A}{E} \cdot R \right]$$

The amended pricing formula modifies the pricing formula currently prescribed by Rule G-33(b)(i)(B)(2) by eliminating the presumption in the calculation that interest-bearing municipal securities with periodic interest payments, and more than one coupon period to redemption, pay interest on a semi-annual basis. Rather than calculate for a variable of yield divided by 2 (presumed semi-annual interest payment), the amended pricing formula requires dividing yield by “M” where “M” is the number of interest payment periods per year standard for the security involved in the transaction.<sup>11</sup>

In addition, the proposed rule change would modify subparagraphs (b)(i)(B)(2) and (b)(ii)(B)(2) to clarify the applicability of the formula in Rule G-33(b)(i)(B)(2).<sup>12</sup> Because the amended pricing formula is adapted to future coupon payments that occur more frequently or less frequently than semi-annually, it is more accurate to provide that the formula is applicable for the calculations of securities with more than one coupon period to redemption rather than “with more than six months to redemption.” The proposed rule change would also make a corresponding change to subparagraphs (b)(i)(B)(1) and (b)(ii)(B)(1). Specifically the proposed

<sup>11</sup> All other variables remain the same and the symbols for the formula are as defined in Rule G-33(b)(i)(B)(2).

<sup>12</sup> By reference, despite computing for a different end variable, G-33(b)(ii)(B)(2) uses the pricing formula in (b)(i)(B)(2).

rule change would clarify that the formulas in Rule G-33(b)(i)(B)(1) and G-33(b)(ii)(B)(1) are applicable for calculating dollar price and yield, respectively, on securities with one coupon period or less to redemption rather than “with six months or less to redemption.”

### Proposed Interpretive Notice

With the current, wide availability of advanced calculator models, dealers may want to utilize the more precise amended pricing formula prior to the compliance date. The proposed interpretive notice would provide that, prior to the compliance date for Rule G-33, as amended by the proposed rule change, dealers would be in compliance with the current rule if they calculate price and yield on interest-bearing securities with periodic interest payments and more than one coupon period to redemption factoring in the actual interest frequency in the formula rather than assuming a semi-annual interest payment.

The MSRB believes that allowing dealers this flexibility could benefit transparency without creating any material discrepancies in pricing information. Transactions in interest-bearing securities with periodic interest payments (e.g., monthly, quarterly or annually) have typically accounted for less than .05 percent of all transactions reported to the MSRB annually and, as the MSRB previously recognized, calculations for these securities that presume a semi-annual interest payment rather than the actual interest payment frequency “produce slightly less accurate results.”<sup>13</sup>

## 2. Statutory Basis

The MSRB believes that the proposed rule change is consistent with Section 15B(b)(2)(C) of the Act, which requires, in pertinent part, that the MSRB’s rules shall be designed to promote just and equitable principles of trade, to foster cooperation and coordination

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<sup>13</sup> As a result of the amended pricing formula, the MSRB will delete the 1983 interpretive letter from its Rule Book.

with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in municipal securities and municipal financial products, to remove impediments to and perfect the mechanism of a free and open market in municipal securities and municipal financial products, and, in general, to protect investors, municipal entities, obligated persons, and the public interest.

The MSRB believes that the amended pricing formula will improve the accuracy of the reporting of the dollar prices and yields on transactions in interest-bearing municipal securities that pay interest on a periodic basis. Additionally, the MSRB believes that the proposed interpretive notice will afford dealers the flexibility to utilize the more precise formula prior to the compliance date.

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

Section 15B(b)(2)(C)<sup>14</sup> of the Act requires that MSRB rules not be designed to impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

In determining whether this standard has been met, the MSRB attempted to evaluate the number of firms that may need to make changes to comply with the proposed amendment and the likely challenges associated with compliance. In reviewing data from 2015, the MSRB observed that a very small percentage, approximately 1/10 of 1 percent, of municipal securities reported to RTRS pay interest on a periodic basis and trading in those securities accounted for less than ¼ of 1 percent of customer transactions reported to the MSRB. The MSRB believes that the impact of the proposed amendments would be very small and would not impose any additional burdens on competition that are not necessary or appropriate in furtherance of the purposes of the Exchange Act.

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<sup>14</sup> 15 U.S.C. 78o-4(b)(2)(C).

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 on the proposed rule change.

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

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>15</sup> and Rule 19b-4(f)(6) thereunder.<sup>16</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend 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. 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-2016-03 on the subject line.

Paper Comments:

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

<sup>16</sup> 17 CFR 240.19b-4(f)(6).



- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

All submissions should refer to File Number SR-MSRB-2016-03. 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 website (<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 website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 am and 3:00 pm. Copies of the filing also will be available for inspection and copying at the principal office 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-2016-03 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, pursuant to delegated authority.<sup>17</sup>

Secretary

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

## EXHIBIT 5

**Rule G-33: Calculations**

(a) No change.

(b) *Interest-Bearing Securities*

(i) *Dollar Price*. For transactions in interest-bearing securities effected on the basis of yield the resulting dollar price shall be computed in accordance with the following provisions:

(A) No change.

(B) *Securities with Periodic Interest Payments*. Except as otherwise provided in this section (b), the dollar price for a transaction in a security with periodic interest payments shall be computed as follows:

(1) for securities with [six months or less to redemption] one coupon period or less to redemption, the following formula should be used:

No further changes

(2) for securities with [more than six months to redemption] more than one coupon period to redemption, the following formula should be used:

$$P = \left[ \frac{RV}{\left(1 + \frac{Y}{M}\right)_{\text{emp}}^{N-1 + \frac{E-A}{E}}} \right] + \left[ \sum_{K=1}^N \frac{100 \cdot \frac{R}{M}}{\left(1 + \frac{Y}{M}\right)_{\text{emp}}^{K-1 + \frac{E-A}{E}}} \right] - \left[ 100 \cdot \frac{A}{B} \cdot R \right]$$

For purposes of this formula the symbols shall be defined as follows:

"A" is the number of accrued days from beginning of the interest payment period to the settlement date (computed in accordance with the provisions of section (e) below);

"B" is the number of days in the year (computed in accordance with the provisions of section (e) below);

"E" is the number of days in the interest payment period in which the settlement date falls (computed in accordance with the provisions of section (e) below);

"M" is the number of interest payment periods per year standard for the security involved in the transaction;

"N" is the number of interest payments (expressed as a whole number) occurring between the settlement date and the redemption date, including the payment on the redemption date;

"P" is the dollar price of the security for each \$100 par value;

"R" is the annual interest rate (expressed as a decimal);

"RV" is the redemption value of the security per \$100 par value; and

"Y" is the yield price of the transaction (expressed as a decimal).

For purposes of this formula the symbol "exp" shall signify that the preceding value shall be raised to the power indicated by the succeeding value; for purposes of this formula the symbol "K" shall signify successively each whole number from "1" to "N" inclusive; for purposes of this formula the symbol "sigma" shall signify that the succeeding term shall be computed for each value "K" and that the results of such computations shall be summed.

(ii) *Yield*. Yields on interest-bearing securities shall be computed in accordance with the following provisions:

(A) No change.

(B) *Securities with Periodic Interest Payments*. The yield of a transaction in a security with periodic interest payments shall be computed as follows:

(1) for securities with [six months or less to redemption] one coupon period or less to redemption, the following formula should be used:

No further changes

(2) for securities with [more than six months to redemption] more than one coupon period to redemption, the formula set forth in item (2) of subparagraph (b)(i)(B) shall be used.

(c) – (e) No changes.

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### **INTERPRETIVE NOTICE ON RULE G-33 ON CALCULATIONS FOR SECURITIES WITH PERIODIC INTEREST PAYMENTS**

Rule G-33 generally requires that brokers, dealers, and municipal securities dealers (“dealers”) effecting transactions in municipal securities compute yields and dollar prices in accordance with the formulas prescribed.

Prior to an amendment effective February 23, 2016, Rule G-33(b)(i)(B)(2) and, by reference, (b)(ii)(B)(2), provided that, for interest-bearing municipal securities with periodic interest payments and more than six months to redemption, dealers compute the dollar price or yield

using a formula that accounted for the present value of all future coupon payments and a semi-annual payment of interest. The formula in Rule G-33(b)(i)(B)(2) now provides a more precise pricing calculation when computing yields and dollar prices on securities with periodic interest payments and more than one coupon payment to redemption. Under the amended pricing formula, rather than presuming a semi-annual interest payment, the formula requires factoring in the actual interest payment frequency of the security (e.g., monthly, quarterly or annually).

The compliance date for Rule G-33, as amended, is July 18, 2016.

Prior to July 18, 2016, a dealer will be deemed to be in compliance with Rules G-33(b)(i)(B)(2) and G-33(b)(ii)(B)(2) if calculating dollar price or yield for interest-bearing municipal securities with periodic interest payments and more than six months to redemption using the actual interest payment frequency rather than assuming a semi-annual payment. Beginning July 18, 2016, the compliance date for Rule G-33, as amended, all dealers will be required to factor in the actual interest payment frequency in calculating dollar price and yield for such securities.