

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 18	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2016 - * 10	Amendment No. (req. for Amendments *)
----------------	--	----------------------------	---------------------------------------

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 checked="" 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 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"/>
---	---

**Description**  
Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).  
  
Proposed Rule Change to Clarify an Existing Requirement in Rule G-37 Regarding the Two-Year Look-Back

**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 \* Sharon Last Name \* Zackula  
Title \* Associate General Counsel  
E-mail \* szackula@msrb.org  
Telephone \* (202) 838-1500 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 08/04/2016  
By Ronald W. Smith (Name \*)  
Corporate Secretary

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.

Persona Not Validated - 1453405662880,

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

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

Add Remove View

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 \***

Add Remove View

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 \***

Add Remove View

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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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 (“Act” or “Exchange Act”),<sup>1</sup> and Rule 19b-4(f)(1) thereunder,<sup>2</sup> the Municipal Securities Rulemaking Board (“Board” or “MSRB”) is filing with the Securities and Exchange Commission (“Commission” or “SEC”) a proposed amendment to Rule G-37, on political contributions made by brokers, dealers and municipal securities dealers (“dealers”) and prohibitions on municipal securities business, to clarify that, under the existing provisions in Rule G-37, contributions by persons who become associated with a dealer and become municipal finance professionals of the dealer, if made prior to August 17, 2016, are subject to the “two-year look-back” in Rule G-37 and may subject a dealer to a prohibition on municipal securities business, notwithstanding the upcoming effectiveness on August 17, 2016, of recent amendments to Rule G-37 (the “proposed rule change”).

(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 October 29-31, 2014 meeting. Questions concerning this filing may be directed to Sharon Zackula, Associate General Counsel, at (202) 838-1500.

The MSRB has filed the proposed rule change for immediate effectiveness. The implementation date of the proposed rule change is August 17, 2016.<sup>3</sup>

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

(a) Purpose

---

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

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

<sup>3</sup> Proposed rule change SR-MSRB-2015-14, which set forth the recent amendments to Rule G-37 and related provisions, was deemed approved on February 13, 2016 under Section 19(b)(2)(D) (15 U.S.C. 78s(b)(2)(D)) of the Act. See Securities Exchange Act Release No. 76763 (December 23, 2015), 80 FR 81710 (December 30, 2015) (Notice of filing and request for comment on proposed amendments to Rule G-37, Rule G-8, Rule G-9, and Forms G-37 and G-37x) (SR-MSRB-2015-14) (“Rule G-37 Amendments”).

## Background

Existing Rule G-37 addresses “pay to play” practices and the appearance thereof by dealers and persons associated with dealers who are municipal finance professionals. Among other things, Rule G-37 prohibits a dealer from engaging in municipal securities business with an issuer within two years after a triggering contribution to an official of such issuer is made by: (i) the dealer; (ii) any person who is a municipal finance professional (“MFP”) of the dealer; or (iii) any political action committee controlled by either the dealer or any MFP of the dealer (the “ban on municipal securities business”). A dealer may become subject to a ban on municipal securities business for a period of two years from the making of a contribution, even if the contribution is made by a person who, although not an MFP of the dealer at the time of the contribution, becomes an MFP of the dealer within two years of making the contribution (frequently referred to as the “two-year look-back”).<sup>4</sup>

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”)<sup>5</sup> amended Section 15B of the Exchange Act<sup>6</sup> to provide for the regulation by the Commission and the MSRB of municipal advisors. Pursuant to this authority, the MSRB proposed the Rule G-37 Amendments, which are targeted amendments to extend the regulatory policies regarding pay to play practices and the appearance thereof to municipal advisors, persons associated with municipal advisors who are municipal advisor professionals (“MAPs”), and (iii) any political action committee controlled by either a municipal advisor or any MAP of a

---

<sup>4</sup> The two-year look-back is set forth in existing Rule G-37(b)(i), and re-stated, with modifications applicable under certain conditions, in existing Rule G-37(b)(ii) and (iii). See Rule G-37(b)(ii) (in the Rule G-37 Amendments, renumbered as Rule G-37(b)(ii)(B), with administrative and technical changes), and Rule G-37(b)(iii) (in the Rule G-37 Amendments, renumbered as Rule G-37(b)(ii)(C), with administrative and technical changes).

Under existing Rule G-37(b)(ii), contributions to an issuer official by an individual that is an MFP solely based on his or her solicitation activities for the dealer are excluded and do not trigger a ban on municipal securities business for the dealer, unless such MFP (who is so characterized solely based on his or her solicitation activities for the dealer) subsequently solicits municipal securities business from the same issuer.

Under existing Rule G-37(b)(iii), contributions by MFPs who have that status solely by virtue of their supervisory or management-level activities, including persons serving on an executive or management committee (*i.e.*, those persons described in paragraphs (C), (D) and (E) of existing Rule G-37(g)(iv), defining “municipal finance professional”) are excluded and do not trigger a ban on municipal securities business if such contributions were made more than six months before the contributor obtained his or her MFP status.

<sup>5</sup> Pub. Law No. 111-203, 124 Stat. 1376 (2010).

<sup>6</sup> 15 U.S.C. 78o-4.

municipal advisor. The Rule G-37 Amendments were deemed approved under Section 19(b)(2)(D) of the Act<sup>7</sup> on February 13, 2016, and will become effective on August 17, 2016.<sup>8</sup>

When effective, the Rule G-37 Amendments will apply regulatory policies to municipal advisors that are analogous to the regulatory policies that apply to dealers under the existing rule, including the two-year look-back.<sup>9</sup> In the MSRB's filing to amend Rule G-37 to extend the look-back provisions to municipal advisors, the MSRB stated that Rule G-37 would retain the two-year look-back for MFPs.<sup>10</sup> This reflects the MSRB's intent and global approach in the development of the amendments to Rule G-37: to extend the policies of Rule G-37 applicable to dealers to municipal advisors, and to continue to apply the regulatory policies in effect under existing Rule G-37 to dealers without interruption as the Rule G-37 Amendments are implemented.<sup>11</sup>

Consistent with the intent of the Rule G-37 Amendments and to achieve implementation of such amendments without any interruption of the current regulatory policy regarding the two-year look-back applicable to dealers in Rule G-37, the MSRB is filing the proposed amendment to Rule G-37 to clarify the meaning of an existing requirement in Rule G-37 that contributions by persons who become associated with a dealer and become MFPs of the dealer, if made prior to August 17, 2016, will continue to be subject to the two-year look-back in Rule G-37 and may subject a dealer to a prohibition on municipal securities business. The proposed clarification would be included in Rule G-37(h), as amended by the Rule G-37 Amendments, as follows:

(h) *Operative Terms* [Date/Transitional Effect]. The prohibitions under this rule on engaging in municipal securities business and municipal advisory business [, as described in section (b) of this rule,] shall result from a contribution and be of the scope and length of time as provided under Rule G-37 as in effect at the time that such contribution is made. [arise only from contributions made on or after August 17, 2016; provided, however, that any prohibition under this rule

---

<sup>7</sup> 15 U.S.C. 78s(b)(2)(D).

<sup>8</sup> See n. 3, *supra*.

<sup>9</sup> Similar to the two-year look-back for dealers, the two-year look-back applicable to municipal advisors generally will subject a municipal advisor to a ban on municipal advisory business for a period of two years from the making of a triggering contribution, even if such contribution were made by a person, who, although at some point within two years of the making of the contribution becomes an MAP of the municipal advisor, was not an MAP of the municipal advisor at the time he or she made the contribution.

<sup>10</sup> Rule G-37 Amendments, 80 FR 81710, 81721.

<sup>11</sup> In extending the regulatory framework, the MSRB also adopted policies to apply Rule G-37 to an entity that is a dealer and a municipal advisor. These amendments to Rule G-37 generally treat dealer-municipal advisors as a single economic unit and, when effective, will subject such firms to an appropriately scoped ban on business.

already in effect on August 16, 2016, shall be of the scope and continue for the length of time provided under Rule G-37 as in effect at the time of the contribution that resulted in such prohibition.]<sup>12</sup>

In the Rule G-37 Amendments, the MSRB provided for the deletion, in section (h), of the original 1994 operative date of existing Rule G-37, and the substitution of the operative date of the Rule G-37 Amendments. With the proposed clarification, above, references in section (h) to August 17, 2016, the specific operative date of the Rule G-37 Amendments, and the period ending on August 16, 2016, would no longer be necessary and are proposed to be deleted.

(b) Statutory Basis

Section 15B(b)(2) of the Exchange Act<sup>13</sup> provides that

[t]he Board shall propose and adopt rules to effect the purposes of this title with respect to transactions in municipal securities effected by brokers, dealers, and municipal securities dealers and advice provided to or on behalf of municipal entities or obligated persons by brokers, dealers, municipal securities dealers, and municipal advisors with respect to municipal financial products, the issuance of municipal securities, and solicitations of municipal entities or obligated persons undertaken by brokers, dealers, municipal securities dealers, and municipal advisors.

Section 15B(b)(2)(C) of the Exchange Act<sup>14</sup> provides that the MSRB's rules 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 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.

---

<sup>12</sup> The text set forth above is marked to show the changes to the version of Rule G-37(h) as recently amended by the Rule G-37 Amendments. Text proposed to be added is underlined and text proposed to be deleted is enclosed in brackets.

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

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

The MSRB believes that the proposed rule change is consistent with the provisions of Section 15B(b)(2)<sup>15</sup> and Section 15B(b)(2)(C)<sup>16</sup> of the Act, in that the proposed rule change, which would clarify that a long-standing policy embodied in existing Rule G-37 will remain in effect when the Rule G-37 Amendments become effective, will effect the purposes of this title with respect to transactions in municipal securities effected by dealers, the issuance of municipal securities, and solicitations of municipal entities or obligated persons undertaken by dealers and MFPs. The proposed rule change would clarify the continuation of a requirement in existing Rule G-37 to consider the contributions made by a person who is an MFP of the dealer, who, at the time of making such contributions, was not an MFP, to address potential pay to play practices involving corruption or the appearance of corruption in connection with the awarding of municipal securities business.

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

Section 15B(b)(2)(C) of the Act<sup>17</sup> 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. The MSRB believes that the proposed rule change, which does not change the requirements applicable to dealers under existing Rule G-37 and, instead, clarifies the continuation of existing requirements, does not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the 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 designates the proposed rule change as being immediately effective upon filing pursuant to Section 19(b)(3)(A)(i) of the Act<sup>18</sup> and Rule 19b-4(f)(1) thereunder.<sup>19</sup> The

---

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

<sup>16</sup> 15 U.S.C. 78o-4(b)(2)(C).

<sup>17</sup> Id.

<sup>18</sup> 15 U.S.C. 78s(b)(3)(A)(i).

<sup>19</sup> 17 CFR 240.19b-4(f)(1).

proposed rule change constitutes a stated policy, practice, or interpretation with respect to the meaning, administration, or enforcement of an existing rule. The proposed rule change clarifies the continued application, after the date of effectiveness of the Rule G-37 Amendments, of the requirement in existing Rule G-37 that a dealer is generally subject to a ban on municipal securities business for a period of two years from the making of a triggering contribution, even if such contribution were made by a person, who, although now an MFP of a dealer, was not an MFP of the dealer at the time he or she made the contribution. The proposed rule change clarifies that a long-standing policy and regulatory requirement will remain in effect without change, notwithstanding the implementation of the Rule G-37 Amendments.

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

Not applicable.

**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-2016-10)

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Clarify an Existing Requirement in Rule G-37 Regarding the Two-Year Look-Back

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 to amend Rule G-37, on political contributions and prohibitions on municipal securities business, to clarify that, under the existing provisions in Rule G-37, contributions by persons who become associated with a broker, dealer or municipal securities dealer (“dealer”) and become municipal finance professionals of the dealer, if made prior to August 17, 2016, are subject to the “two-year look-back” in Rule G-37 and may subject a dealer to a prohibition on municipal securities business, notwithstanding the upcoming effectiveness on August 17, 2016, of recent amendments to Rule G-37 (the

---

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

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

“proposed rule change”). The MSRB has filed the proposed rule change for immediate effectiveness. The implementation date of the proposed rule change is August 17, 2016.<sup>3</sup>

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

Background

Existing Rule G-37 addresses “pay to play” practices and the appearance thereof by dealers and persons associated with dealers who are municipal finance professionals. Among other things, Rule G-37 prohibits a dealer from engaging in municipal securities business with an issuer within two years after a triggering contribution to an official of such issuer is made by: (i) the dealer; (ii) any person who is a municipal finance professional (“MFP”) of the dealer; or (iii)

---

<sup>3</sup> Proposed rule change SR-MSRB-2015-14, which set forth the recent amendments to Rule G-37 and related provisions, was deemed approved on February 13, 2016 under Section 19(b)(2)(D) (15 U.S.C. 78s(b)(2)(D)) of the Act. See Securities Exchange Act Release No. 76763 (December 23, 2015), 80 FR 81710 (December 30, 2015) (Notice of filing and request for comment on proposed amendments to Rule G-37, Rule G-8, Rule G-9, and Forms G-37 and G-37x) (SR-MSRB-2015-14) (“Rule G-37 Amendments”).

any political action committee controlled by either the dealer or any MFP of the dealer (the “ban on municipal securities business”). A dealer may become subject to a ban on municipal securities business for a period of two years from the making of a contribution, even if the contribution is made by a person who, although not an MFP of the dealer at the time of the contribution, becomes an MFP of the dealer within two years of making the contribution (frequently referred to as the “two-year look-back”).<sup>4</sup>

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”)<sup>5</sup> amended Section 15B of the Exchange Act<sup>6</sup> to provide for the regulation by the Commission and the MSRB of municipal advisors. Pursuant to this authority, the MSRB proposed the Rule G-37 Amendments, which are targeted amendments to extend the regulatory policies regarding pay to play practices and the appearance thereof to municipal advisors,

---

<sup>4</sup> The two-year look-back is set forth in existing Rule G-37(b)(i), and re-stated, with modifications applicable under certain conditions, in existing Rule G-37(b)(ii) and (iii). See Rule G-37(b)(ii) (in the Rule G-37 Amendments, renumbered as Rule G-37(b)(ii)(B), with administrative and technical changes), and Rule G-37(b)(iii) (in the Rule G-37 Amendments, renumbered as Rule G-37(b)(ii)(C), with administrative and technical changes).

Under existing Rule G-37(b)(ii), contributions to an issuer official by an individual that is an MFP solely based on his or her solicitation activities for the dealer are excluded and do not trigger a ban on municipal securities business for the dealer, unless such MFP (who is so characterized solely based on his or her solicitation activities for the dealer) subsequently solicits municipal securities business from the same issuer.

Under existing Rule G-37(b)(iii), contributions by MFPs who have that status solely by virtue of their supervisory or management-level activities, including persons serving on an executive or management committee (*i.e.*, those persons described in paragraphs (C), (D) and (E) of existing Rule G-37(g)(iv), defining “municipal finance professional”) are excluded and do not trigger a ban on municipal securities business if such contributions were made more than six months before the contributor obtained his or her MFP status.

<sup>5</sup> Pub. Law No. 111-203, 124 Stat. 1376 (2010).

<sup>6</sup> 15 U.S.C. 78q-4.

persons associated with municipal advisors who are municipal advisor professionals (“MAPs”), and (iii) any political action committee controlled by either a municipal advisor or any MAP of a municipal advisor. The Rule G-37 Amendments were deemed approved under Section 19(b)(2)(D) of the Act<sup>7</sup> on February 13, 2016, and will become effective on August 17, 2016.<sup>8</sup>

When effective, the Rule G-37 Amendments will apply regulatory policies to municipal advisors that are analogous to the regulatory policies that apply to dealers under the existing rule, including the two-year look-back.<sup>9</sup> In the MSRB’s filing to amend Rule G-37 to extend the look-back provisions to municipal advisors, the MSRB stated that Rule G-37 would retain the two-year look-back for MFPs.<sup>10</sup> This reflects the MSRB’s intent and global approach in the development of the amendments to Rule G-37: to extend the policies of Rule G-37 applicable to dealers to municipal advisors, and to continue to apply the regulatory policies in effect under existing Rule G-37 to dealers without interruption as the Rule G-37 Amendments are implemented.<sup>11</sup>

---

<sup>7</sup> 15 U.S.C. 78s(b)(2)(D).

<sup>8</sup> See n. 3, supra.

<sup>9</sup> Similar to the two-year look-back for dealers, the two-year look-back applicable to municipal advisors generally will subject a municipal advisor to a ban on municipal advisory business for a period of two years from the making of a triggering contribution, even if such contribution were made by a person, who, although at some point within two years of the making of the contribution becomes an MAP of the municipal advisor, was not an MAP of the municipal advisor at the time he or she made the contribution.

<sup>10</sup> Rule G-37 Amendments, 80 FR 81710, 81721.

<sup>11</sup> In extending the regulatory framework, the MSRB also adopted policies to apply Rule G-37 to an entity that is a dealer and a municipal advisor. These amendments to Rule G-37 generally treat dealer-municipal advisors as a single economic unit and, when effective, will subject such firms to an appropriately scoped ban on business.

Consistent with the intent of the Rule G-37 Amendments and to achieve implementation of such amendments without any interruption of the current regulatory policy regarding the two-year look-back applicable to dealers in Rule G-37, the MSRB is filing the proposed amendment to Rule G-37 to clarify the meaning of an existing requirement in Rule G-37 that contributions by persons who become associated with a dealer and become MFPs of the dealer, if made prior to August 17, 2016, will continue to be subject to the two-year look-back in Rule G-37 and may subject a dealer to a prohibition on municipal securities business. The proposed clarification would be included in Rule G-37(h), as amended by the Rule G-37 Amendments, as follows:

(h) Operative Terms [Date/Transitional Effect]. The prohibitions under this rule on engaging in municipal securities business and municipal advisory business [, as described in section (b) of this rule,] shall result from a contribution and be of the scope and length of time as provided under Rule G-37 as in effect at the time that such contribution is made. [arise only from contributions made on or after August 17, 2016; provided, however, that any prohibition under this rule already in effect on August 16, 2016, shall be of the scope and continue for the length of time provided under Rule G-37 as in effect at the time of the contribution that resulted in such prohibition.]<sup>12</sup>

In the Rule G-37 Amendments, the MSRB provided for the deletion, in section (h), of the original 1994 operative date of existing Rule G-37, and the substitution of the operative date of the Rule G-37 Amendments. With the proposed clarification, above, references in section (h) to August 17, 2016, the specific operative date of the Rule G-37 Amendments, and the period ending on August 16, 2016, would no longer be necessary and are proposed to be deleted.

## 2. Statutory Basis

---

<sup>12</sup> The text set forth above is marked to show the changes to the version of Rule G-37(h) as recently amended by the Rule G-37 Amendments. Text proposed to be added is underlined and text proposed to be deleted is enclosed in brackets.

Section 15B(b)(2) of the Exchange Act<sup>13</sup> provides that

[t]he Board shall propose and adopt rules to effect the purposes of this title with respect to transactions in municipal securities effected by brokers, dealers, and municipal securities dealers and advice provided to or on behalf of municipal entities or obligated persons by brokers, dealers, municipal securities dealers, and municipal advisors with respect to municipal financial products, the issuance of municipal securities, and solicitations of municipal entities or obligated persons undertaken by brokers, dealers, municipal securities dealers, and municipal advisors.

Section 15B(b)(2)(C) of the Exchange Act<sup>14</sup> provides that the MSRB's rules 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 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 proposed rule change is consistent with the provisions of Section 15B(b)(2)<sup>15</sup> and Section 15B(b)(2)(C)<sup>16</sup> of the Act, in that the proposed rule change, which would clarify that a long-standing policy embodied in existing Rule G-37 will remain in effect when the Rule G-37 Amendments become effective, will effect the purposes of this title with respect to transactions in municipal securities effected by dealers, the issuance of municipal securities, and solicitations of municipal entities or obligated persons undertaken by dealers and MFPs. The proposed rule change would clarify the continuation of a requirement in existing Rule G-37 to consider the contributions made by a person who is an MFP of the dealer, who, at

---

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

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

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

<sup>16</sup> 15 U.S.C. 78o-4(b)(2)(C).

the time of making such contributions, was not an MFP, to address potential pay to play practices involving corruption or the appearance of corruption in connection with the awarding of municipal securities business.

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

Section 15B(b)(2)(C) of the Act<sup>17</sup> 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. The MSRB believes that the proposed rule change, which does not change the requirements applicable to dealers under existing Rule G-37 and, instead, clarifies the continuation of existing requirements, does not 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

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

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>18</sup> and paragraph (f) of Rule 19b-4 thereunder.<sup>19</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

---

<sup>17</sup> Id.

<sup>18</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>19</sup> 17 CFR 240.19b-4(f).

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-2016-10 on the subject line.

Paper Comments:

- 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-2016-10. 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-



10 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>20</sup>

Secretary

---

<sup>20</sup> 17 CFR 200.30-3(a)(12).

The text of Rule G-37 as set forth below includes the amendments to Rule G-37(h) and the title of the rule contained in SR-MSRB-2015-14, which was deemed approved on February 13, 2016, under Section 19(b)(2)(D) of the Securities Exchange Act of 1934 (15 U.S.C. 78s(b)(2)(D)). Those amendments, which become operative on August 17, 2016 concurrently with the proposed amendment herein, are incorporated in the rule text below as previously approved.

Material proposed to be added is underlined. Material proposed to be deleted is enclosed in brackets.

\* \* \* \* \*

**Rule G-37: Political Contributions and Prohibitions on Municipal Securities Business and Municipal Advisory Business**

(a) - (g) No change.

(h) *Operative Terms* [Date/Transitional Effect]. The prohibitions under this rule on engaging in municipal securities business and municipal advisory business [, as described in section (b) of this rule,] shall result from a contribution and be of the scope and length of time as provided under Rule G-37 as in effect at the time that such contribution is made. [arise only from contributions made on or after August 17, 2016; provided, however, that any prohibition under this rule already in effect on August 16, 2016, shall be of the scope and continue for the length of time provided under Rule G-37 as in effect at the time of the contribution that resulted in such prohibition.]

(i) - (j) No change.