

Required fields are shown with yellow backgrounds and asterisks.

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. * SR 2026 - * 01

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 checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	Rule <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 type="checkbox"/> 19b-4(f)(6)		
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Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010
Section 806(e)(1) *

Section 806(e)(2) *

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 3C(b)(2) *

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposed Rule Change to Amend MSRB Rule G-12(c) to Codify and Retire or Revise Certain Existing Interpretive Guidance on Confirmation Requirements for Those Inter-Dealer Municipal Securities Transactions That are Ineligible for Automated Comparison

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 * Abha Last Name * Mohla

Title * Director, Market Regulation

E-mail * amohla@msrb.org

Telephone * (202) 838-1500 Fax

Signature

Pursuant to the requirements of the Securities Exchange of 1934, Municipal Securities Rulemaking Board has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 04/28/2026 (Title *)

By Ronald W. Smith Corporate Secretary
(Name *)

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

rsmith@msrb.org
rg
Digitally signed by rsmith@msrb.org
Date: 2026.04.28 11:11:57 -04'00'

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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MSRB-2026-01 19b-4.docx

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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MSRB-2026-01 Exhibit 1.docx

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 Advanced 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 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

MSRB-2026-01 Exhibit 2a.pdf
MSRB-2026-01 Exhibit 2b.pdf
MSRB-2026-01 Exhibit 2c.pdf

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 Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

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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 Sent As Paper Document

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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MSRB-2026-01 Exhibit 5.docx

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 “Exchange Act”),¹ and Rule 19b-4 thereunder,² the Municipal Securities Rulemaking Board (the “MSRB”) is filing with the Securities and Exchange Commission (the “Commission”) a proposed rule change relating to MSRB Rule G-12, on uniform practice (the “proposed rule change”). The proposed rule change would revise section (c) of Rule G-12 (“Rule G-12”) to codify into rule language and to retire or revise existing interpretive guidance on confirmation requirements for those inter-dealer municipal securities transactions between two brokers, dealers or municipal securities dealers (collectively, “dealers”) that are ineligible for automated comparison at a registered clearing agency, as well as to retire or revise other related interpretive guidance and to make technical amendments to simplify and clarify current rule requirements.

If the Commission approves the proposed rule change, the MSRB would announce the effective date of the proposed rule change in a regulatory notice to be published on the MSRB website no later than 90 days following Commission approval. The effective date would be no later than one year following Commission approval.

(a) The text of the proposed rule change is attached as Exhibit 5. The 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 board of directors of the MSRB approved the proposed rule change at its meetings on July 24–25, 2024 and October 22–23, 2025. Questions concerning this filing may be directed to Abha Mohla, Director, Market Regulation, at 202-838-1500.

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

(a) Purpose

Section (c) of Rule G-12 sets forth the confirmation requirements for inter-dealer municipal securities transactions that are ineligible for automated comparison in a system

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

operated by a registered clearing agency,³ also referred to herein as “inter-dealer confirmations.”⁴ Since the original adoption of Rule G-12(c) in 1977, the rule has requirements for the exchange and comparison of trade confirmations by dealers in inter-dealer transactions.⁵ Rule G-12(c) outlines a list of content requirements related to inter-dealer confirmations, analogous in scope to the content requirements for customer confirmations listed in pre-1990s iterations of section (a) of MSRB Rule G-15 (“Rule G-15”), on customer confirmations.

In 1983, the MSRB approved an amendment to Rule G-12 that required that dealers use automated comparison through a registered clearing agency for eligible inter-dealer trades, foregoing the need for the sending of separate confirmations previously used for that purpose for such eligible trades.⁶ By 1985, a majority of inter-dealer trades were compared through such automated means⁷ and, after when-issued securities became eligible for automated comparison, the MSRB assessed in 1995 that nearly all new issue municipal securities were eligible for automated comparison with the exception of those that do not meet the eligibility requirements to be assigned a Committee on Uniform Securities Identification Procedures (CUSIP) number.⁸ Thus, only a very small number of inter-dealer trades remained subject to the confirmation requirement of Rule G-12(c), predominantly due to their ineligibility for CUSIP number assignment.

Notwithstanding the low number of municipal securities that currently remain ineligible for automated comparison and therefore could be subject to Rule G-12(c), the MSRB observes that a population of municipal securities that do not have CUSIP numbers—and are therefore ineligible for automated comparison—persists. For example, over five years, from 2020 to 2025,

³ A list of registered clearing agencies is available at <https://www.sec.gov/about/divisions-offices/division-trading-markets/clearing-agencies>. Currently, registered clearing agencies active in the municipal securities market consist of the Depository Trust & Clearing Corporation and its affiliates.

⁴ Rule G-12(a) exempts inter-dealer transactions in municipal securities submitted to a registered clearing agency for comparison from the inter-dealer confirmation provisions of Rule G-12(c), since the purposes of transaction confirmations are subsumed within the automated comparison process as provided in Rule G-12(f)(i).

⁵ Order Approving Proposed Rule Change, Exchange Act Release No. 13939 (Sept. 8, 1977), 42 FR 46445 (Sept. 15, 1977) (File No. SR-MSRB-76-12).

⁶ Order Approving Proposed Rule Change of the Municipal Securities Rulemaking Board, Exchange Act Release No. 20365 (Nov. 14, 21983), 48 FR 52531 (Nov. 18, 1983) (File No. SR-MSRB-83-13). While confirmations are not required under Rule G-12(c) for inter-dealer transactions eligible for automated comparison, such transactions are subject to the requirements and processes specified by Rule G-12(f).

⁷ See MSRB Reports Vol. 5, No. 2, (February 1985) at 7.

⁸ See Exchange Act Release No. 36352 (October 6, 1995), 60 FR 53652, at FN 6 (October 16, 1995) (File No. SR-MSRB-1995-14).

an annual average of 2,447 new municipal securities were issued without assigned CUSIP numbers,⁹ so that any inter-dealer trades in such securities would be ineligible for automated comparison and would therefore be subject to Rule G-12(c).¹⁰

Because of the historically low number of transactions subject to Rule G-12(c), the MSRB had not, to date, consolidated Rule G-12(c) and its associated interpretive guidance, as the MSRB has already completed for other MSRB rules whose provisions are more frequently used (e.g., Rule G-15).¹¹ The proposed rule change is mainly intended to significantly streamline the requirements of Rule G-12(c) and related interpretations to the core elements needed to fulfill the purpose of this confirmation requirement to facilitate comparison of inter-dealer transactions where such transactions cannot use the standard automated comparison system. The proposed rule change would, among other things, incorporate those key comparison-related principles established in interpretive guidance into the relevant rule text and eliminate certain requirements, from the current rule text or certain interpretive guidance, unrelated to the comparison process.¹² The text of proposed amended Rule G-12(c) would set out, in full and in a better organized manner, the streamlined set of informational elements for inter-dealer confirmations for which automated comparison is not available.

The MSRB believes that, given recent technological innovations in the market, it is timely to update and streamline Rule G-12(c). The MSRB understands that issuers and other market participants are contemplating and, in some cases, may already be implementing new technological approaches in the municipal securities market with the rise of distributed ledger technologies (including blockchain technology), digital assets and other decentralized finance approaches. Some are beginning to explore the potential of issuing digital or tokenized

⁹ Based on submissions of MSRB Form G-32 by underwriters to the Electronic Municipal Market Access (EMMA) website under MSRB Rule G-32 for primary offerings for which CUSIP numbers had not been assigned.

¹⁰ Because trades in securities without CUSIP numbers are not subject to trade reporting to the MSRB's Real-Time Transaction Reporting System (RTRS) under MSRB Rule G-14, the MSRB does not have an estimate of how many inter-dealer trades may occur in such securities.

¹¹ Customer trades generally remained subject to the confirmation requirements of Rule G-15(a)(i) and its interpretive guidance, ultimately leading the MSRB to revise and consolidate much of this guidance into the rule language in 1995. See Exchange Act Release No. 35700 (May 10, 1995), 60 FR 26747, at FN 6 (May 18, 1995) (File No. SR-MSRB-1995-04).

¹² As part of its efforts to streamline the rulebook, the MSRB has identified requirements under the current rule text and related pieces of interpretive guidance—pieces that have been rendered obsolete in the context of modern transaction practices or that otherwise are no longer necessary to promote the accuracy and efficiency of inter-dealer confirmations—which this proposed rule change would delete, as described herein.

securities.¹³ The issuance and subsequent trading of such securities could involve many unique features that did not exist at the time that the current centralized processes for comparison, clearance and settlement became the default manner for effecting municipal securities transactions. Such features may include, among others, digitizing and electronic record keeping of security ownership without the need for a traditional bond certificate and other aspects that would make such securities ineligible for the existing automated comparison and/or book-entry settlement process envisioned under MSRB rules. Thus, the MSRB believes that modernization of Rule G-12(c) is even more significant in light of alternative models for securities transactions that are emerging in the marketplace.¹⁴ The MSRB believes that the proposed rule change would effectuate this modernization of Rule G-12(c), ensuring that the rule continues to achieve its goals consistent with current market practices while simultaneously easing compliance burdens on regulated entities by removing outdated informational elements, and thereby removing potential impediments to market innovation and further perfecting the mechanism of a free and open market in municipal securities.

Therefore, in summary, the proposed rule change would:

- Codify principles from interpretive guidance into the rule text and reorganize the content of Rule G-12(c);
- Remove certain existing requirements from current Rule G-12(c) that no longer serve a beneficial purpose for dealers or the market;
- Make technical modifications to the rule requirements that would simplify and clarify the existing requirements under Rule G-12(c), including amending current Rule G-12(c)(vi) to replace it with a new definition section;

¹³ See Commissioner Hester M. Peirce, *Enchanting, but Not Magical: A Statement on the Tokenization of Securities*, July 9, 2025, available at <https://www.sec.gov/newsroom/speeches-statements/peirce-statement-tokenized-securities-070925>, regarding the applicability of broker-dealer rules to tokenized securities.

¹⁴ The MSRB has launched a retrospective rule review of certain of its rules, including Rule G-12, that relate to these key market infrastructure processes that could provide opportunities for removing barriers to technological and product innovation in the municipal market. See MSRB Press Release of April 25, 2025, available at <https://www.msrb.org/Press-Releases/MSRB-Discusses-Market-Regulation-and-Transparency-Initiatives-Quarterly-Board>. The MSRB views this proposed rule change as being an early step in this retrospective rule review, and believes among other things, it is timely given the potential emergence of decentralized finance practices and products in the municipal securities market.

- Retire certain guidance that is being codified or is already codified in current Rule G-12(c) or noted under other MSRB rules;¹⁵ and
- Amend and retain certain interpretive guidance relevant to Rule G-12 and Rule G-15 and retire certain other guidance that may be obsolete or no longer serve a beneficial purpose to the market.¹⁶

Codification of Certain Principles from Existing Interpretive Guidance and Reorganization of Rule G-12(c)

The proposed rule change would codify central principles of the interpretive guidance using more succinct and precise language and reorganize the content of Rule G-12(c)(v)–(vi) to clarify the existing requirements of Rule G-12(c). The proposed rule change would not impose any new requirements and would eliminate obsolete or superfluous requirements. A portion of the proposed rule change discussed herein is comprised of key informational elements drawn from pieces of certain interpretive guidance which would be codified in the proposed rule text.¹⁷

The proposed rule change would organize informational elements required to be disclosed in a transaction subject to Rule G-12(c) into three categories, with the first covering securities transaction information, set forth in proposed Rule G-12(c)(v)(A), and the second covering securities identification information, set forth in proposed Rule G-12(c)(v)(B). The proposed rule change would also add, in proposed Rule G-12(c)(v)(C), a third category of securities additional information beyond the information noted under the securities transaction and securities identification category that, in limited circumstances, may be necessary to ensure that the counterparties are in agreement as to the fundamental terms of an inter-dealer transaction and to the identity of the specific security being transacted. The items of information that would be required to be included on an inter-dealer confirmation in these three categories pursuant to proposed amended Rule G-12(c) are described below.

Securities Transaction Information

¹⁵ The MSRB will publish a regulatory notice that sets forth a list of each item of interpretive guidance that would be amended or retired in connection with the proposed rule change, following the Commission’s approval.

¹⁶ See supra note 15.

¹⁷ The MSRB sought comment regarding the pieces of interpretive guidance under consideration as part of its review of Rule G-12(c). MSRB Notice 2023-08, Request for Comment on Retrospective Rule Review of Rule G-12(c) on Inter-Dealer Confirmations and Related Interpretive Guidance (Sep. 28, 2023) (“Request for Comment”), available at <https://www.msrb.org/sites/default/files/2023-09/2023-08.pdf>.

The proposed rule change would codify certain elements consisting of securities transaction information into Rule G-12(c)(v)(A).¹⁸ The following securities transaction information would be required to be disclosed under the proposed rule change.

- The confirming party’s name (that is, the name of the dealer producing the confirmation) and its contact information;¹⁹
- The contra party’s identification (that is, the name of the dealer with whom the confirming dealer is engaging in a transaction ineligible for automated comparison);²⁰
- Designation of whether the transaction is a purchase from or sale to the contra party;²¹
- Par value of the securities;²²
- Trade date;²³
- Settlement date;²⁴

¹⁸ Broadly, proposed Rule G-12(c)(v)(A) would include informational elements currently described in Rule G-12(c)(v)(A)–(D), G-12(c)(v)(G)–(N) and in the additional language following Rule G-12(c)(v)(N).

¹⁹ Existing Rule G-12(c)(v)(A) would be redesignated as Rule G-12(c)(v)(A)(1) and would be modified to instead reference the more flexible contact information to reflect modernization and changes in modes of communication. Updated rule language information would allow for address, telephone number or other information providing reasonable means of contacting the confirming party.

²⁰ Existing Rule G-12(c)(v)(B) would be redesignated as Rule G-12(c)(v)(A)(2) without substantive change.

²¹ Existing Rule G-12(c)(v)(C) would be redesignated as Rule G-12(c)(v)(A)(3) without substantive change.

²² Existing Rule G-12(c)(v)(D) would be redesignated as Rule G-12(c)(v)(A)(4). The proposed rule change would further clarify that, for zero coupon securities, the maturity value of the securities must be shown if it differs from the par value. This clarification incorporates language currently in the second paragraph following Rule G-12(c)(v)(N), which would be deleted as part of the proposed rule change.

²³ Existing Rule G-12(c)(v)(G) would be redesignated as Rule G-12(c)(v)(A)(5) without substantive change.

²⁴ Existing Rule G-12(c)(v)(H) would be redesignated as Rule G-12(c)(v)(A)(6). The proposed rule change would also specify that initial confirmations for “when, as and if issued” transactions are excepted from this disclosure requirement. This exception

- Yield and dollar price, to be computed and shown as follows:²⁵
 - For transactions effected on the basis of yield to maturity, yield to call date, or yield to put date, proposed Rule G-12(c)(v)(A)(7)(a) would require that the yield at which the transaction was effected be shown and, if that yield is to a call or put date, this must be noted, along with the date and dollar price of the call or put date;²⁶
 - For transactions effected on the basis of dollar price, proposed Rule G-12(c)(v)(A)(7)(b) would require that a dollar price at which the transaction was effected be shown and, unless the transaction was effected at par, a yield be computed and shown;
 - Proposed Rule G-12(c)(v)(A)(7)(c)(i) would specify that yield shown on confirmations must be computed to the lower of call date or maturity date (instead

incorporates language currently in the third paragraph following Rule G-12(c)(v)(N), which paragraph would be deleted as part of the proposed rule change.

²⁵ Existing Rule G-12(c)(v)(I) would be redesignated as Rule G-12(c)(v)(A)(7) and revised to adopt a simpler format, similar to the comparable provisions of Rule G-15(a)(i)(A)(5) for customer confirmations. Proposed Rule G-12(c)(v)(A)(7) would also codify guidance noted in certain pieces of interpretive guidance setting forth the manner of computing the yield and dollar price in a manner consistent with Rule G-15(a)(i)(A)(5). The proposed amendment would also codify certain guidance set forth in several pieces of interpretive guidance. See MSRB Interpretive Guidance, Pricing to Call (Dec. 10, 1980), available at <https://www.msrb.org/Pricing-Call>; MSRB Interpretive Guidance, Callable Securities: Pricing to Call and Extraordinary Mandatory Redemption Features (Feb. 10, 1984), available at <https://www.msrb.org/Callable-Securities-Pricing-Call-and-Extraordinary-Mandatory-Redemption-Features>; MSRB Interpretive Guidance, Confirmation Disclosure: Put Option Bonds (Apr. 24, 1981), available at <https://www.msrb.org/Confirmation-Disclosure-Put-Option-Bonds>; MSRB Interpretive Guidance, Calculation of Price and Yield on Continuously Callable Securities (Aug. 15, 1989), available at <https://www.msrb.org/Calculation-Price-and-Yield-Continuously-Callable-Securities>; MSRB Interpretive Guidance, Notice Concerning the Application of Board Rules to Put Option Bonds (Sep. 30, 1985), available at <https://www.msrb.org/Notice-Concerning-Application-Board-Rules-Put-Option-Bonds>. The foregoing items of interpretive guidance would be retired either in whole or in part through this initiative. See *supra* note 15.

²⁶ Proposed Rule G-12(c)(v)(A)(7)(a) would repurpose some text from current Rule G-12(c)(v)(I); however, it would primarily codify language noted in MSRB Interpretive Guidance, Notice Concerning the Application of Board Rules to Put Option Bonds (Sep. 30, 1985), available at <https://www.msrb.org/Notice-Concerning-Application-Board-Rules-Put-Option-Bonds>.

of lowest of price to call, price to par option, or price to maturity, as stated in current Rule G-12(c)(v)(I). For purposes of computing yield to call or dollar price to call, proposed Rule G-12(c)(v)(A)(7)(c)(ii) would limit call features that may be used to only those call features that represent "in whole calls" of the type that may be used by the issuer without restriction in a refunding.²⁷ Proposed Rule G-12(c)(v)(A)(7)(c)(iii) would clarify the computation and content requirements applicable to securities subject to a series of pricing calls at declining premiums,²⁸ securities that, at the time of trade, are subject to a notice of a pricing call at any time,²⁹ and additional requirements for zero coupon securities.³⁰ Proposed Rule G-12(c)(v)(A)(7)(c)(iv) would require all yield and dollar price computations to be made in accordance with MSRB Rule G-33, on calculations ("Rule G-33");³¹

- Proposed Rule G-12(c)(v)(A)(7)(d) would not require yield to be shown for securities traded on a discounted basis and would not require dollar price to be shown for when-issued trades.³²

²⁷ These changes would also effectively harmonize this aspect of the rule text with the comparable provision in Rule G-15(a)(i)(A)(5)(c) for customer confirmations, which the MSRB understands represents current industry usage of the terms "call date" to reflect any type of call, such as a par option call or a premium call, and "pricing calls" to reflect only call features available to issuers for use without restriction in a refunding.

²⁸ Dealers would be required to consider the call date resulting in the lowest yield or dollar price to be the yield to call or dollar price to call. This provision would codify key concepts relating to declining premium calls drawn from MSRB Interpretive Guidance, Pricing to Call, *supra* note 25.

²⁹ This provision would codify language relating to continuously callable securities gleaned from MSRB Interpretive Guidance, Calculation of Price and Yield on Continuously Callable Securities, *supra* note 25.

³⁰ The call price shown on the confirmation would be required to be expressed in terms of a percentage of the security's maturity value. See MSRB Interpretive Guidance, Yield Disclosures: Yields to Call on Zero Coupon Bonds (Jan. 4, 1984), available at <https://www.msrb.org/Yield-Disclosures-Yields-Call-Zero-Coupon-Bonds>.

³¹ This proposed amendment codifies language regarding the applicability of Rule G-33 to yield and dollar price computation, which are drawn from MSRB Interpretive Guidance, Calculations for Securities with Periodic Interest Payments (Feb. 23, 2016), available at <https://www.msrb.org/Calculations-Securities-Periodic-Interest-Payments>.

³² These exceptions would be incorporated from the first and third paragraphs following current Rule G-12(c)(v)(N).

- Amount of concession;³³
- Final monies;³⁴ and
- Delivery of securities.³⁵

Securities Identification Information

The proposed rule change would codify certain informational elements consisting of securities identification information into proposed Rule G-12(c)(v)(B).³⁶ The proposed rule change would require inter-dealer confirmations to include the following elements of securities identification information.

- The name of the issuer;³⁷

³³ Existing Rule G-12(c)(v)(J) would be redesignated Rule G-12(c)(v)(A)(8) without substantive change.

³⁴ Existing Rule G-12(c)(v)(K)–(M) would be redesignated Rule G-12(c)(v)(A)(9)(a)–(d). Proposed Rule G-12(c)(v)(A)(9)(a)–(d) would also incorporate language currently in the three paragraphs immediately following Rule G-12(c)(v)(N). Proposed Rule G-12(c)(v)(A)(9)(a)–(d) would be revised to adopt a simpler format, virtually identical in both structure and substance to the corresponding and analogous provisions of Rule G-15(a)(i)(A)(6) for customer confirmations. With the exception of initial confirmations of transactions affected on a “when, as and if issued” basis, proposed Rule G-12(c)(v)(A)(9) would clarify the computation and content requirements by specifying the elements of information which must be included: (a) the total dollar amount of the transaction; (b) the amount of accrued interest (with additional provisions for specific types of securities); (c) a notation of “flat” for securities that pay interest on a current basis but are traded without interest; and (d) the extended principal amount (with additional provisions for specific types of securities).

³⁵ Existing Rule G-12(c)(v)(N) would be redesignated as Rule G-12(c)(v)(A)(10), which would require inclusion of information regarding denominations of bonds, other than denominations that are multiples of \$1,000 par value (up to \$100,000 par value), largely similar to corresponding provision of Rule G-15(a)(i)(A)(7)(b) on customer confirmations. Proposed Rule G-12(c)(v)(A)(10)(b) would retain the delivery instructions under existing Rule G-12(c)(v)(N), which harmonizes with the corresponding provision of Rule G-15(a)(i)(A)(7)(d) on customer confirmations.

³⁶ Proposed Rule G-12(c)(v)(B) would largely consist of text from Rule G-12(c)(v)(E), (v)(F) and (vi)(A). It would also consolidate related text that appears in paragraphs between Rule G-12(c)(v) and (vi).

³⁷ Existing requirements from Rule G-12(c)(v)(E) would be redesignated as Rule G-12(c)(v)(B)(1), requiring name of the issuer, which would codify principles from

- A securities identifier, if any, such as a CUSIP number or an alternative securities identifier that is mutually agreed upon between two parties;³⁸
- Maturity date;³⁹
- Interest rate;⁴⁰ and,

interpretive guidance to include trade name and series designation for stripped coupon securities, analogous to Rule G-15(a)(i)(B)(1)(a). See MSRB Interpretive Guidance, Notice Concerning Stripped Coupon Municipal Securities (Mar. 13, 1989), available at <https://www.msrb.org/Notice-Concerning-Stripped-Coupon-Municipal-Securities>.

³⁸ Existing requirements from Rule G-12(c)(v)(F) would be redesignated as Rule G-12(c)(v)(B)(4). The proposed rule change would also broaden this provision by permitting use of an alternative securities identifier that would assist parties to the transaction to have assurance that they are each referencing the same security, such as an identifier that may be assigned by a vendor or other entity through which both parties are engaging in key steps of the transaction. The MSRB is mindful that the data standards to be adopted by the federal financial regulators that could become applicable with respect to submissions of information to the MSRB under the Financial Data Transparency Act, Public Law 117–263, title LVIII, 136 Stat. 2395, 3421 (2022) could include data standards for securities identifiers encompassing identifiers beyond CUSIP numbers. See Financial Data Transparency Act Joint Data Standards, Exchange Act Release No. 100647 (Aug. 2, 2024), 89 FR 67890 (Aug. 22, 2024). Furthermore, if tokenized municipal securities were to be traded on a blockchain and such securities have not been assigned a CUSIP number, any alternative securities identifier incorporated within the mechanics of the blockchain itself could serve as a securities identifier. While the proposed rule change would permit the use on a confirmation of an alternative securities identifier and is not limited to the use of CUSIP number, the decision to use an alternative securities identifier on the confirmation would not obviate any obligation under other MSRB rules, such as the requirement to report trades to RTRS under MSRB Rule G-14, if the security in fact has a CUSIP number assigned to it.

³⁹ Existing requirements from Rule G-12(c)(v)(E) would be redesignated as Rule G-12(c)(v)(B)(2), which would codify informational elements from interpretive guidance with respect to stripped coupon securities to include maturity date of the instrument in lieu of the maturity date of the underlying securities. See MSRB Interpretive Guidance, Notice Concerning Stripped Coupon Municipal Securities, supra note 37.

⁴⁰ Existing requirements from Rule G-12(c)(v)(E) would be redesignated as Rule G-12(c)(v)(B)(3), which would also codify language from interpretive guidance requiring that, for zero coupon securities, the interest rate would be shown as 0%, and for securities with a variable or floating interest rate, the interest rate would be shown as "variable". See MSRB Interpretive Guidance, Notice Concerning "Zero Coupon" and "Stepped Coupon" Securities (Apr. 27, 1982), available at <https://www.msrb.org/Notice->

- Dated date.⁴¹

Securities Additional Information

The proposed rule change would move and modify language from existing Rule G-12(c)(vi)(I) to proposed new Rule G-12(c)(v)(C), which would retain the requirement that the confirmation include any additional information necessary to ensure that the parties agree to the details of the transaction, beyond the information that would be required under proposed Rule G-12(c)(v)(A), and would add reference to ensuring that the parties have uniquely identified the specific securities being transacted, beyond the information that would be required under proposed Rule G-12(c)(v)(B). While the MSRB expects that such additional information would only rarely be needed, additional information about the securities at certain times may be necessary particularly where no CUSIP number or other alternative identifier has been assigned to the securities and/or where some event or change to the securities gives rise to the need to distinguish the subject securities from other securities that previously were fully fungible but which have become no longer fungible.

The MSRB believes it is imperative for dealers to consider the circumstances under which additional identifying information may be required since it may be essential for both parties to agree upon which security is being transacted. For example, where a portion of securities might be secured by funds held in escrow, or may be backed by a personal guarantee, or might have some other feature not known or otherwise accessible to the market that could call into question the fungibility of different portions of such securities, while another portion may not have such backing or such other feature, there may be a need to provide greater specificity to the counterparty to ensure that both dealers engaged in an inter-dealer transaction are not mistaken as to the specific securities being transacted. In such circumstances, the dealers may need to include additional information on the confirmation under proposed Rule G-12(c)(v)(C) to precisely identify which unique securities are being transacted.

Amendments to Remove Certain Existing Requirements

[Concerning-Zero-Coupon-and-Stepped-Coupon-Securities](https://www.msrb.org/Confirmation-Disclosure-Requirements-Applicable-Variable-Rate-Municipal-Securities). See also MSRB Interpretive Guidance, Confirmation Disclosure Requirements Applicable to Variable-Rate Municipal Securities (Dec. 10, 1980), available at <https://www.msrb.org/Confirmation-Disclosure-Requirements-Applicable-Variable-Rate-Municipal-Securities>.

⁴¹ Existing Rule G-12(c)(vi)(A) would be reorganized as Rule G-12(c)(v)(B)(5), on disclosure requirements related to dated date. The proposed rule change would also codify language from interpretive guidance to specify that, for stripped coupon securities, the date that interest begins accruing to the custodian for payment to the beneficial owner would be shown in lieu of the dated date of the underlying securities; this date, along with the first date that interest will be paid to the owner, would be stated on the confirmation whenever it is necessary for calculation of price or accrued interest. See MSRB Interpretive Guidance, Notice Concerning Stripped Coupon Municipal Securities, supra note 37.

The proposed rule change would remove current rule text pertaining to confirmation requirements that are primarily of a descriptive nature, which are unnecessary to provide a materially complete description for purposes of the modern comparison process, and are neither securities transaction information nor securities identification information.⁴² Because trade confirmations are delivered after the time of trade—documenting previously-agreed-upon terms of the trade rather than providing disclosures necessary to inform counterparties at or prior to the time of trade—the need for securities descriptive information in a post-trade inter-dealer confirmation is significantly less than in a customer confirmation involving retail investors, who may value having documented in the customer confirmation some of these material substantive disclosures. In addition, for the vast majority of inter-dealer trades that are eligible for automated comparison, the current processes that substitute for trade confirmations under Rule G-12(c) do not entail the dissemination of this type of securities descriptive information. The proposed rule change would also retire certain pieces of interpretive guidance currently memorializing such requirements.⁴³

The proposed rule change would remove the following confirmation requirements, which pertain to securities descriptive information.

- Credit backing (from current Rule G-12(c)(v)(E));
- Features of securities (from current Rule G-12(c)(vi)(B), (E) and (G));
- Status of securities (from current Rule G-12(c)(vi)(H)); and
- Tax information (from current Rule G-12(c)(vi)(C) and (D)).

⁴² This elimination of obsolete confirmation requirements is consistent with the principles cited in the time of trade disclosure guidance for inter-dealer transactions. See MSRB Interpretive Guidance, Time of Trade Disclosures in Inter-Dealer Transactions (March 3, 2025) (the “Rule G-17 Inter-Dealer Time of Trade Disclosure Guidance”), available at <https://www.msrb.org/Rules-and-Interpretive-Guidance/Time-Trade-Disclosures-Inter-Dealer-Transactions> (In regard to inter-dealer transactions, the items of information that professionals must exchange “should be sufficient to distinguish the municipal security from other similar issues.”). See also Exchange Act Release No. 100508 (July 11, 2024), 89 FR 58229 (July 17, 2024) (File No. SR-MSRB-2024-03) (the “Time of Trade Disclosure Amendment Approval Order”).

⁴³ The MSRB will publish a full list of interpretive guidance that would be retired pursuant to this proposed rule change by no later than 90 days from the approval date of this proposed rule change. This notice would be the second of a series of two notices and would be similar to the previously published first notice where the MSRB retired nine pieces of guidance. See MSRB Notice 2024-07, MSRB to Retire Select Interpretive Guidance Regarding Inter-Dealer Confirmation Disclosures (May 22, 2024), available at <https://www.msrb.org/sites/default/files/2024-05/2024-07.pdf>.

The MSRB notes that removing such requirements from inter-dealer confirmations would have no impact on whether dealers selling municipal securities in an inter-dealer transaction with features that would have been subject to confirmation disclosures under the current language of Rule G-12(c) must still comply with their obligations under other MSRB rules. For example, dealers would still be obligated to provide any required disclosures at or prior to the time of trade to their dealer counterparties under certain circumstances as provided in the Rule G-17 Inter-Dealer Time of Trade Disclosure Guidance.⁴⁴ Of course, given that a confirmation is not received by the counterparty until after a transaction is effected, confirmation disclosure, even if it were to include any such information, would not normally be timely for purposes of a time of trade disclosure obligation.

Addition of a New Definition Section and Other Technical Amendments to Simplify and Clarify Existing Requirements under the Rule

Rule G-12(c) currently utilizes certain terms, the definitions of which can be found in the text of other MSRB rules and interpretive guidance. Drawing from these sources, the proposed rule change would add a definition section to Rule G-12(c) to add clarity and facilitate compliance by reorganizing and compiling relevant definitions within the proposed rule text. The new definitions section would include the terms "stepped coupon securities," "zero coupon securities," "stripped coupon securities" and "pricing call," codified as Rule G-12(c)(vi)(A)–(D).

Additionally, the proposed rule change would implement certain technical amendments to simplify, clarify and modernize existing content requirements under Rule G-12 as noted below:

- The proposed rule change would update certain internal cross references relating to the delivery of securities in Rule G-12(e)(ii),⁴⁵ on securities delivered, and Rule G-12(e)(iii),⁴⁶ on delivery ticket. The proposed rule change would also update Rule G-12(e)(v), on units of delivery under delivery of securities, to remove a separate reference to information regarding denomination of certificates to be delivered in case of bearer bonds since bearer bonds are no longer issued in the primary municipal securities market

⁴⁴ See supra note 42.

⁴⁵ The proposed rule change would update internal cross-references under subparagraph (e)(ii)(A) from current rule language pertaining to paragraph (c)(v) and (c)(vi) to information now set forth in subparagraph (v)(B) of section (c) of this rule. The proposed rule change would also remove certain text under Rule G-12(e)(ii)(B) since the proposed rule change updating Rule G-12(e)(ii)(A) as noted above would make the rest of the information pertaining to CUSIP number under current Rule G-12(e)(ii)(B) redundant.

⁴⁶ The proposed rule change would update internal cross-references under subparagraph (e)(iii) from current rule language pertaining to information set forth in subparagraph (c)(v) and (vi) to information now reflected under paragraph (v) of section (c) of this rule except the information set forth in items (3), (7), (8) and clauses (b) and (d) of item (9) of subparagraph (c)(v)(A) thereof.

and any outstanding bearer bonds could be delivered in the same denominations applicable generally to municipal securities.

- The proposed rule change would also update internal cross-references under Rule G-12(g)(i) and (ii), on the reclamation requirements, from subparagraph (c)(v)(E) to paragraph (v)(B)(1)-(3) of section (c) of this rule.

Retirement of Interpretive Guidance Codified in the Proposed Rule Text and Amendment of Certain Interpretive Guidance

As discussed above, the proposed rule change would amend Rule G-12(c) not only through reorganization of existing rule text but also through the codification of certain pieces of related interpretive guidance. This codification of guidance would promote ease of compliance with Rule G-12(c) both by improving the clarity of the proposed rule text and by reducing the number of documents dealers and compliance professionals must consult to understand Rule G-12(c). With the codification of requirements previously included in interpretive guidance, such source guidance would be retired in whole or have the relevant portions modified or removed in light of the incorporation of such requirements into the rule language.⁴⁷

Thus, the proposed rule change would fully retire MSRB Interpretive Guidance, Confirmation Disclosure Requirements for Callable Municipal Securities (Feb. 20, 1986), pertaining to confirmation of disclosure requirements for callable municipal securities, since the requirements of Rule G-12(c), as amended by the proposed rule change, would codify the confirmation requirements set forth therein, making such guidance superfluous.⁴⁸

In addition, the proposed rule change would amend five other pieces of interpretive guidance to modify certain rule references to reflect current rule language, including the new language of Rule G-12(c) under the proposed rule change, or to remove portions of such guidance that would be codified by the proposed rule change, that have previously been codified into MSRB rules, or that address outdated practices that are no longer relevant in the market, with the remaining portions of such guidance continuing to be in effect:

- MSRB Interpretive Guidance, Yield Disclosures: Yields to Call on Zero Coupon Bonds (Jan. 4, 1984),⁴⁹ which would be amended to conform a reference to Rule G-12 to the appropriate portion of the rule (as it would be modified by the proposed rule change) and

⁴⁷ See supra note 43.

⁴⁸ Currently available at <https://www.msrb.org/Confirmation-Disclosure-Requirements-Callable-Municipal-Securities>. See Exchange Act Release No. 22965 (Mar. 5, 1986), 51 FR 8931 (Mar. 14, 1986) (File No. SR-MSRB-86-5).

⁴⁹ Currently available at <https://www.msrb.org/Yield-Disclosures-Yields-Call-Zero-Coupon-Bonds>. See Exchange Act Release No. 20628 (Feb. 8, 1984), 49 FR 6054 (Feb. 16, 1984) (File No. SR-MSRB-84-2).

a parallel reference to Rule G-15 to the appropriate current provision of that rule, as well as to make a minor language change to reflect current rule language;⁵⁰

- MSRB Interpretive Guidance, Confirmation Requirements for Partially Refunded Securities (Aug. 15, 1989),⁵¹ which would be amended to remove references to Rule G-12, to conform references to Rule G-15 to the appropriate current provisions of that rule, and to remove references to retired guidance;⁵²
- MSRB Interpretive Guidance, Notice of Interpretation on Escrowed-to-Maturity Securities: Rules G-17, G-12 and G-15 (Sep. 21, 1987),⁵³ which would be amended to delete the first and last sections of the guidance so that the guidance would only apply to issues under MSRB Rule G-17 (“Rule G-17”), on conduct of municipal securities and municipal advisory activities;⁵⁴

⁵⁰ Specifically, a reference to former Rule G-15(a)(i)(I) would be changed to current Rule G-15(a)(i)(A)(5), an older reference to the Rule G-15 text would be removed, and a reference to current Rule G-12(c)(v)(I) in a footnote would be changed to proposed new rule text under Rule G-12(c)(v)(A)(7).

⁵¹ Currently available at <https://www.msrb.org/Confirmation-Requirements-Partially-Refunded-Securities>. See Exchange Act Release No. 27450 (Nov. 17, 1989), 54 FR 49157 (Nov. 29, 1989) (File No. SR-MSRB-89-7).

⁵² Specifically, certain outdated pinpoint references to provisions of Rules G-12(c) and G-15(a) in the third paragraph relating to pricing calculations would be eliminated and the footnote at the end of that paragraph would also be eliminated since the referenced interpretive guidance has previously been retired. See Time of Trade Disclosure Amendment Approval Order. In addition, references to Rule G-12 in the fourth paragraph relating to securities descriptive information in confirmation disclosures would be eliminated since, pursuant to the proposed rule change, such securities descriptive information would not be required under proposed Rule G-12(c), as amended, in connection with inter-dealer confirmations. However, the fourth paragraph would be retained in connection with customer confirmations, with the reference to former Rule G-15(a)(i)(E) to be changed to current Rule G-15(a)(i)(C)(3)(a), the reference to former Rule G-15(a)(iii)(J) to be changed to current Rule G-15(a)(i)(A)(8), and the footnote in that paragraph to be eliminated since the portion of the referenced interpretive guidance would be deleted by the proposed rule change.

⁵³ Currently available at <https://www.msrb.org/Notice-Interpretation-Escrowed-Maturity-Securities-Rules-G-17-G-12-and-G-15>. See Exchange Act Release No. 25426 (Mar. 8, 1988), 53 FR 8533 (Mar. 15, 1988) (File No. SR-MSRB-87-11).

⁵⁴ Specifically, the introductory paragraph and related heading “Introduction” would be deleted since it references market conditions in 1987, which may not reflect current market conditions and does not provide substantive guidance on the matters covered by

- MSRB Interpretive Guidance, Notice Concerning Stripped Coupon Municipal Securities (Mar. 13, 1989),⁵⁵ which would be amended by removing language in the guidance pertaining to the confirmation requirements under Rules G-12 and G-15 for transactions in stripped coupon municipal securities which either were previously incorporated into Rule G-15 and/or would be codified into Rule G-12(c) pursuant to the proposed rule change;⁵⁶
- MSRB Interpretive Guidance, Calculation of Price and Yield on Continuously Callable Securities (Aug. 15, 1989),⁵⁷ which would be amended to conform a reference to Rule G-12 to the appropriate portion of the rule (as it would be modified by the proposed rule change) and a parallel reference to Rule G-15 to the appropriate current provision of that rule.⁵⁸

(b) Statutory Basis

the guidance. In addition, the final three paragraphs and related heading “Application of Rules G-12(c) and G-15(a) on Confirmation Disclosure of Escrowed-to-Maturity Securities” would be deleted since the substantive requirements thereof have previously been incorporated into Rule G-15(a) and, pursuant to the proposed rule change, such securities descriptive information would not be required under proposed Rule G-12(c), as amended, in connection with inter-dealer confirmations.

⁵⁵ Currently available at <https://www.msrb.org/Notice-Concerning-Stripped-Coupon-Municipal-Securities>. See Exchange Act Release No. 26706 (Apr. 10, 1989), 54 FR 15064 (Apr. 14, 1989) (File No. SR-MSRB-89-2).

⁵⁶ Specifically, the entire portion under “Confirmation Requirements” would be deleted since it is already codified under Rule G-15 and other portions would either be codified into Rule G-12(c) pursuant to the proposed rule change or removed by the proposed rule change. The final paragraph and the heading “Clearance and Settlement of Stripped Coupon Municipal Securities” would be retained as the title of the guidance, and footnote 7 would be updated to footnote number 1, which would reflect the current confirmation disclosure under Rule G-15. The reference to former Rule G-12(c)(v)(N) would be changed to proposed new Rule G-12(c)(v)(A)(10)(b) and the reference to former Rule G-15(a)(i)(N) would be changed to current Rule G-15(a)(i)(A)(7)(d).

⁵⁷ Currently available at <https://www.msrb.org/Calculation-Price-and-Yield-Continuously-Callable-Securities>. See Exchange Act Release No. 27460 (Nov. 21, 1989), 54 FR 49156 (Nov. 29, 1989) (File No. SR-MSRB-89-8).

⁵⁸ Specifically, a reference to current Rule G-12(c)(v)(I) would be changed to proposed new Rule G-12(c)(v)(A)(7)(c), and a reference to former Rule G-15(a)(v)(I) would be changed to current Rule G-15(a)(i)(A)(5)(c).

The MSRB believes that the proposed rule change is consistent with Section 15B(b)(2) of the Exchange Act,⁵⁹ which provides that the MSRB shall propose and adopt rules to effect the purposes of the Exchange Act with respect to, among other matters, transactions in municipal securities effected by dealers. Section 15B(b)(2)(C) of the Exchange Act⁶⁰ 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 the proposed rule change is consistent with Section 15B(b)(2)(C) of the Exchange Act⁶¹ because it would foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in municipal securities. The proposed rule change streamlines the current rule on confirmation requirements for inter-dealer transactions by removing informational elements that are outdated and allows for key information to flow in a more efficient manner to contra parties for these unique transactions that are not eligible for automated comparison. Given that Rule G-12(c) allows for exchange and comparison of key information for such unique transactions, the MSRB believes that the proposed rule change, by reorganizing the rule in categories similar to Rule G-15, would foster cooperation and coordination with parties engaged in processing information with respect to such transactions in municipal securities. The MSRB also believes that consolidating its rulebook by removing interpretive guidance that is outdated or has already been incorporated into the rulebook would promote regulatory clarity by reducing the need for industry participants to cross reference multiple sources and provide for more efficiency in the marketplace. Specifically, the MSRB believes that consolidating existing interpretive guidance into the text of Rule G-12, where appropriate, and clarifying existing rule language would facilitate compliance by dealers with existing requirements under Rule G-12 and would thereby remove impediments to and perfect the mechanism of a free and open market in municipal securities.

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

Section 15B(b)(2)(C) of the Exchange Act⁶² requires that MSRB rules not be designed to impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act. The MSRB has considered the economic impact of the proposed rule change and believes that it would not impose any burden on competition, as the proposed

⁵⁹ 15.U.S.C. 78o-4(b)(2).

⁶⁰ 15 U.S.C. 78o-4(b)(2)(C).

⁶¹ Id.

⁶² Id.

rule change to Rule G-12(c) on uniform practice for dealer confirmations would codify certain existing interpretive guidance for inter-dealer confirmation disclosure requirements that are ineligible for automated comparison into Rule G-12(c), retire certain other interpretive guidance, add a new definitions section and make certain technical amendments to simplify and clarify current rule requirements under Rule G-12(c). In addition, the proposed rule change applies equally to all dealers who engage in these transactions. Therefore, the MSRB believes the proposed rule change would not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act.⁶³

In determining whether the proposed rule change is necessary and appropriate, the MSRB was guided by the MSRB's Policy on the Use of Economic Analysis in MSRB Rulemaking.⁶⁴ In accordance with this policy, the MSRB evaluated the potential impacts of the proposed rule change relative to the current baseline. The proposed rule change to Rule G-12(c) is intended to modernize, streamline and clarify dealer obligations under Rule G-12(c) as they relate to inter-dealer confirmations.

Specifically, the proposed rule change would: codify central principles of the interpretive requirements in a more succinct and precise manner, and reorganize the content of Rule G-12(c); remove certain existing requirements from current Rule G-12(c) that no longer serve a beneficial purpose for dealers or the market; amend current Rule G-12(c)(vi) to replace it with a new definitions section; make technical modifications to the rule requirements that would simplify and clarify the existing requirements under Rule G-12(c); retire certain guidance that is being codified or is already codified in current Rule G-12(c) and amend certain guidance and where applicable, retire guidance that is no longer beneficial to the market. The proposed rule change would modernize the rule for inter-dealer confirmations for securities ineligible for automated comparison by clarifying the rule text and would reduce the burden for dealers.

Benefits, Costs and Effect on Competition

The proposed rule change to Rule G-12(c) is intended to benefit dealers by providing clarification to dealers by streamlining and centralizing the needed information for producing an inter-dealer confirmation for securities transactions that are ineligible for automated comparison, which is a small percentage of all inter-dealer trades. The proposed rule change would ensure that Rule G-12(c) is consistent with current market practices while simultaneously reducing compliance costs on dealers, therefore promoting more efficiency in the marketplace.

⁶³

Id.

⁶⁴

See Policy on the Use of Economic Analysis in MSRB Rulemaking, available at <https://www.msrb.org/Policy-Use-Economic-Analysis-MSRB-Rulemaking>. In evaluating whether there was any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act, the MSRB was guided by its principles that required the MSRB to consider costs and benefits of a rule change, its impact on efficiency, capital formation and competition, and the main reasonable alternative regulatory approaches.

Benefits

The MSRB believes that retiring interpretive guidance that is obsolete, superfluous or has been or is in the process of being codified ensures that the intent of Rule G-12(c) is consistent with current market practices while also reducing compliance burdens for dealers. The benefits of the proposed rule change would be achieved by eliminating outdated guidance and incorporating the remaining relevant guidance into the body of the rule which would streamline and consolidate duplicative guidance. Dealers would have additional clarity for their regulatory obligations without having to refer to different pieces of guidance, some of which are obsolete. The proposed rule change would potentially promote ease of compliance with the same requirements. The MSRB believes that dealers would also benefit from increased efficiency and reduced compliance costs with streamlined rule text and reorganized interpretive guidance. The MSRB also amends, where applicable, and preserves certain pieces of interpretive guidance, which may still be essential to a dealer's understanding of the regulatory framework.

Costs

The MSRB notes that no incremental ongoing compliance burdens in the form of new requirements or greater disclosures are being added by the proposed rule change. MSRB acknowledges that dealers would likely incur minor incremental costs as a result of the proposed rule change, relative to the baseline state (current state). These costs may include the potential one-time upfront costs related to revising related policies and procedures to reflect new rule citations and to decrease the items of information identified as required in such inter-dealer confirmations,⁶⁵ if existing policies and procedures provide such detail or the dealer chooses to include a greater degree of detail. In addition, to the extent that dealers currently or plan in the future to produce these rare inter-dealer confirmations on a systemic basis rather than on a one-by-one basis as they execute inter-dealer trades that are ineligible for automated comparison, dealers may incur costs in connection with such system modification or development. However, the proposed rule change likely would not add incremental ongoing costs since dealers are presumably already in compliance with the existing interpretive guidance and relevant MSRB rules, including the recordkeeping requirements. Similarly, the revisions to a dealer's policies and procedures may not be extensive if the dealer presumably already incorporates the review of existing interpretive guidance into their current policies and procedures. Nonetheless, the MSRB conducted an analysis of the upfront costs a dealer may incur in implementing the changes outlined in the proposed rule change.

The MSRB identified certain upfront costs, mostly related to updating existing policies and procedures which would entail identifying compliance staff at a dealer firm to conduct an analysis of the proposed new rule language and any remaining interpretive guidance within their policies and procedures. Based on the MSRB's assumptions, the total upfront costs per dealer would be estimated at \$7,080 as shown in Table 1. The upfront costs include 6 hours for a

⁶⁵ While the proposed rule change would reduce the number of items required to be included in an inter-dealer confirmation, a dealer could choose to retain any existing procedures and processes that provide the broader array of information currently required under Rule G-12(c) and related interpretations.

compliance attorney ($\$461 \times 6 = \$2,766$) to identify and change all references to Rule G-12(c) in their policies and procedures. In addition to identifying and changing the policies and procedures, the MSRB also expects two hours for a Compliance Director ($\$607 \times 2 = \$1,214$) to review the changes and 0.5 hours for the Chief Compliance Officer to sign off on the changes.

Additionally, changes may need to be made to the actual inter-dealer confirmation process if a dealer chooses. The MSRB expects that while the confirmation updates are not required as part of the proposed rule change (that is, a dealer that currently conforms to Rule G-12(c) and the related interpretations would not need to make any changes to come into compliance with the proposed rule change, including not being required to reduce the items of information it currently may provide as it would not be a violation to provide more information than the baseline requirement in the proposed rule change), many dealers may elect to remove the additional information to minimize any potential risk, and some dealers may elect to programmatically remove these items through a technological project. To be conservative, the MSRB included this cost in the estimate and anticipates that if a dealer chooses to update their confirmations, they would spend a total of \$2,755 to remove information that would no longer be required as part of the proposed rule change. This cost takes into account approximately two hours for a Senior Business Analyst ($\$348 \times 2 = \696) to develop the requirements needed for IT staff to update the confirmations. In addition, the MSRB also expects a Senior Programmer to take four hours of work ($\$363 \times 4 = \$1,452$) to change the coding that produces each inter-dealer confirmation. Lastly, the changes made by the Senior Business Analyst and the Senior Programmer would be reviewed for approval by the Director of Compliance. The MSRB estimates one hour of time ($\$607 \times 1 = \607) for the approval to be completed. However, as previously articulated, other dealers may not currently use and may continue not to use a technological process for producing these inter-dealer confirmations and those that do may elect not to amend their inter-dealer confirmation process and would thus not incur any costs associated with a technological change.

Table 1: Estimated Compliance Costs for Each Dealer⁶⁶

Cost Components	Hourly Rate	Number of Hours	Cost per Firm
Upfront Costs			
a) Revision of Policies and Procedures			
Compliance Attorney	\$461	6.0	\$2,766
Director of Compliance	\$607	2.0	\$1,214
Chief Compliance Officer	\$690	0.5	\$345
			\$4,325
b) Inter-dealer Confirmation Update (Optional)			
Senior Business Analyst	\$348	2.0	\$696
Senior Programmer	\$363	4.0	\$1,452
Director of Compliance	\$607	1.0	\$607
			\$2,755

The MSRB believes that the benefits of the proposed rule change from the cumulative compliance cost savings as a result of the streamlining of the rule language and guidance would outweigh the upfront costs associated with policies and procedures revision and programmatic changes. The proposed changes are intended to provide enhanced clarity to dealers when conducting an inter-dealer trade for securities ineligible for automated comparison.

Effect on Competition, Efficiency, and Capital Formation

The MSRB believes that the proposed rule change to Rule G-12(c) would neither impose a burden on competition nor hinder capital formation. The proposed rule change would improve the municipal securities market's operational efficiency and promote regulatory certainty by providing dealers with a clearer understanding of regulatory obligations that are incorporated into the rule text. At present, the MSRB is unable to quantitatively evaluate the magnitude of the efficiency gains or losses, but believes the overall incremental benefits accumulated over time

⁶⁶ The hourly-rate data is gathered from a variety of Commission filings compiled by the MSRB for usage in economic analysis. The Commission's economic analysis utilizes the Securities Industry and Financial Markets Association's "Management & Professional Earnings in the Securities Industry—2013 Report" for the hourly rates of various financial industry market professionals. To compensate for inflation, the data reflects the 2025 hourly rate level after adjusting for the annual cumulative wage inflation rate of 46.7% between 2013 and 2025. See The Federal Reserve Bank of St. Louis Employment Cost Index: Wages and Salaries: Private Industry Workers, available at <https://fred.stlouisfed.org/series/ECIWAG>. The MSRB estimates the number of hours for each task based on the MSRB's consultation with regulated entities' compliance officers.

for all market participants would outweigh the minor upfront costs of revising policies and procedures, with no expected incremental change in the ongoing compliance and recordkeeping costs by dealers. The MSRB does not expect that the proposed rule change to Rule G-12(c) would impose a burden on competition for dealers, as the proposed amendments are applicable to all dealers and the upfront costs are expected to be relatively minor for all dealers.

Reasonable Regulatory Alternatives

The MSRB's Policy on the Use of Economic Analysis in MSRB Rulemaking requires the MSRB's economic analysis to identify and discuss reasonable alternatives to the proposed rule.⁶⁷ The MSRB has identified two reasonable alternatives for the proposed rule change.

One alternative the MSRB considered was to fully harmonize the Rule G-12(c) requirements for inter-dealer confirmations for securities ineligible for automated comparison with the provisions of Rule G-15(a) on customer confirmations, rather than providing for a more streamlined set of requirements under Rule G-12(c). While Rule G-12(c) addresses solely those inter-dealer transactions that are ineligible for automated comparison, Rule G-15(a) addresses the requirements for dealers to provide customers with written confirmations in all customer transactions. Under this alternative, dealers would be required to provide confirmations to other dealers for inter-dealer municipal securities transactions that are ineligible for automated comparison with the same level of disclosure as on a customer confirmation. While the MSRB generally seeks to harmonize existing rules, in this instance it would not be appropriate or necessary. Dealers are generally more sophisticated than customers, especially retail customers, and even without any further disclosure requirement, dealers on both sides of an inter-dealer trade already possess, or have the means for obtaining, sufficient disclosure information to complete a trade, so that the items of information that are of value to a dealer in an inter-dealer trade ineligible for automated comparison are only those items necessary to ensure that they are able to accurately and efficiently compare and settle the transaction. Of note, there is no obligation to provide the types of disclosure information that would be removed from Rule G-12(c) for those inter-dealer trades that do use the automated comparison system. It is for this reason that the MSRB has deemed this alternative as inferior to the proposed rule change.

Another alternative the MSRB considered was to embed all remaining pieces of guidance (after retiring certain superfluous guidance) into Rule G-12(c) and Rule G-15(a). In this alternative, all guidance would be directly added to both rules. As part of the rulebook modernization, this would allow compliance personnel to only have to look to one place (Rule G-12(c)) for inter-dealer confirmation requirements and one place (Rule G-15(a)) for customer confirmation requirements. However, there are benefits to not having every standalone interpretive guidance embedded into rule text, as the purpose of interpretive guidance for certain more complex or nuanced situations is to provide additional clarity and context to existing rules while remaining flexible and to allow for changes as industry practices and technology evolves. By providing this information directly in the rule text, the MSRB would limit its ability to adapt to potential changes in the future and might design a rule that would be either overly broad and

⁶⁷

See supra note 64.

cumbersome or overly restrictive. It is for this reason that the MSRB deemed this alternative as inferior to the proposed rule change.

5. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

In response to the Request for Comment,⁶⁸ the MSRB received one letter (the “SIFMA Letter”) from Leslie M. Norwood, Managing Director and Associate General Counsel, Securities Industry and Financial Markets Association (SIFMA).⁶⁹ The SIFMA Letter,⁷⁰ and additional engagement with the organization,⁷¹ raised two main themes: first, that G-12(c) is obsolete/unnecessary because dealers’ informational needs relative to inter-dealer trades extend only to that information that is necessary for trade settlement;⁷² and second, should Rule G-12(c) be retained, its requirements should be drastically pared back to only that information which is necessary to achieve settlement.⁷³ The main themes of the SIFMA Letter are summarized below in more detail with MSRB responses provided.

G-12(c) is obsolete and unnecessary

The SIFMA Letter argued that paper interdealer confirmations are obsolete⁷⁴ and stated that dealers rely on their information service vendors for all data points related to trade execution, confirmations, clearance, and settlement, and industry practice is that inter-dealer trades are evidenced (to Financial Industry Regulatory Authority (FINRA) examiners) by screen captures, VCONs, or electronic blotters. SIFMA further asserted that, as an ordinary part of the cost of doing business, all dealers have access to a security master database or reliable security master information.⁷⁵ The MSRB believes that, while dealers generally have securities masters with varying degrees of information and completeness as to the full universe of municipal securities, such securities masters are unlikely to address the purposes of the proposed rule change. This is because almost all securities that are ineligible for automated comparison lack

⁶⁸ See supra note 15.

⁶⁹ SIFMA Letter, dated December 15, 2023, available at <https://www.msrb.org/sites/default/files/2023-12/SIFMA-Comment-Letter-2023-08.pdf>.

⁷⁰ See SIFMA Letter passim.

⁷¹ On May 2, 2024, MSRB staff convened a virtual meeting with Ms. Norwood and representatives of SIFMA members. Participants discussed in greater detail the suggestions and concerns voiced in the SIFMA Letter.

⁷² SIFMA Letter at 2.

⁷³ Id. at 2–3.

⁷⁴ Id. at 2.

⁷⁵ Id.

CUSIP numbers (and likely lack other alternative securities identifiers), and dealer securities masters are almost universally based, at least in large measure, on such securities identifiers. Thus, it is highly unlikely that dealers on the two sides of an inter-dealer transaction ineligible for automated comparison would, regardless of the breadth and depth of their respective securities masters, have information on the security in question included in such securities master that would fully match with the counterparty's information, much less have any information on the security included therein at all. The more limited items of information that the MSRB would retain under the proposed rule change in the streamlined version of Rule G-12(c) would address the need to be able to properly compare, clear and settle trades in such securities while reducing the burden of having to compile and disclose other information that is extraneous to this process.

While the proposed rule change would narrow the scope of information required in such confirmations, further narrowing the scope of information would risk a deterioration in the ability to transact in such securities in an efficient and secure manner, which is a risk that the MSRB is concerned could rise if decentralized finance processes and products are introduced into the marketplace that might not allow for the current automated comparison process. The MSRB believes the proposed rule change would allow for modernization of information needed for inter-dealer confirmations without sacrificing the regulatory mandate by preserving the exchange of information sufficient to prevent fraudulent obfuscation and promote efficient and accurate trade settlement. Finally, the proposed rule change would not require that inter-dealer confirmations be on paper so that, for example, if tokenized municipal securities were to be traded on a blockchain, dealers would be able to meet their inter-dealer confirmation requirement through the transmission of the required information, such as by means of a unique contract address, on or as part of the mechanics of the blockchain itself.⁷⁶

G-12(c) should be pared down and materially simplified

SIFMA noted that for inter-dealer trades, the only information that should be required to be transmitted is that which is required to settle the trade and did not see the need for harmonizing disclosure requirements under Rule G-12(c) to Rule G-15.⁷⁷ SIFMA further noted Rule G-15, as well as MSRB Rule G-47 describes information disclosures due at the time of confirmation, or trade, to customers and such disclosures are unnecessary to dealers and may create a “web of potential regulatory foot-faults” without any corresponding benefit.⁷⁸

The MSRB is aware that the informational requirements of customers and dealers are fundamentally different, and that dealers may not utilize information received through inter-dealer trade confirmations for settlement and processing transactions. The MSRB agrees that the

⁷⁶ For example, for a tokenized municipal security traded on a blockchain, its contract address or other innate unique identifier could be deemed to satisfy the requirement for an alternative securities identifier on the inter-dealer confirmation under the proposed amendment to Rule G-12(c). See supra note 37.

⁷⁷ SIFMA Letter at 2.

⁷⁸ Id.

scope of inter-dealer confirmation disclosure requirements should be narrowed to focus on the purposes of inter-dealer confirmations in this context and not be required to include information that is extraneous to that purpose.

As detailed above,⁷⁹ the MSRB has identified certain informational elements required under the current rule text that may be conceptualized as “securities descriptive information” that do not assist in processing or clearing of transactions. The types of information subsumed within the “securities descriptive information” category—consisting of credit backing, features of securities, information on status of securities, and tax information—are primarily of a substantive disclosure nature rather than of a securities identification nature. Importantly, because trade confirmations are delivered after the time of trade and therefore primarily serve to document the terms of a trade already agreed to rather than as a mechanism for providing disclosures that can inform counterparties at or prior to the time of trade, the need for securities descriptive information in a post-trade document is significantly less relevant for dealers than for investors, who may value having documented in the customer confirmation some of these material substantive disclosure information. In addition, for the vast majority of inter-dealer trades that are eligible for automated comparison, the current processes that substitute for trade confirmations under Rule G-12(c) do not entail the dissemination of this type of securities descriptive information.

Because this type of information is not essential in the context of comparing, clearing and settling an inter-dealer trade, the MSRB believes that it is appropriate that the proposed rule change would eliminate these informational elements from the disclosure requirements for inter-dealer confirmations.

6. Extension of Time Period for Commission Action

The MSRB does not consent at this time to an extension of the time period for Commission action specified in Section 19(b)(2) of the Exchange Act.⁸⁰

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)

Not applicable.

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

Not applicable.

⁷⁹ See Section 3., “Amendments to Remove Certain Existing Requirements[,]” supra pp. 13–14.

⁸⁰ 15 U.S.C. 78s(b)(2).

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

Not applicable.

10. Advance Notice Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervisions Act

Not applicable.

11. Exhibits

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

Exhibit 2a MSRB Notice 2023-08 (September 28, 2023)

Exhibit 2b List of Comments Received in Response to MSRB Notice 2023-08

Exhibit 2c Comments Received in Response to MSRB Notice 2023-08

Exhibit 5 Text of Proposed Rule Change

SECURITIES AND EXCHANGE COMMISSION

(Release No. 34-_____ ; File No. SR-MSRB-2026-01)
 Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing of a Proposed Rule Change to Amend MSRB Rule G-12(c) to Codify and Retire or Revise Certain Existing Interpretive Guidance on Confirmation Requirements for Those Inter-Dealer Municipal Securities Transactions That are Ineligible for Automated Comparison

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on _____ the Municipal Securities Rulemaking Board (“MSRB” or “Board”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) 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 relating to MSRB Rule G-12, on uniform practice (the “proposed rule change”). The proposed rule change would revise section (c) of Rule G-12 (“Rule G-12”) to codify into rule language and to retire or revise existing interpretive guidance on confirmation requirements for those inter-dealer municipal securities transactions between two brokers, dealers or municipal securities dealers (collectively, “dealers”) that are ineligible for automated comparison at a registered clearing agency, as well as to retire or revise other related interpretive guidance and to make technical amendments to simplify and clarify current rule requirements.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

If the Commission approves the proposed rule change, the MSRB would announce the effective date of the proposed rule change in a regulatory notice to be published on the MSRB website no later than 90 days following Commission approval. The effective date would be no later than one year following Commission approval.

The text of the proposed rule change is available on the MSRB's website at <https://msrb.org/2026-SEC-Filings>, 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

Section (c) of Rule G-12 sets forth the confirmation requirements for inter-dealer municipal securities transactions that are ineligible for automated comparison in a system operated by a registered clearing agency,³ also referred to herein as "inter-dealer confirmations."⁴

³ A list of registered clearing agencies is available at <https://www.sec.gov/about/divisions-offices/division-trading-markets/clearing-agencies>. Currently, registered clearing agencies active in the municipal securities market consist of the Depository Trust & Clearing Corporation and its affiliates.

⁴ Rule G-12(a) exempts inter-dealer transactions in municipal securities submitted to a registered clearing agency for comparison from the inter-dealer confirmation provisions

Since the original adoption of Rule G-12(c) in 1977, the rule has requirements for the exchange and comparison of trade confirmations by dealers in inter-dealer transactions.⁵ Rule G-12(c) outlines a list of content requirements related to inter-dealer confirmations, analogous in scope to the content requirements for customer confirmations listed in pre-1990s iterations of section (a) of MSRB Rule G-15 (“Rule G-15”), on customer confirmations.

In 1983, the MSRB approved an amendment to Rule G-12 that required that dealers use automated comparison through a registered clearing agency for eligible inter-dealer trades, foregoing the need for the sending of separate confirmations previously used for that purpose for such eligible trades.⁶ By 1985, a majority of inter-dealer trades were compared through such automated means⁷ and, after when-issued securities became eligible for automated comparison, the MSRB assessed in 1995 that nearly all new issue municipal securities were eligible for automated comparison with the exception of those that do not meet the eligibility requirements to be assigned a Committee on Uniform Securities Identification Procedures (CUSIP) number.⁸ Thus, only a very small number of inter-dealer trades remained subject to the confirmation

of Rule G-12(c), since the purposes of transaction confirmations are subsumed within the automated comparison process as provided in Rule G-12(f)(i).

⁵ Order Approving Proposed Rule Change, Exchange Act Release No. 13939 (Sept. 8, 1977), 42 FR 46445 (Sept. 15, 1977) (File No. SR-MSRB-76-12).

⁶ Order Approving Proposed Rule Change of the Municipal Securities Rulemaking Board, Exchange Act Release No. 20365 (Nov. 14, 21983), 48 FR 52531 (Nov. 18, 1983) (File No. SR-MSRB-83-13). While confirmations are not required under Rule G-12(c) for inter-dealer transactions eligible for automated comparison, such transactions are subject to the requirements and processes specified by Rule G-12(f).

⁷ See MSRB Reports Vol. 5, No. 2, (February 1985) at 7.

⁸ See Exchange Act Release No. 36352 (October 6, 1995), 60 FR 53652, at FN 6 (October 16, 1995) (File No. SR-MSRB-1995-14).

requirement of Rule G-12(c), predominantly due to their ineligibility for CUSIP number assignment.

Notwithstanding the low number of municipal securities that currently remain ineligible for automated comparison and therefore could be subject to Rule G-12(c), the MSRB observes that a population of municipal securities that do not have CUSIP numbers—and are therefore ineligible for automated comparison—persists. For example, over five years, from 2020 to 2025, an annual average of 2,447 new municipal securities were issued without assigned CUSIP numbers,⁹ so that any inter-dealer trades in such securities would be ineligible for automated comparison and would therefore be subject to Rule G-12(c).¹⁰

Because of the historically low number of transactions subject to Rule G-12(c), the MSRB had not, to date, consolidated Rule G-12(c) and its associated interpretive guidance, as the MSRB has already completed for other MSRB rules whose provisions are more frequently used (e.g., Rule G-15).¹¹ The proposed rule change is mainly intended to significantly streamline the requirements of Rule G-12(c) and related interpretations to the core elements needed to fulfill the purpose of this confirmation requirement to facilitate comparison of inter-dealer transactions

⁹ Based on submissions of MSRB Form G-32 by underwriters to the Electronic Municipal Market Access (EMMA) website under MSRB Rule G-32 for primary offerings for which CUSIP numbers had not been assigned.

¹⁰ Because trades in securities without CUSIP numbers are not subject to trade reporting to the MSRB's Real-Time Transaction Reporting System (RTRS) under MSRB Rule G-14, the MSRB does not have an estimate of how many inter-dealer trades may occur in such securities.

¹¹ Customer trades generally remained subject to the confirmation requirements of Rule G-15(a)(i) and its interpretive guidance, ultimately leading the MSRB to revise and consolidate much of this guidance into the rule language in 1995. See Exchange Act Release No. 35700 (May 10, 1995), 60 FR 26747, at FN 6 (May 18, 1995) (File No. SR-MSRB-1995-04).

where such transactions cannot use the standard automated comparison system. The proposed rule change would, among other things, incorporate those key comparison-related principles established in interpretive guidance into the relevant rule text and eliminate certain requirements, from the current rule text or certain interpretive guidance, unrelated to the comparison process.¹² The text of proposed amended Rule G-12(c) would set out, in full and in a better organized manner, the streamlined set of informational elements for inter-dealer confirmations for which automated comparison is not available.

The MSRB believes that, given recent technological innovations in the market, it is timely to update and streamline Rule G-12(c). The MSRB understands that issuers and other market participants are contemplating and, in some cases, may already be implementing new technological approaches in the municipal securities market with the rise of distributed ledger technologies (including blockchain technology), digital assets and other decentralized finance approaches. Some are beginning to explore the potential of issuing digital or tokenized securities.¹³ The issuance and subsequent trading of such securities could involve many unique features that did not exist at the time that the current centralized processes for comparison, clearance and settlement became the default manner for effecting municipal securities transactions. Such features may include, among others, digitizing and electronic record keeping

¹² As part of its efforts to streamline the rulebook, the MSRB has identified requirements under the current rule text and related pieces of interpretive guidance—pieces that have been rendered obsolete in the context of modern transaction practices or that otherwise are no longer necessary to promote the accuracy and efficiency of inter-dealer confirmations—which this proposed rule change would delete, as described herein.

¹³ See Commissioner Hester M. Peirce, *Enchanting, but Not Magical: A Statement on the Tokenization of Securities*, July 9, 2025, available at <https://www.sec.gov/newsroom/speeches-statements/peirce-statement-tokenized-securities-070925>, regarding the applicability of broker-dealer rules to tokenized securities.

of security ownership without the need for a traditional bond certificate and other aspects that would make such securities ineligible for the existing automated comparison and/or book-entry settlement process envisioned under MSRB rules. Thus, the MSRB believes that modernization of Rule G-12(c) is even more significant in light of alternative models for securities transactions that are emerging in the marketplace.¹⁴ The MSRB believes that the proposed rule change would effectuate this modernization of Rule G-12(c), ensuring that the rule continues to achieve its goals consistent with current market practices while simultaneously easing compliance burdens on regulated entities by removing outdated informational elements, and thereby removing potential impediments to market innovation and further perfecting the mechanism of a free and open market in municipal securities.

Therefore, in summary, the proposed rule change would:

- Codify principles from interpretive guidance into the rule text and reorganize the content of Rule G-12(c);
- Remove certain existing requirements from current Rule G-12(c) that no longer serve a beneficial purpose for dealers or the market;

¹⁴ The MSRB has launched a retrospective rule review of certain of its rules, including Rule G-12, that relate to these key market infrastructure processes that could provide opportunities for removing barriers to technological and product innovation in the municipal market. See MSRB Press Release of April 25, 2025, available at <https://www.msrb.org/Press-Releases/MSRB-Discusses-Market-Regulation-and-Transparency-Initiatives-Quarterly-Board>. The MSRB views this proposed rule change as being an early step in this retrospective rule review, and believes among other things, it is timely given the potential emergence of decentralized finance practices and products in the municipal securities market.

- Make technical modifications to the rule requirements that would simplify and clarify the existing requirements under Rule G-12(c), including amending current Rule G-12(c)(vi) to replace it with a new definition section;
- Retire certain guidance that is being codified or is already codified in current Rule G-12(c) or noted under other MSRB rules;¹⁵ and
- Amend and retain certain interpretive guidance relevant to Rule G-12 and Rule G-15 and retire certain other guidance that may be obsolete or no longer serve a beneficial purpose to the market.¹⁶

Codification of Certain Principles from Existing Interpretive Guidance and Reorganization of Rule G-12(c)

The proposed rule change would codify central principles of the interpretive guidance using more succinct and precise language and reorganize the content of Rule G-12(c)(v)–(vi) to clarify the existing requirements of Rule G-12(c). The proposed rule change would not impose any new requirements and would eliminate obsolete or superfluous requirements. A portion of the proposed rule change discussed herein is comprised of key informational elements drawn from pieces of certain interpretive guidance which would be codified in the proposed rule text.¹⁷

¹⁵ The MSRB will publish a regulatory notice that sets forth a list of each item of interpretive guidance that would be amended or retired in connection with the proposed rule change, following the Commission’s approval.

¹⁶ See supra note 15.

¹⁷ The MSRB sought comment regarding the pieces of interpretive guidance under consideration as part of its review of Rule G-12(c). MSRB Notice 2023-08, Request for Comment on Retrospective Rule Review of Rule G-12(c) on Inter-Dealer Confirmations and Related Interpretive Guidance (Sep. 28, 2023) (“Request for Comment”), available at <https://www.msrb.org/sites/default/files/2023-09/2023-08.pdf>.

The proposed rule change would organize informational elements required to be disclosed in a transaction subject to Rule G-12(c) into three categories, with the first covering securities transaction information, set forth in proposed Rule G-12(c)(v)(A), and the second covering securities identification information, set forth in proposed Rule G-12(c)(v)(B). The proposed rule change would also add, in proposed Rule G-12(c)(v)(C), a third category of securities additional information beyond the information noted under the securities transaction and securities identification category that, in limited circumstances, may be necessary to ensure that the counterparties are in agreement as to the fundamental terms of an inter-dealer transaction and to the identity of the specific security being transacted. The items of information that would be required to be included on an inter-dealer confirmation in these three categories pursuant to proposed amended Rule G-12(c) are described below.

Securities Transaction Information

The proposed rule change would codify certain elements consisting of securities transaction information into Rule G-12(c)(v)(A).¹⁸ The following securities transaction information would be required to be disclosed under the proposed rule change.

- The confirming party's name (that is, the name of the dealer producing the confirmation) and its contact information;¹⁹

¹⁸ Broadly, proposed Rule G-12(c)(v)(A) would include informational elements currently described in Rule G-12(c)(v)(A)–(D), G-12(c)(v)(G)–(N) and in the additional language following Rule G-12(c)(v)(N).

¹⁹ Existing Rule G-12(c)(v)(A) would be redesignated as Rule G-12(c)(v)(A)(1) and would be modified to instead reference the more flexible contact information to reflect modernization and changes in modes of communication. Updated rule language information would allow for address, telephone number or other information providing reasonable means of contacting the confirming party.

- The contra party’s identification (that is, the name of the dealer with whom the confirming dealer is engaging in a transaction ineligible for automated comparison);²⁰
- Designation of whether the transaction is a purchase from or sale to the contra party;²¹
- Par value of the securities;²²
- Trade date;²³
- Settlement date;²⁴
- Yield and dollar price, to be computed and shown as follows:²⁵

²⁰ Existing Rule G-12(c)(v)(B) would be redesignated as Rule G-12(c)(v)(A)(2) without substantive change.

²¹ Existing Rule G-12(c)(v)(C) would be redesignated as Rule G-12(c)(v)(A)(3) without substantive change.

²² Existing Rule G-12(c)(v)(D) would be redesignated as Rule G-12(c)(v)(A)(4). The proposed rule change would further clarify that, for zero coupon securities, the maturity value of the securities must be shown if it differs from the par value. This clarification incorporates language currently in the second paragraph following Rule G-12(c)(v)(N), which would be deleted as part of the proposed rule change.

²³ Existing Rule G-12(c)(v)(G) would be redesignated as Rule G-12(c)(v)(A)(5) without substantive change.

²⁴ Existing Rule G-12(c)(v)(H) would be redesignated as Rule G-12(c)(v)(A)(6). The proposed rule change would also specify that initial confirmations for “when, as and if issued” transactions are excepted from this disclosure requirement. This exception incorporates language currently in the third paragraph following Rule G-12(c)(v)(N), which paragraph would be deleted as part of the proposed rule change.

²⁵ Existing Rule G-12(c)(v)(I) would be redesignated as Rule G-12(c)(v)(A)(7) and revised to adopt a simpler format, similar to the comparable provisions of Rule G-15(a)(i)(A)(5) for customer confirmations. Proposed Rule G-12(c)(v)(A)(7) would also codify guidance noted in certain pieces of interpretive guidance setting forth the manner of computing the yield and dollar price in a manner consistent with Rule G-15(a)(i)(A)(5). The proposed amendment would also codify certain guidance set forth in several pieces of interpretive guidance. See MSRB Interpretive Guidance, Pricing to Call (Dec. 10, 1980), available at <https://www.msrb.org/Pricing-Call>; MSRB Interpretive Guidance, Callable Securities: Pricing to Call and Extraordinary Mandatory Redemption Features (Feb. 10, 1984), available at <https://www.msrb.org/Callable-Securities-Pricing-Call-and-Extraordinary->

- For transactions effected on the basis of yield to maturity, yield to call date, or yield to put date, proposed Rule G-12(c)(v)(A)(7)(a) would require that the yield at which the transaction was effected be shown and, if that yield is to a call or put date, this must be noted, along with the date and dollar price of the call or put date;²⁶
- For transactions effected on the basis of dollar price, proposed Rule G-12(c)(v)(A)(7)(b) would require that a dollar price at which the transaction was effected be shown and, unless the transaction was effected at par, a yield be computed and shown;
- Proposed Rule G-12(c)(v)(A)(7)(c)(i) would specify that yield shown on confirmations must be computed to the lower of call date or maturity date (instead of lowest of price to call, price to par option, or price to maturity, as stated in current Rule G-12(c)(v)(I)). For purposes of computing yield to call or dollar price to call, proposed Rule G-12(c)(v)(A)(7)(c)(ii) would limit call features that

[Mandatory-Redemption-Features](#); MSRB Interpretive Guidance, Confirmation Disclosure: Put Option Bonds (Apr. 24, 1981), available at <https://www.msrb.org/Confirmation-Disclosure-Put-Option-Bonds>; MSRB Interpretive Guidance, Calculation of Price and Yield on Continuously Callable Securities (Aug. 15, 1989), available at <https://www.msrb.org/Calculation-Price-and-Yield-Continuously-Callable-Securities>; MSRB Interpretive Guidance, Notice Concerning the Application of Board Rules to Put Option Bonds (Sep. 30, 1985), available at <https://www.msrb.org/Notice-Concerning-Application-Board-Rules-Put-Option-Bonds>. The foregoing items of interpretive guidance would be retired either in whole or in part through this initiative. See *supra* note 15.

²⁶ Proposed Rule G-12(c)(v)(A)(7)(a) would repurpose some text from current Rule G-12(c)(v)(I); however, it would primarily codify language noted in MSRB Interpretive Guidance, Notice Concerning the Application of Board Rules to Put Option Bonds (Sep. 30, 1985), available at <https://www.msrb.org/Notice-Concerning-Application-Board-Rules-Put-Option-Bonds>.

may be used to only those call features that represent "in whole calls" of the type that may be used by the issuer without restriction in a refunding.²⁷ Proposed Rule G-12(c)(v)(A)(7)(c)(iii) would clarify the computation and content requirements applicable to securities subject to a series of pricing calls at declining premiums,²⁸ securities that, at the time of trade, are subject to a notice of a pricing call at any time,²⁹ and additional requirements for zero coupon securities.³⁰ Proposed Rule G-12(c)(v)(A)(7)(c)(iv) would require all yield and dollar price computations to be made in accordance with MSRB Rule G-33, on calculations ("Rule G-33");³¹

²⁷ These changes would also effectively harmonize this aspect of the rule text with the comparable provision in Rule G-15(a)(i)(A)(5)(c) for customer confirmations, which the MSRB understands represents current industry usage of the terms "call date" to reflect any type of call, such as a par option call or a premium call, and "pricing calls" to reflect only call features available to issuers for use without restriction in a refunding.

²⁸ Dealers would be required to consider the call date resulting in the lowest yield or dollar price to be the yield to call or dollar price to call. This provision would codify key concepts relating to declining premium calls drawn from MSRB Interpretive Guidance, Pricing to Call, supra note 25.

²⁹ This provision would codify language relating to continuously callable securities gleaned from MSRB Interpretive Guidance, Calculation of Price and Yield on Continuously Callable Securities, supra note 25.

³⁰ The call price shown on the confirmation would be required to be expressed in terms of a percentage of the security's maturity value. See MSRB Interpretive Guidance, Yield Disclosures: Yields to Call on Zero Coupon Bonds (Jan. 4, 1984), available at <https://www.msrb.org/Yield-Disclosures-Yields-Call-Zero-Coupon-Bonds>.

³¹ This proposed amendment codifies language regarding the applicability of Rule G-33 to yield and dollar price computation, which are drawn from MSRB Interpretive Guidance, Calculations for Securities with Periodic Interest Payments (Feb. 23, 2016), available at <https://www.msrb.org/Calculations-Securities-Periodic-Interest-Payments>.

- Proposed Rule G-12(c)(v)(A)(7)(d) would not require yield to be shown for securities traded on a discounted basis and would not require dollar price to be shown for when-issued trades.³²
- Amount of concession;³³
- Final monies;³⁴ and
- Delivery of securities.³⁵

³² These exceptions would be incorporated from the first and third paragraphs following current Rule G-12(c)(v)(N).

³³ Existing Rule G-12(c)(v)(J) would be redesignated Rule G-12(c)(v)(A)(8) without substantive change.

³⁴ Existing Rule G-12(c)(v)(K)–(M) would be redesignated Rule G-12(c)(v)(A)(9)(a)–(d). Proposed Rule G-12(c)(v)(A)(9)(a)–(d) would also incorporate language currently in the three paragraphs immediately following Rule G-12(c)(v)(N). Proposed Rule G-12(c)(v)(A)(9)(a)–(d) would be revised to adopt a simpler format, virtually identical in both structure and substance to the corresponding and analogous provisions of Rule G-15(a)(i)(A)(6) for customer confirmations. With the exception of initial confirmations of transactions affected on a “when, as and if issued” basis, proposed Rule G-12(c)(v)(A)(9) would clarify the computation and content requirements by specifying the elements of information which must be included: (a) the total dollar amount of the transaction; (b) the amount of accrued interest (with additional provisions for specific types of securities); (c) a notation of “flat” for securities that pay interest on a current basis but are traded without interest; and (d) the extended principal amount (with additional provisions for specific types of securities).

³⁵ Existing Rule G-12(c)(v)(N) would be redesignated as Rule G-12(c)(v)(A)(10), which would require inclusion of information regarding denominations of bonds, other than denominations that are multiples of \$1,000 par value (up to \$100,000 par value), largely similar to corresponding provision of Rule G-15(a)(i)(A)(7)(b) on customer confirmations. Proposed Rule G-12(c)(v)(A)(10)(b) would retain the delivery instructions under existing Rule G-12(c)(v)(N), which harmonizes with the corresponding provision of Rule G-15(a)(i)(A)(7)(d) on customer confirmations.

Securities Identification Information

The proposed rule change would codify certain informational elements consisting of securities identification information into proposed Rule G-12(c)(v)(B).³⁶ The proposed rule change would require inter-dealer confirmations to include the following elements of securities identification information.

- The name of the issuer;³⁷
- A securities identifier, if any, such as a CUSIP number or an alternative securities identifier that is mutually agreed upon between two parties;³⁸

³⁶ Proposed Rule G-12(c)(v)(B) would largely consist of text from Rule G-12(c)(v)(E), (v)(F) and (vi)(A). It would also consolidate related text that appears in paragraphs between Rule G-12(c)(v) and (vi).

³⁷ Existing requirements from Rule G-12(c)(v)(E) would be redesignated as Rule G-12(c)(v)(B)(1), requiring name of the issuer, which would codify principles from interpretive guidance to include trade name and series designation for stripped coupon securities, analogous to Rule G-15(a)(i)(B)(1)(a). See MSRB Interpretive Guidance, Notice Concerning Stripped Coupon Municipal Securities (Mar. 13, 1989), available at <https://www.msrb.org/Notice-Concerning-Stripped-Coupon-Municipal-Securities>.

³⁸ Existing requirements from Rule G-12(c)(v)(F) would be redesignated as Rule G-12(c)(v)(B)(4). The proposed rule change would also broaden this provision by permitting use of an alternative securities identifier that would assist parties to the transaction to have assurance that they are each referencing the same security, such as an identifier that may be assigned by a vendor or other entity through which both parties are engaging in key steps of the transaction. The MSRB is mindful that the data standards to be adopted by the federal financial regulators that could become applicable with respect to submissions of information to the MSRB under the Financial Data Transparency Act, Public Law 117–263, title LVIII, 136 Stat. 2395, 3421 (2022) could include data standards for securities identifiers encompassing identifiers beyond CUSIP numbers. See Financial Data Transparency Act Joint Data Standards, Exchange Act Release No. 100647 (Aug. 2, 2024), 89 FR 67890 (Aug. 22, 2024). Furthermore, if tokenized municipal securities were to be traded on a blockchain and such securities have not been assigned a CUSIP number, any alternative securities identifier incorporated within the mechanics of the blockchain itself could serve as a securities identifier. While the proposed rule change would permit the use on a confirmation of an alternative securities identifier and is not limited to the use of CUSIP number, the decision to use an alternative securities identifier on the confirmation would not obviate any obligation under other

- Maturity date;³⁹
- Interest rate;⁴⁰ and,
- Dated date.⁴¹

Securities Additional Information

The proposed rule change would move and modify language from existing Rule G-12(c)(vi)(I) to proposed new Rule G-12(c)(v)(C), which would retain the requirement that the confirmation include any additional information necessary to ensure that the parties agree to the

MSRB rules, such as the requirement to report trades to RTRS under MSRB Rule G-14, if the security in fact has a CUSIP number assigned to it.

- ³⁹ Existing requirements from Rule G-12(c)(v)(E) would be redesignated as Rule G-12(c)(v)(B)(2), which would codify informational elements from interpretive guidance with respect to stripped coupon securities to include maturity date of the instrument in lieu of the maturity date of the underlying securities. See MSRB Interpretive Guidance, Notice Concerning Stripped Coupon Municipal Securities, supra note 37.
- ⁴⁰ Existing requirements from Rule G-12(c)(v)(E) would be redesignated as Rule G-12(c)(v)(B)(3), which would also codify language from interpretive guidance requiring that, for zero coupon securities, the interest rate would be shown as 0%, and for securities with a variable or floating interest rate, the interest rate would be shown as "variable". See MSRB Interpretive Guidance, Notice Concerning "Zero Coupon" and "Stepped Coupon" Securities (Apr. 27, 1982), available at <https://www.msrb.org/Notice-Concerning-Zero-Coupon-and-Stepped-Coupon-Securities>. See also MSRB Interpretive Guidance, Confirmation Disclosure Requirements Applicable to Variable-Rate Municipal Securities (Dec. 10, 1980), available at <https://www.msrb.org/Confirmation-Disclosure-Requirements-Applicable-Variable-Rate-Municipal-Securities>.
- ⁴¹ Existing Rule G-12(c)(vi)(A) would be reorganized as Rule G-12(c)(v)(B)(5), on disclosure requirements related to dated date. The proposed rule change would also codify language from interpretive guidance to specify that, for stripped coupon securities, the date that interest begins accruing to the custodian for payment to the beneficial owner would be shown in lieu of the dated date of the underlying securities; this date, along with the first date that interest will be paid to the owner, would be stated on the confirmation whenever it is necessary for calculation of price or accrued interest. See MSRB Interpretive Guidance, Notice Concerning Stripped Coupon Municipal Securities, supra note 37.

details of the transaction, beyond the information that would be required under proposed Rule G-12(c)(v)(A), and would add reference to ensuring that the parties have uniquely identified the specific securities being transacted, beyond the information that would be required under proposed Rule G-12(c)(v)(B). While the MSRB expects that such additional information would only rarely be needed, additional information about the securities at certain times may be necessary particularly where no CUSIP number or other alternative identifier has been assigned to the securities and/or where some event or change to the securities gives rise to the need to distinguish the subject securities from other securities that previously were fully fungible but which have become no longer fungible.

The MSRB believes it is imperative for dealers to consider the circumstances under which additional identifying information may be required since it may be essential for both parties to agree upon which security is being transacted. For example, where a portion of securities might be secured by funds held in escrow, or may be backed by a personal guarantee, or might have some other feature not known or otherwise accessible to the market that could call into question the fungibility of different portions of such securities, while another portion may not have such backing or such other feature, there may be a need to provide greater specificity to the counterparty to ensure that both dealers engaged in an inter-dealer transaction are not mistaken as to the specific securities being transacted. In such circumstances, the dealers may need to include additional information on the confirmation under proposed Rule G-12(c)(v)(C) to precisely identify which unique securities are being transacted.

Amendments to Remove Certain Existing Requirements

The proposed rule change would remove current rule text pertaining to confirmation requirements that are primarily of a descriptive nature, which are unnecessary to provide a

materially complete description for purposes of the modern comparison process, and are neither securities transaction information nor securities identification information.⁴² Because trade confirmations are delivered after the time of trade—documenting previously-agreed-upon terms of the trade rather than providing disclosures necessary to inform counterparties at or prior to the time of trade—the need for securities descriptive information in a post-trade inter-dealer confirmation is significantly less than in a customer confirmation involving retail investors, who may value having documented in the customer confirmation some of these material substantive disclosures. In addition, for the vast majority of inter-dealer trades that are eligible for automated comparison, the current processes that substitute for trade confirmations under Rule G-12(c) do not entail the dissemination of this type of securities descriptive information. The proposed rule change would also retire certain pieces of interpretive guidance currently memorializing such requirements.⁴³

⁴² This elimination of obsolete confirmation requirements is consistent with the principles cited in the time of trade disclosure guidance for inter-dealer transactions. See MSRB Interpretive Guidance, Time of Trade Disclosures in Inter-Dealer Transactions (March 3, 2025) (the “Rule G-17 Inter-Dealer Time of Trade Disclosure Guidance”), available at <https://www.msrb.org/Rules-and-Interpretive-Guidance/Time-Trade-Disclosures-Inter-Dealer-Transactions> (In regard to inter-dealer transactions, the items of information that professionals must exchange “should be sufficient to distinguish the municipal security from other similar issues.”). See also Exchange Act Release No. 100508 (July 11, 2024), 89 FR 58229 (July 17, 2024) (File No. SR-MSRB-2024-03) (the “Time of Trade Disclosure Amendment Approval Order”).

⁴³ The MSRB will publish a full list of interpretive guidance that would be retired pursuant to this proposed rule change by no later than 90 days from the approval date of this proposed rule change. This notice would be the second of a series of two notices and would be similar to the previously published first notice where the MSRB retired nine pieces of guidance. See MSRB Notice 2024-07, MSRB to Retire Select Interpretive Guidance Regarding Inter-Dealer Confirmation Disclosures (May 22, 2024), available at <https://www.msrb.org/sites/default/files/2024-05/2024-07.pdf>.

The proposed rule change would remove the following confirmation requirements, which pertain to securities descriptive information.

- Credit backing (from current Rule G-12(c)(v)(E));
- Features of securities (from current Rule G-12(c)(vi)(B), (E) and (G));
- Status of securities (from current Rule G-12(c)(vi)(H)); and
- Tax information (from current Rule G-12(c)(vi)(C) and (D)).

The MSRB notes that removing such requirements from inter-dealer confirmations would have no impact on whether dealers selling municipal securities in an inter-dealer transaction with features that would have been subject to confirmation disclosures under the current language of Rule G-12(c) must still comply with their obligations under other MSRB rules. For example, dealers would still be obligated to provide any required disclosures at or prior to the time of trade to their dealer counterparties under certain circumstances as provided in the Rule G-17 Inter-Dealer Time of Trade Disclosure Guidance.⁴⁴ Of course, given that a confirmation is not received by the counterparty until after a transaction is effected, confirmation disclosure, even if it were to include any such information, would not normally be timely for purposes of a time of trade disclosure obligation.

Addition of a New Definition Section and Other Technical Amendments to Simplify and Clarify Existing Requirements under the Rule

Rule G-12(c) currently utilizes certain terms, the definitions of which can be found in the text of other MSRB rules and interpretive guidance. Drawing from these sources, the proposed rule change would add a definition section to Rule G-12(c) to add clarity and facilitate

⁴⁴ See supra note 42.

compliance by reorganizing and compiling relevant definitions within the proposed rule text. The new definitions section would include the terms “stepped coupon securities,” “zero coupon securities,” “stripped coupon securities” and “pricing call,” codified as Rule G-12(c)(vi)(A)–(D).

Additionally, the proposed rule change would implement certain technical amendments to simplify, clarify and modernize existing content requirements under Rule G-12 as noted below:

- The proposed rule change would update certain internal cross references relating to the delivery of securities in Rule G-12(e)(ii),⁴⁵ on securities delivered, and Rule G-12(e)(iii),⁴⁶ on delivery ticket. The proposed rule change would also update Rule G-12(e)(v), on units of delivery under delivery of securities, to remove a separate reference to information regarding denomination of certificates to be delivered in case of bearer bonds since bearer bonds are no longer issued in the primary municipal securities market and any outstanding bearer bonds could be delivered in the same denominations applicable generally to municipal securities.
- The proposed rule change would also update internal cross-references under Rule G-12(g)(i) and (ii), on the reclamation requirements, from subparagraph (c)(v)(E) to paragraph (v)(B)(1)-(3) of section (c) of this rule.

⁴⁵ The proposed rule change would update internal cross-references under subparagraph (e)(ii)(A) from current rule language pertaining to paragraph (c)(v) and (c)(vi) to information now set forth in subparagraph (v)(B) of section (c) of this rule. The proposed rule change would also remove certain text under Rule G-12(e)(ii)(B) since the proposed rule change updating Rule G-12(e)(ii)(A) as noted above would make the rest of the information pertaining to CUSIP number under current Rule G-12(e)(ii)(B) redundant.

⁴⁶ The proposed rule change would update internal cross-references under subparagraph (e)(iii) from current rule language pertaining to information set forth in subparagraph (c)(v) and (vi) to information now reflected under paragraph (v) of section (c) of this rule except the information set forth in items (3), (7), (8) and clauses (b) and (d) of item (9) of subparagraph (c)(v)(A) thereof.

Retirement of Interpretive Guidance Codified in the Proposed Rule Text and Amendment of Certain Interpretive Guidance

As discussed above, the proposed rule change would amend Rule G-12(c) not only through reorganization of existing rule text but also through the codification of certain pieces of related interpretive guidance. This codification of guidance would promote ease of compliance with Rule G-12(c) both by improving the clarity of the proposed rule text and by reducing the number of documents dealers and compliance professionals must consult to understand Rule G-12(c). With the codification of requirements previously included in interpretive guidance, such source guidance would be retired in whole or have the relevant portions modified or removed in light of the incorporation of such requirements into the rule language.⁴⁷

Thus, the proposed rule change would fully retire MSRB Interpretive Guidance, Confirmation Disclosure Requirements for Callable Municipal Securities (Feb. 20, 1986), pertaining to confirmation of disclosure requirements for callable municipal securities, since the requirements of Rule G-12(c), as amended by the proposed rule change, would codify the confirmation requirements set forth therein, making such guidance superfluous.⁴⁸

In addition, the proposed rule change would amend five other pieces of interpretive guidance to modify certain rule references to reflect current rule language, including the new language of Rule G-12(c) under the proposed rule change, or to remove portions of such guidance that would be codified by the proposed rule change, that have previously been codified

⁴⁷ See supra note 43.

⁴⁸ Currently available at <https://www.msrb.org/Confirmation-Disclosure-Requirements-Callable-Municipal-Securities>. See Exchange Act Release No. 22965 (Mar. 5, 1986), 51 FR 8931 (Mar. 14, 1986) (File No. SR-MSRB-86-5).

into MSRB rules, or that address outdated practices that are no longer relevant in the market, with the remaining portions of such guidance continuing to be in effect:

- MSRB Interpretive Guidance, Yield Disclosures: Yields to Call on Zero Coupon Bonds (Jan. 4, 1984),⁴⁹ which would be amended to conform a reference to Rule G-12 to the appropriate portion of the rule (as it would be modified by the proposed rule change) and a parallel reference to Rule G-15 to the appropriate current provision of that rule, as well as to make a minor language change to reflect current rule language;⁵⁰
- MSRB Interpretive Guidance, Confirmation Requirements for Partially Refunded Securities (Aug. 15, 1989),⁵¹ which would be amended to remove references to Rule G-12, to conform references to Rule G-15 to the appropriate current provisions of that rule, and to remove references to retired guidance;⁵²

⁴⁹ Currently available at <https://www.msrb.org/Yield-Disclosures-Yields-Call-Zero-Coupon-Bonds>. See Exchange Act Release No. 20628 (Feb. 8, 1984), 49 FR 6054 (Feb. 16, 1984) (File No. SR-MSRB-84-2).

⁵⁰ Specifically, a reference to former Rule G-15(a)(i)(I) would be changed to current Rule G-15(a)(i)(A)(5), an older reference to the Rule G-15 text would be removed, and a reference to current Rule G-12(c)(v)(I) in a footnote would be changed to proposed new rule text under Rule G-12(c)(v)(A)(7).

⁵¹ Currently available at <https://www.msrb.org/Confirmation-Requirements-Partially-Refunded-Securities>. See Exchange Act Release No. 27450 (Nov. 17, 1989), 54 FR 49157 (Nov. 29, 1989) (File No. SR-MSRB-89-7).

⁵² Specifically, certain outdated pinpoint references to provisions of Rules G-12(c) and G-15(a) in the third paragraph relating to pricing calculations would be eliminated and the footnote at the end of that paragraph would also be eliminated since the referenced interpretive guidance has previously been retired. See Time of Trade Disclosure Amendment Approval Order. In addition, references to Rule G-12 in the fourth paragraph relating to securities descriptive information in confirmation disclosures would be eliminated since, pursuant to the proposed rule change, such securities descriptive information would not be required under proposed Rule G-12(c), as amended, in connection with inter-dealer confirmations. However, the fourth paragraph would be retained in connection with customer confirmations, with the reference to former Rule G-

- MSRB Interpretive Guidance, Notice of Interpretation on Escrowed-to-Maturity Securities: Rules G-17, G-12 and G-15 (Sep. 21, 1987),⁵³ which would be amended to delete the first and last sections of the guidance so that the guidance would only apply to issues under MSRB Rule G-17 (“Rule G-17”), on conduct of municipal securities and municipal advisory activities;⁵⁴
- MSRB Interpretive Guidance, Notice Concerning Stripped Coupon Municipal Securities (Mar. 13, 1989),⁵⁵ which would be amended by removing language in the guidance pertaining to the confirmation requirements under Rules G-12 and G-15 for transactions in stripped coupon municipal securities which either were previously incorporated into

15(a)(i)(E) to be changed to current Rule G-15(a)(i)(C)(3)(a), the reference to former Rule G-15(a)(iii)(J) to be changed to current Rule G-15(a)(i)(A)(8), and the footnote in that paragraph to be eliminated since the portion of the referenced interpretive guidance would be deleted by the proposed rule change.

⁵³ Currently available at <https://www.msrb.org/Notice-Interpretation-Escrowed-Maturity-Securities-Rules-G-17-G-12-and-G-15>. See Exchange Act Release No. 25426 (Mar. 8, 1988), 53 FR 8533 (Mar. 15, 1988) (File No. SR-MSRB-87-11).

⁵⁴ Specifically, the introductory paragraph and related heading “Introduction” would be deleted since it references market conditions in 1987, which may not reflect current market conditions and does not provide substantive guidance on the matters covered by the guidance. In addition, the final three paragraphs and related heading “Application of Rules G-12(c) and G-15(a) on Confirmation Disclosure of Escrowed-to-Maturity Securities” would be deleted since the substantive requirements thereof have previously been incorporated into Rule G-15(a) and, pursuant to the proposed rule change, such securities descriptive information would not be required under proposed Rule G-12(c), as amended, in connection with inter-dealer confirmations.

⁵⁵ Currently available at <https://www.msrb.org/Notice-Concerning-Stripped-Coupon-Municipal-Securities>. See Exchange Act Release No. 26706 (Apr. 10, 1989), 54 FR 15064 (Apr. 14, 1989) (File No. SR-MSRB-89-2).

Rule G-15 and/or would be codified into Rule G-12(c) pursuant to the proposed rule change;⁵⁶

- MSRB Interpretive Guidance, Calculation of Price and Yield on Continuously Callable Securities (Aug. 15, 1989),⁵⁷ which would be amended to conform a reference to Rule G-12 to the appropriate portion of the rule (as it would be modified by the proposed rule change) and a parallel reference to Rule G-15 to the appropriate current provision of that rule.⁵⁸

2. Statutory Basis

The MSRB believes that the proposed rule change is consistent with Section 15B(b)(2) of the Exchange Act,⁵⁹ which provides that the MSRB shall propose and adopt rules to effect the purposes of the Exchange Act with respect to, among other matters, transactions in municipal securities effected by dealers. Section 15B(b)(2)(C) of the Exchange Act⁶⁰ provides that the

⁵⁶ Specifically, the entire portion under “Confirmation Requirements” would be deleted since it is already codified under Rule G-15 and other portions would either be codified into Rule G-12(c) pursuant to the proposed rule change or removed by the proposed rule change. The final paragraph and the heading “Clearance and Settlement of Stripped Coupon Municipal Securities” would be retained as the title of the guidance, and footnote 7 would be updated to footnote number 1, which would reflect the current confirmation disclosure under Rule G-15. The reference to former Rule G-12(c)(v)(N) would be changed to proposed new Rule G-12(c)(v)(A)(10)(b) and the reference to former Rule G-15(a)(i)(N) would be changed to current Rule G-15(a)(i)(A)(7)(d).

⁵⁷ Currently available at <https://www.msrb.org/Calculation-Price-and-Yield-Continuously-Callable-Securities>. See Exchange Act Release No. 27460 (Nov. 21, 1989), 54 FR 49156 (Nov. 29, 1989) (File No. SR-MSRB-89-8).

⁵⁸ Specifically, a reference to current Rule G-12(c)(v)(I) would be changed to proposed new Rule G-12(c)(v)(A)(7)(c), and a reference to former Rule G-15(a)(v)(I) would be changed to current Rule G-15(a)(i)(A)(5)(c).

⁵⁹ 15.U.S.C. 78o-4(b)(2).

⁶⁰ 15 U.S.C. 78o-4(b)(2)(C).

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 the proposed rule change is consistent with Section 15B(b)(2)(C) of the Exchange Act⁶¹ because it would foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in municipal securities. The proposed rule change streamlines the current rule on confirmation requirements for inter-dealer transactions by removing informational elements that are outdated and allows for key information to flow in a more efficient manner to contra parties for these unique transactions that are not eligible for automated comparison. Given that Rule G-12(c) allows for exchange and comparison of key information for such unique transactions, the MSRB believes that the proposed rule change, by reorganizing the rule in categories similar to Rule G-15, would foster cooperation and coordination with parties engaged in processing information with respect to such transactions in municipal securities. The MSRB also believes that consolidating its rulebook by removing interpretive guidance that is outdated or has already been incorporated into the rulebook would promote regulatory clarity by reducing the need for industry participants to cross reference multiple sources and provide for more efficiency in the marketplace. Specifically, the MSRB believes that consolidating existing interpretive guidance

⁶¹

Id.

into the text of Rule G-12, where appropriate, and clarifying existing rule language would facilitate compliance by dealers with existing requirements under Rule G-12 and would thereby remove impediments to and perfect the mechanism of a free and open market in municipal securities.

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

Section 15B(b)(2)(C) of the Exchange Act⁶² requires that MSRB rules not be designed to impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act. The MSRB has considered the economic impact of the proposed rule change and believes that it would not impose any burden on competition, as the proposed rule change to Rule G-12(c) on uniform practice for dealer confirmations would codify certain existing interpretive guidance for inter-dealer confirmation disclosure requirements that are ineligible for automated comparison into Rule G-12(c), retire certain other interpretive guidance, add a new definitions section and make certain technical amendments to simplify and clarify current rule requirements under Rule G-12(c). In addition, the proposed rule change applies equally to all dealers who engage in these transactions. Therefore, the MSRB believes the proposed rule change would not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act.⁶³

In determining whether the proposed rule change is necessary and appropriate, the MSRB was guided by the MSRB's Policy on the Use of Economic Analysis in MSRB Rulemaking.⁶⁴ In

⁶² Id.

⁶³ Id.

⁶⁴ See Policy on the Use of Economic Analysis in MSRB Rulemaking, available at <https://www.msrb.org/Policy-Use-Economic-Analysis-MSRB-Rulemaking>. In evaluating whether there was any burden on competition that is not necessary or appropriate in

accordance with this policy, the MSRB evaluated the potential impacts of the proposed rule change relative to the current baseline. The proposed rule change to Rule G-12(c) is intended to modernize, streamline and clarify dealer obligations under Rule G-12(c) as they relate to inter-dealer confirmations.

Specifically, the proposed rule change would: codify central principles of the interpretive requirements in a more succinct and precise manner, and reorganize the content of Rule G-12(c); remove certain existing requirements from current Rule G-12(c) that no longer serve a beneficial purpose for dealers or the market; amend current Rule G-12(c)(vi) to replace it with a new definitions section; make technical modifications to the rule requirements that would simplify and clarify the existing requirements under Rule G-12(c); retire certain guidance that is being codified or is already codified in current Rule G-12(c) and amend certain guidance and where applicable, retire guidance that is no longer beneficial to the market. The proposed rule change would modernize the rule for inter-dealer confirmations for securities ineligible for automated comparison by clarifying the rule text and would reduce the burden for dealers.

Benefits, Costs and Effect on Competition

The proposed rule change to Rule G-12(c) is intended to benefit dealers by providing clarification to dealers by streamlining and centralizing the needed information for producing an inter-dealer confirmation for securities transactions that are ineligible for automated comparison, which is a small percentage of all inter-dealer trades. The proposed rule change would ensure

furtherance of the purposes of the Exchange Act, the MSRB was guided by its principles that required the MSRB to consider costs and benefits of a rule change, its impact on efficiency, capital formation and competition, and the main reasonable alternative regulatory approaches.

that Rule G-12(c) is consistent with current market practices while simultaneously reducing compliance costs on dealers, therefore promoting more efficiency in the marketplace.

Benefits

The MSRB believes that retiring interpretive guidance that is obsolete, superfluous or has been or is in the process of being codified ensures that the intent of Rule G-12(c) is consistent with current market practices while also reducing compliance burdens for dealers. The benefits of the proposed rule change would be achieved by eliminating outdated guidance and incorporating the remaining relevant guidance into the body of the rule which would streamline and consolidate duplicative guidance. Dealers would have additional clarity for their regulatory obligations without having to refer to different pieces of guidance, some of which are obsolete. The proposed rule change would potentially promote ease of compliance with the same requirements. The MSRB believes that dealers would also benefit from increased efficiency and reduced compliance costs with streamlined rule text and reorganized interpretive guidance. The MSRB also amends, where applicable, and preserves certain pieces of interpretive guidance, which may still be essential to a dealer's understanding of the regulatory framework.

Costs

The MSRB notes that no incremental ongoing compliance burdens in the form of new requirements or greater disclosures are being added by the proposed rule change. MSRB acknowledges that dealers would likely incur minor incremental costs as a result of the proposed rule change, relative to the baseline state (current state). These costs may include the potential one-time upfront costs related to revising related policies and procedures to reflect new rule citations and to decrease the items of information identified as required in such inter-dealer

confirmations,⁶⁵ if existing policies and procedures provide such detail or the dealer chooses to include a greater degree of detail. In addition, to the extent that dealers currently or plan in the future to produce these rare inter-dealer confirmations on a systemic basis rather than on a one-by-one basis as they execute inter-dealer trades that are ineligible for automated comparison, dealers may incur costs in connection with such system modification or development. However, the proposed rule change likely would not add incremental ongoing costs since dealers are presumably already in compliance with the existing interpretive guidance and relevant MSRB rules, including the recordkeeping requirements. Similarly, the revisions to a dealer's policies and procedures may not be extensive if the dealer presumably already incorporates the review of existing interpretive guidance into their current policies and procedures. Nonetheless, the MSRB conducted an analysis of the upfront costs a dealer may incur in implementing the changes outlined in the proposed rule change.

The MSRB identified certain upfront costs, mostly related to updating existing policies and procedures which would entail identifying compliance staff at a dealer firm to conduct an analysis of the proposed new rule language and any remaining interpretive guidance within their policies and procedures. Based on the MSRB's assumptions, the total upfront costs per dealer would be estimated at \$7,080 as shown in Table 1. The upfront costs include 6 hours for a compliance attorney ($\$461 \times 6 = \$2,766$) to identify and change all references to Rule G-12(c) in their policies and procedures. In addition to identifying and changing the policies and

⁶⁵ While the proposed rule change would reduce the number of items required to be included in an inter-dealer confirmation, a dealer could choose to retain any existing procedures and processes that provide the broader array of information currently required under Rule G-12(c) and related interpretations.

procedures, the MSRB also expects two hours for a Compliance Director ($\$607 \times 2 = \$1,214$) to review the changes and 0.5 hours for the Chief Compliance Officer to sign off on the changes.

Additionally, changes may need to be made to the actual inter-dealer confirmation process if a dealer chooses. The MSRB expects that while the confirmation updates are not required as part of the proposed rule change (that is, a dealer that currently conforms to Rule G-12(c) and the related interpretations would not need to make any changes to come into compliance with the proposed rule change, including not being required to reduce the items of information it currently may provide as it would not be a violation to provide more information than the baseline requirement in the proposed rule change), many dealers may elect to remove the additional information to minimize any potential risk, and some dealers may elect to programmatically remove these items through a technological project. To be conservative, the MSRB included this cost in the estimate and anticipates that if a dealer chooses to update their confirmations, they would spend a total of \$2,755 to remove information that would no longer be required as part of the proposed rule change. This cost takes into account approximately two hours for a Senior Business Analyst ($\$348 \times 2 = \696) to develop the requirements needed for IT staff to update the confirmations. In addition, the MSRB also expects a Senior Programmer to take four hours of work ($\$363 \times 4 = \$1,452$) to change the coding that produces each inter-dealer confirmation. Lastly, the changes made by the Senior Business Analyst and the Senior Programmer would be reviewed for approval by the Director of Compliance. The MSRB estimates one hour of time ($\$607 \times 1 = \607) for the approval to be completed. However, as previously articulated, other dealers may not currently use and may continue not to use a technological process for producing these inter-dealer confirmations and those that do may elect

not to amend their inter-dealer confirmation process and would thus not incur any costs associated with a technological change.

Table 1: Estimated Compliance Costs for Each Dealer⁶⁶

Cost Components	Hourly Rate	Number of Hours	Cost per Firm
Upfront Costs			
a) Revision of Policies and Procedures			
Compliance Attorney	\$461	6.0	\$2,766
Director of Compliance	\$607	2.0	\$1,214
Chief Compliance Officer	\$690	0.5	\$345
			\$4,325
b) Inter-dealer Confirmation Update (Optional)			
Senior Business Analyst	\$348	2.0	\$696
Senior Programmer	\$363	4.0	\$1,452
Director of Compliance	\$607	1.0	\$607
			\$2,755

The MSRB believes that the benefits of the proposed rule change from the cumulative compliance cost savings as a result of the streamlining of the rule language and guidance would outweigh the upfront costs associated with policies and procedures revision and programmatic changes. The proposed changes are intended to provide enhanced clarity to dealers when conducting an inter-dealer trade for securities ineligible for automated comparison.

⁶⁶ The hourly-rate data is gathered from a variety of Commission filings compiled by the MSRB for usage in economic analysis. The Commission's economic analysis utilizes the Securities Industry and Financial Markets Association's "Management & Professional Earnings in the Securities Industry—2013 Report" for the hourly rates of various financial industry market professionals. To compensate for inflation, the data reflects the 2025 hourly rate level after adjusting for the annual cumulative wage inflation rate of 46.7% between 2013 and 2025. See The Federal Reserve Bank of St. Louis Employment Cost Index: Wages and Salaries: Private Industry Workers, available at <https://fred.stlouisfed.org/series/ECIWAG>. The MSRB estimates the number of hours for each task based on the MSRB's consultation with regulated entities' compliance officers.

Effect on Competition, Efficiency, and Capital Formation

The MSRB believes that the proposed rule change to Rule G-12(c) would neither impose a burden on competition nor hinder capital formation. The proposed rule change would improve the municipal securities market's operational efficiency and promote regulatory certainty by providing dealers with a clearer understanding of regulatory obligations that are incorporated into the rule text. At present, the MSRB is unable to quantitatively evaluate the magnitude of the efficiency gains or losses, but believes the overall incremental benefits accumulated over time for all market participants would outweigh the minor upfront costs of revising policies and procedures, with no expected incremental change in the ongoing compliance and recordkeeping costs by dealers. The MSRB does not expect that the proposed rule change to Rule G-12(c) would impose a burden on competition for dealers, as the proposed amendments are applicable to all dealers and the upfront costs are expected to be relatively minor for all dealers.

Reasonable Regulatory Alternatives

The MSRB's Policy on the Use of Economic Analysis in MSRB Rulemaking requires the MSRB's economic analysis to identify and discuss reasonable alternatives to the proposed rule.⁶⁷ The MSRB has identified two reasonable alternatives for the proposed rule change.

One alternative the MSRB considered was to fully harmonize the Rule G-12(c) requirements for inter-dealer confirmations for securities ineligible for automated comparison with the provisions of Rule G-15(a) on customer confirmations, rather than providing for a more streamlined set of requirements under Rule G-12(c). While Rule G-12(c) addresses solely those inter-dealer transactions that are ineligible for automated comparison, Rule G-15(a) addresses the requirements for dealers to provide customers with written confirmations in all customer

⁶⁷ See supra note 64.

transactions. Under this alternative, dealers would be required to provide confirmations to other dealers for inter-dealer municipal securities transactions that are ineligible for automated comparison with the same level of disclosure as on a customer confirmation. While the MSRB generally seeks to harmonize existing rules, in this instance it would not be appropriate or necessary. Dealers are generally more sophisticated than customers, especially retail customers, and even without any further disclosure requirement, dealers on both sides of an inter-dealer trade already possess, or have the means for obtaining, sufficient disclosure information to complete a trade, so that the items of information that are of value to a dealer in an inter-dealer trade ineligible for automated comparison are only those items necessary to ensure that they are able to accurately and efficiently compare and settle the transaction. Of note, there is no obligation to provide the types of disclosure information that would be removed from Rule G-12(c) for those inter-dealer trades that do use the automated comparison system. It is for this reason that the MSRB has deemed this alternative as inferior to the proposed rule change.

Another alternative the MSRB considered was to embed all remaining pieces of guidance (after retiring certain superfluous guidance) into Rule G-12(c) and Rule G-15(a). In this alternative, all guidance would be directly added to both rules. As part of the rulebook modernization, this would allow compliance personnel to only have to look to one place (Rule G-12(c)) for inter-dealer confirmation requirements and one place (Rule G-15(a)) for customer confirmation requirements. However, there are benefits to not having every standalone interpretive guidance embedded into rule text, as the purpose of interpretive guidance for certain more complex or nuanced situations is to provide additional clarity and context to existing rules while remaining flexible and to allow for changes as industry practices and technology evolves. By providing this information directly in the rule text, the MSRB would limit its ability to adapt

to potential changes in the future and might design a rule that would be either overly broad and cumbersome or overly restrictive. It is for this reason that the MSRB deemed this alternative as inferior to the proposed rule change.

C. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

In response to the Request for Comment,⁶⁸ the MSRB received one letter (the “SIFMA Letter”) from Leslie M. Norwood, Managing Director and Associate General Counsel, Securities Industry and Financial Markets Association (SIFMA).⁶⁹ The SIFMA Letter,⁷⁰ and additional engagement with the organization,⁷¹ raised two main themes: first, that G-12(c) is obsolete/unnecessary because dealers’ informational needs relative to inter-dealer trades extend only to that information that is necessary for trade settlement;⁷² and second, should Rule G-12(c) be retained, its requirements should be drastically pared back to only that information which is necessary to achieve settlement.⁷³ The main themes of the SIFMA Letter are summarized below in more detail with MSRB responses provided.

G-12(c) is obsolete and unnecessary

⁶⁸ See supra note 15.

⁶⁹ SIFMA Letter, dated December 15, 2023, available at <https://www.msrb.org/sites/default/files/2023-12/SIFMA-Comment-Letter-2023-08.pdf>.

⁷⁰ See SIFMA Letter passim.

⁷¹ On May 2, 2024, MSRB staff convened a virtual meeting with Ms. Norwood and representatives of SIFMA members. Participants discussed in greater detail the suggestions and concerns voiced in the SIFMA Letter.

⁷² SIFMA Letter at 2.

⁷³ Id. at 2–3.

The SIFMA Letter argued that paper interdealer confirmations are obsolete⁷⁴ and stated that dealers rely on their information service vendors for all data points related to trade execution, confirmations, clearance, and settlement, and industry practice is that inter-dealer trades are evidenced (to Financial Industry Regulatory Authority (FINRA) examiners) by screen captures, VCONs, or electronic blotters. SIFMA further asserted that, as an ordinary part of the cost of doing business, all dealers have access to a security master database or reliable security master information.⁷⁵ The MSRB believes that, while dealers generally have securities masters with varying degrees of information and completeness as to the full universe of municipal securities, such securities masters are unlikely to address the purposes of the proposed rule change. This is because almost all securities that are ineligible for automated comparison lack CUSIP numbers (and likely lack other alternative securities identifiers), and dealer securities masters are almost universally based, at least in large measure, on such securities identifiers. Thus, it is highly unlikely that dealers on the two sides of an inter-dealer transaction ineligible for automated comparison would, regardless of the breadth and depth of their respective securities masters, have information on the security in question included in such securities master that would fully match with the counterparty's information, much less have any information on the security included therein at all. The more limited items of information that the MSRB would retain under the proposed rule change in the streamlined version of Rule G-12(c) would address the need to be able to properly compare, clear and settle trades in such securities while reducing the burden of having to compile and disclose other information that is extraneous to this process.

⁷⁴ Id. at 2.

⁷⁵ Id.

While the proposed rule change would narrow the scope of information required in such confirmations, further narrowing the scope of information would risk a deterioration in the ability to transact in such securities in an efficient and secure manner, which is a risk that the MSRB is concerned could rise if decentralized finance processes and products are introduced into the marketplace that might not allow for the current automated comparison process. The MSRB believes the proposed rule change would allow for modernization of information needed for inter-dealer confirmations without sacrificing the regulatory mandate by preserving the exchange of information sufficient to prevent fraudulent obfuscation and promote efficient and accurate trade settlement. Finally, the proposed rule change would not require that inter-dealer confirmations be on paper so that, for example, if tokenized municipal securities were to be traded on a blockchain, dealers would be able to meet their inter-dealer confirmation requirement through the transmission of the required information, such as by means of a unique contract address, on or as part of the mechanics of the blockchain itself.⁷⁶

G-12(c) should be pared down and materially simplified

SIFMA noted that for inter-dealer trades, the only information that should be required to be transmitted is that which is required to settle the trade and did not see the need for harmonizing disclosure requirements under Rule G-12(c) to Rule G-15.⁷⁷ SIFMA further noted Rule G-15, as well as MSRB Rule G-47 describes information disclosures due at the time of

⁷⁶ For example, for a tokenized municipal security traded on a blockchain, its contract address or other innate unique identifier could be deemed to satisfy the requirement for an alternative securities identifier on the inter-dealer confirmation under the proposed amendment to Rule G-12(c). See supra note 37.

⁷⁷ SIFMA Letter at 2.

confirmation, or trade, to customers and such disclosures are unnecessary to dealers and may create a “web of potential regulatory foot-faults” without any corresponding benefit.⁷⁸

The MSRB is aware that the informational requirements of customers and dealers are fundamentally different, and that dealers may not utilize information received through inter-dealer trade confirmations for settlement and processing transactions. The MSRB agrees that the scope of inter-dealer confirmation disclosure requirements should be narrowed to focus on the purposes of inter-dealer confirmations in this context and not be required to include information that is extraneous to that purpose.

As detailed above,⁷⁹ the MSRB has identified certain informational elements required under the current rule text that may be conceptualized as “securities descriptive information” that do not assist in processing or clearing of transactions. The types of information subsumed within the “securities descriptive information” category—consisting of credit backing, features of securities, information on status of securities, and tax information—are primarily of a substantive disclosure nature rather than of a securities identification nature. Importantly, because trade confirmations are delivered after the time of trade and therefore primarily serve to document the terms of a trade already agreed to rather than as a mechanism for providing disclosures that can inform counterparties at or prior to the time of trade, the need for securities descriptive information in a post-trade document is significantly less relevant for dealers than for investors, who may value having documented in the customer confirmation some of these material substantive disclosure information. In addition, for the vast majority of inter-dealer trades that

⁷⁸ Id.

⁷⁹ See Section 3., “Amendments to Remove Certain Existing Requirements[,]” supra pp. 13–14.

are eligible for automated comparison, the current processes that substitute for trade confirmations under Rule G-12(c) do not entail the dissemination of this type of securities descriptive information.

Because this type of information is not essential in the context of comparing, clearing and settling an inter-dealer trade, the MSRB believes that it is appropriate that the proposed rule change would eliminate these informational elements from the disclosure requirements for inter-dealer confirmations.

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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period of up to 90 days (i) as the Commission may designate if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

- (A) by order approve or disapprove such proposed rule change, or
- (B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. 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 email to rule-comments@sec.gov. Please include File Number SR-MSRB-2026-01 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-2026-01. This file number should be included on the subject line if email 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. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-MSRB-2026-01 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, pursuant to delegated authority.⁸⁰

Sherry R. Haywood
Assistant Secretary

⁸⁰ 17 CFR 200.30-3(a)(12).

MSRB Notice

2023-08

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Stakeholders

Municipal Securities
Dealers, Investors, Bank
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Notice Type

Request for Comment

Comment Deadline

December 15, 2023

Category

Uniform Practice

Affected Rules

[Rule G-12](#)

Request for Comment on Retrospective Rule Review of Rule G-12(c) on Inter-Dealer Confirmations and Related Interpretive Guidance

Overview

As part of its ongoing retrospective review of its rules and published interpretations and rulebook modernization efforts, the Municipal Securities Rulemaking Board (“MSRB” or “Board”) seeks comment on draft amendments to MSRB Rule G-12, on uniform practice, to codify, retire and reorganize certain interpretive guidance. The draft amendments do not propose any new requirements and are not intended to impose any new burdens; they are intended to help streamline the MSRB rule book by retiring potentially outdated or superfluous guidance and to facilitate compliance by, among other things, incorporating key principles established over decades of interpretive guidance into the relevant rule text.

The draft amendments to Rule G-12 would codify certain existing interpretive guidance pertaining to confirmation disclosure requirements for inter-dealer municipal securities transactions that are ineligible for automated comparison into existing Rule G-12(c); make certain clarifying amendments to the rule text to reorganize the rule; and retire certain guidance that would be codified or is already codified in current MSRB rules or that would be consolidated into frequently asked questions (FAQs) pertaining to Rule G-12(c), Rule G-15, on customer confirmations, and other MSRB rules. Any interpretive guidance that is retired under this initiative would be archived on the MSRB website to streamline the rule book.

The MSRB invites market participants and the public to submit comments in response to this request, along with any other information they believe



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would be useful to the MSRB. Comments should be submitted no later than December 15, 2023 and may be submitted by [clicking here](#) or in paper form. Comments submitted in paper form should be sent to Ronald W. Smith, Corporate Secretary, Municipal Securities Rulemaking Board, 1300 I Street NW, Suite 1000, Washington, DC 20005. All comments will be available for public inspection on the MSRB's website.¹

Background

Consistent with the MSRB's strategic plan and as part of the constant care and keeping of the MSRB's rule book, the MSRB strives to ensure that, among other things, the MSRB's rules and related guidance are effectively protecting investors, issuers and the public interest, are reflective of current market practices, have not become overly burdensome, are harmonized with the rules of other regulators, as appropriate, and do not reflect unconscious bias in the substance, operation or impact of such rules and guidance. To facilitate these goals, the MSRB engages in periodic retrospective reviews of particular rules. Additionally, the MSRB has initiated a long-term initiative to review the MSRB's catalogue of interpretive guidance and clarify, codify, amend and/or retire guidance that no longer achieves its intended purposes. The retrospective review of Rule G-12(c) and related interpretive guidance stems from the MSRB's undertaking to review its body of interpretive guidance.

Rule G-12(c) sets forth the confirmation disclosure requirements for inter-dealer municipal securities transactions that are ineligible for automated comparison in a system operated by a registered clearing agency (*i.e.*, the Depository Trust & Clearing Corporation), also referred to herein as "inter-dealer confirmations." It outlines a list of disclosure requirements related to inter-dealer confirmations. Prior to the 1990s, this rule was analogous to the MSRB's customer confirmation disclosure requirements, Rule G-15(a). However, Rule G-12(c), unlike Rule G-15(a), has not been updated since 1995, primarily due to the fact that the vast majority of inter-dealer trades are eligible for automated comparison and therefore are not subject to the provisions of Rule G-12(c). For transactions that are eligible for automated comparison and therefore are not subject to Rule G-12(c), information regarding such transactions is instead conveyed through the automated comparison process mandated under Rule G-12(f).

¹ Comments generally are posted on the MSRB's website without change. Personal identifying information such as name, address, telephone number or email address will not be edited from submissions. Therefore, commenters should submit only information that they wish to make available publicly.

As part of the MSRB's rule book modernization initiative, the MSRB is taking this opportunity to address modernization of Rule G-12(c). In connection with this initiative, the MSRB reviewed a total of forty pieces of interpretive guidance, most of which dates back to the 1970s and 1980s and in many cases applied to both Rules G-12 and G-15. Over time, much of this guidance was codified into Rule G-15(a) but not into Rule G-12(c). In some instances, the current rule text of Rule G-15(a) or current business practices have superseded other aspects of such guidance.

The MSRB is seeking comment on draft amendments to Rule G-12(c) sourced from various pieces of interpretive guidance identified in Appendix A. Appendix A includes a complete list of the guidance reviewed in connection with this Request for Comment. The MSRB also seeks comment on retiring certain guidance that may be outdated or may have limited business utility at this point.² Lastly, the MSRB seeks comment on guidance to potentially be retained and updated or consolidated as restated guidance or FAQs at a later time, as part of this initiative.

The MSRB believes that this retrospective rule review would allow for modernization of the rules, while simultaneously ensuring the rule continues to achieve its goals consistent with current market practices without placing undue compliance burdens on regulated entities.

Summary of Draft Amendments

Draft amendments to Rule G-12 would codify principles from interpretive guidance into the rule text and would reorganize the content of Rule G-12(c) to align with the format followed in the analogous provisions of Rule G-15(a). They also would include certain technical modifications to the rule requirements that would simplify and clarify the existing requirements under Rule G-12(c) and promote better compliance. Additionally, draft amendments to current Rule G-12(c)(v) would regroup requirements by principles drawn from current Rule G-12(c)(v) and (vi) and list them into three broad categories pertaining to: (1) transaction information; (2) securities identification information; and (3) securities descriptive information. Relatedly, draft amendments to current Rule G-12(c)(vi) would replace the current content with a new definitions section.

² The MSRB has proposed to retire two other pieces of guidance related to this topic [Appendix A, item V.a. and V.b.] under a separate rule book modernization initiative pertaining to Rule G-47, on time of trade disclosure. See [MSRB Notice 2023-02, Request for Comment Regarding Retrospective Review of G-47 and Rule D-15](#) (Feb. 16, 2023).

The draft amendments to Rule G-12(c)(v) and Rule G-12(c)(vi) are described in more detail below.

A. Transaction Information

Draft amended Rule G-12(c)(v)(A) would require inter-dealer confirmations for transactions to include the following information regarding eleven terms of the transaction:

1. Confirming party's name, address and telephone number;
2. Contra party identification;
3. Designation of purchase from or sale to;
4. Par value of the securities;
5. Trade date;
6. Settlement date;
7. Yield and dollar price;
8. Amount of concession;
9. Final monies;
10. Delivery of securities; and
11. Additional information about the transaction.

The substantive amendments to this subparagraph propose to:

- Reorganize items 1-8 noted above that currently appear under Rule G-12(c)(v) and Rule G-12(c)(vi)³ into draft amended Rule G-12(c)(v)(A) and codify related existing interpretive guidance, as applicable.
 - Draft amended Rule G-12(c)(v)(A) generally would retain existing requirements but revise the format by dividing the information as follows: (1) disclosure rules regarding transactions effected on a yield basis; (2) transactions effected on a dollar price basis; (3)

³ As noted earlier, the majority of the requirements included in current Rule G-12(v) and (vi) would be amended and/or moved to the subsections created under the new draft amended Rule G-12(v) and draft amended Rule G-12(c)(vi). For example, current Rule G-12(c)(v), subparagraphs (A) through (D) and (H) through (N) would be moved and reorganized under draft amended Rule G-12(c)(v)(A); concepts noted under Rule G-12(c)(v)(E) would be broken up and moved to draft amended Rule G-12(c)(v)(B) and G-12(c)(v)(C); and draft amended Rule G-12(c)(vi) would now include definitions drawn from the current Rule G-12(c)(v) and the draft amended language. Any "new" content that appears in draft amended Rule G-12(v)-(vi) is drawn from the interpretive guidance noted in Appendix A (I) & (II).

how yield and dollar price shall be computed and shown on the confirmations; and (4) any exceptions.⁴

- This section also would codify existing guidance:
 - regarding the use of “in whole calls” for the purpose of calculation of yield and dollar price⁵ and other related disclosure obligations such as requirements for transactions effected on a put option date.⁶
 - related to additional yield and dollar price disclosure rules applicable to specific situations of declining premium calls,⁷ continuously callable securities,⁸ and zero coupon securities.⁹
 - regarding the requirement that all yield and dollar price computations must be made in accordance with MSRB Rule G-33, on calculations.¹⁰

⁴ To further streamline the rule text and improve the rule’s readability, the draft amendments would remove reference to “par option” from the rule text and amend the text from “lowest” to “lower” to keep the text analogous to Rule G-15(a). The draft amendments would change the text to indicate that yield shown on the confirmations must be computed to the lower of call date or maturity date (instead of lowest of price to call, price to par option, or price to maturity). This change would harmonize the rule text with the MSRB’s understanding of the current business practice of using the term “call date” to reflect any type of call, such as a par option call or a premium call.

⁵ See [Interpretive Guidance, G-15, Pricing to Call](#) (Dec. 10, 1980) [Appendix A, Item II.a.]; [Interpretive Guidance, G-15, Callable Securities: Pricing to Call and Extraordinary Mandatory Redemption Features](#) (Feb. 10, 1984) [Appendix A, Item II.f.]; [Interpretive Guidance, G-15, Calculation of Price and Yield on Continuously Callable Securities](#) (Aug. 15, 1989) [Appendix A, Item II.e.].

⁶ See [Interpretive Guidance, G-12, Confirmation Disclosure: Put Option Bonds](#), April 24, 1981 [Appendix A, Item I.a.]. See also [Interpretive Guidance, G-17, Put Options Bonds: Safekeeping, Pricing](#) (Feb. 18, 1983) [Appendix A, Item I.k.]; [Interpretive Guidance, G-17, Notice Concerning the Application of Board Rules to Put Option Bonds](#) (Sept. 30, 1985) [Appendix A, Item II.i.]. All three pieces of guidance relate to requirements regarding put options.

⁷ See [Interpretive Guidance, G-15, Pricing to Call](#) (Dec. 10, 1980) [Appendix A, Item II.a.].

⁸ See [Interpretive Guidance, G-15, Calculation of Price and Yield on Continuously Callable Securities](#) (Aug. 15, 1989) [Appendix A, Item II.e.].

⁹ See [Interpretive Guidance, G-15, Yield Disclosures: Yields to Call on Zero Coupon Bonds](#) (Jan. 4, 1984) [Appendix A, Item II.j.].

¹⁰ See [Interpretive Guidance, G-15, Original Issue Discount, Zero Coupon Securities: Disclosure of, Pricing to Call Feature](#) (June 30, 1982) [Appendix A, Item II.c.]; [Interpretive Guidance, G-33, Calculations for Securities with Periodic Interest Payments](#) (Feb. 23, 2016) [Appendix A, Item I.n.].

- Reorganize the current rule text related to item 9 noted above (calculation and display of final monies) into a designated final monies section with terms such as total dollar amount, accrued interest extended principal amount and information related to delivery of securities.
- Reorganize existing rule text pertaining to item 10 noted above (delivery of securities).
- Reorganize existing rule text and codify guidance related to item 11 noted above (additional information about the transaction) capturing any additional information that may be necessary to ensure that the parties agree to the details of the transaction.¹¹

B. Security Identification Information

Draft amended Rule G-12(c)(v)(B) would require inter-dealer confirmations to include, at a minimum, the following securities identification information:

1. The name of the issuer;
2. CUSIP number;
3. Maturity date;
4. Interest rate; and
5. Dated date.

The substantive amendments to this subparagraph propose to:

- Reorganize existing rule text that appears in floating paragraphs under current Rule G-12(c)(v), Rule G-12(c)(v)(E), Rule G-12(c)(v)(F) and Rule G-12(c)(vi)(A) into draft amended subparagraph Rule G-12(c)(v)(B), such as name of the issuer, CUSIP number, maturity date, interest rate for zero coupon securities and variable rate securities and dated date.
- Codify existing guidance on special disclosure requirements related to name, designation, maturity date and dated date disclosure for stripped coupon securities.¹²

¹¹ See [Interpretive Guidance, G-12, Confirmation Requirements for Partially Refunded Securities](#) (Aug. 15, 1989) [Appendix A, Item II.b.].

¹² See [Interpretive Guidance, G-15, Notice Concerning Stripped Coupon Municipal Securities](#) (Mar. 13, 1989) [Appendix A, Item II.d.].

- Codify existing guidance on special disclosure requirements for interest rate for zero coupon securities¹³ and variable securities.¹⁴

C. Securities Descriptive Information

Draft amended Rule G-12(c)(v)(C) would require inter-dealer confirmations to include the following descriptive information about the securities:

1. Credit backing;
2. Features of the securities;
3. Information on status of securities; and
4. Tax information.

The substantive amendments to this subparagraph propose to:

- Reorganize existing rule text under Rule G-12(c)(v)(E), Rule G-12(c)(vi)(C), Rule G-12(c)(vi)(D), and Rule G-12(c)(vi)(G) into draft amended Rule G-12(c)(v)(C) such as disclosure regarding book-entry only securities, periodic interest payment, prerefunded and called securities, and securities in default.
- Codify existing guidance on credit backing features (item 1 noted above):
 - to designate if the bond is a revenue bond, to identify the source of revenue,¹⁵ and to include additional clarifying language that such disclosure obligation may be met if the designation appears in the formal title of the confirmation or elsewhere in the security.¹⁶

¹³ See [Interpretive Guidance, G-15, Notice Concerning “Zero Coupon” and “Stepped Coupon” Securities](#) (Apr 27, 1982) [Appendix A, Item I.g.].

¹⁴ See [Interpretive Guidance, G-15, Confirmation Disclosure Requirements Applicable to Variable-Rate Municipal Securities](#) (Dec. 10, 1980) [Appendix A, Item I.f.].

¹⁵ See [Interpretive Guidance, G-15, Confirmation Requirements](#) (Mar. 25, 1980) [Appendix A, Item I.e.].

¹⁶ See [Interpretive Guidance, G-15, Securities Description: Revenue Securities](#) (Dec. 1, 1982) [Appendix A, Item I.i.] [Interpretive Guidance, G-15, Callable securities: disclosure](#), (Aug. 23, 1982) [Appendix A, Item I.h].

- related to additional credit backing features noting that, if a letter of credit is used, the identity of the bank issuing the letter of credit must be disclosed.¹⁷
- Codify existing guidance on features of securities (item 2 noted above):
 - related to the callability of a security (including the exceptions noted for catastrophe or calamity call features);¹⁸
 - related to disclosure of the date and price of the next pricing call since catastrophe calls cannot be used to compute a yield or dollar price;¹⁹ and for a notification that, if any call features exist in addition to the next pricing call, disclosure must be made on the confirmation that “additional call features exist that may affect yield; complete information will be provided upon request.”²⁰
 - related to designation of puttable, if securities are puttable.²¹
- Codify existing guidance regarding status of securities (item 3 noted above):
 - related to escrowed to maturity securities, that if securities are advance refunded to the maturity date and the issue has no call feature (except for a sinking fund), then it would be described on confirmations as escrowed-to-maturity, and if a sinking fund is operable, there should be an additional notation of “callable;”²²

¹⁷ See [Interpretive Guidance, G-15, Securities Description: Securities Backed by Letters of Credit](#) (Dec. 2, 1982) [Appendix A, Item I.j.].

¹⁸ See [Interpretive Guidance, G-15, Interpretive Notice on Rule G-12 on Uniform Practice and Rule G-15 on Customer Confirmations](#) (Nov. 28, 1977) [Appendix A, Item I.c.]; [Interpretive Guidance, G-15, Callable Securities: “Catastrophe” Calls](#) (Nov. 7, 1977) [Appendix A, Item I.b.].

¹⁹ See [Interpretive Guidance, G-15, Callable Securities: “Catastrophe” Calls](#) (Nov. 7, 1977) [Appendix A, Item I.b.]; [Interpretive Guidance, G-15, Callable Securities: Extraordinary Mandatory Redemption Features](#) (Feb. 18, 1983) [Appendix A, Item I.l.].

²⁰ See [Interpretive Guidance, G-15, Confirmation Disclosure Requirements for Callable Municipal Securities](#) (Feb. 20, 1986) [Appendix A, Item I.m.].

²¹ See [Interpretive Guidance, G-12, Delivery Requirements: Put Option Bonds](#), Feb. 27, 1985 [Appendix A, Item II.h.]; G-17, [Notice Concerning the Application of Board Rules to Put Option Bonds](#), Sept. 30, 1985 [Appendix A, Item II.i.].

²² See [Interpretive Guidance, G-17, Notice of Interpretation on Escrowed-to-Maturity Securities: Rules G-17, G-12 and G-15](#) (Sept. 21, 1987) [Appendix A, Item II.g.].

- related to advance refunded securities with an explicitly reserved call feature other than a sinking fund to be described as “escrowed to [redemption date] – callable;”²³
- related to disclosure where underlying stripped coupon securities are advance refunded, then the description should note “escrowed-to-maturity” or “pre-refunded” as applicable.²⁴
- Reorganize existing obligations regarding tax information (item 4 noted above) under current Rule G-12(c)(vi)(C), Rule G-12(c)(vi)(D), and Rule G-12(c)(vi)(G) into draft amended Rule G-12(c)(v)(C)(4).

Other technical amendments

The draft amendments also would:

- Add definitions in draft amended Rule G-12(c)(vi) for the terms stepped coupon securities, zero coupon securities, stripped coupon securities and pricing call to add clarity.
- Remove references to disclosure regarding denomination of certificates to be delivered in case of bearer bonds since bearer bonds are no longer issued in the municipal securities market.
- Make certain other clarifying and technical changes such as updating internal cross-references under Rule G-12(g)(C)(3).

Related Initiatives

I. Guidance to be Partially Retained and Published as Consolidated FAQs

The MSRB recognizes that after codification of the guidance into the draft amended rule text, certain pieces of guidance may still contain explanatory principles or examples that could be beneficial to the industry in understanding relevant obligations under Rules G-15 and G-12(c). These pieces of guidance are identified in Appendix A (II). The MSRB anticipates retaining and streamlining the relevant principles into a consolidated set of FAQs (to be published at a later date) and retiring the source guidance at the

²³ See [Interpretive Guidance, G-17, Notice of Interpretation on Escrowed-to-Maturity Securities: Rules G-17, G-12 and G-15](#) (Sept. 21, 1987) [Appendix A, Item II.g.]; [Interpretive Guidance, G-15, Callable Securities: Pricing to Call](#), (Jun. 8, 1978) [Appendix A, Item I.d.].

²⁴ See [Interpretive Guidance, G-15, Notice Concerning Stripped Coupon Municipal Securities](#) (Mar. 13, 1989) [Appendix A, Item II.d.].

time of the publication of the FAQs. The MSRB envisions the FAQs would retain substantive principles under the existing guidance that focus on:²⁵

- which call provisions would be used for computation of yield and dollar price, such as in-whole calls and not in-part calls;
- the correct method of computing price from yield on certain types of "partially prerefunded" issues that have a mandatory sinking fund redemption;
- the description to be included on a confirmation of an issue that is "partially prerefunded;"
- dollar price calculation of an original issue discount or zero coupon security when calculated to a call feature which would be lower than the dollar price to maturity;
- disclosure related to the existence of a sinking fund call to be disclosed on the confirmation;
- stripped coupon securities, including guidance on clearance and settlement of stripped coupon securities and on the application of MSRB rules to transactions in stripped coupon instruments;
- disclosure of "extraordinary mandatory redemption" feature on the confirmation and guidance on the use of such feature for purposes of computing a yield or dollar price;
- certain information regarding application of MSRB rules to put option bonds such as Rules G-12, G-15 and G-17; and
- disclosure regarding call price used in the computation of a dollar price or yield on a transaction in a zero coupon security should be stated on the confirmation in terms of the percentage of a maturity value.

II. Guidance Proposed to be Retired as Superfluous

The MSRB invites comments as to the appropriateness of retiring each piece of guidance noted below. The guidance identified below corresponds to Appendix A (III). The MSRB has identified various pieces of interpretive guidance where, at the time of publication, the underlying content was designed to address a novel or frequently asked question, but is now believed to be outdated due to current market practices or that may have limited utility today.²⁶ As previously indicated, any guidance retired under

²⁵ This is not an exhaustive list of all potential FAQs.

²⁶ In one such piece of guidance, the MSRB's rulemaking activity since the publication of the original guidance deemed the subject guidance as moot. Specifically in [Interpretive Letter, G-15, Agency Transaction: Pricing](#), dated September 20, 1979 [Appendix A, Item III.i.], the

this category would be archived on the MSRB website for any remaining historical value. The MSRB seeks comment as to whether any of the guidance identified below is still a valuable source of guidance to the industry and as such, whether all or any portion should be retained in the rule book.

- In [Interpretive Guidance, G-12, Confirmation: Mailing of WAI Confirmation](#), dated April 30, 1982 [Appendix A, Item III.c.], the MSRB confirmed telephonic guidance regarding initial “when, as and if issued” (WAI) confirmations on “pre-sale” orders in connection with a new issuance of municipal securities. This guidance concerns an “inquiry as to the time limit by which a municipal securities dealers must send out [a WAI confirmation] in connection with allocations of securities to ‘pre-sale’ orders, and the propriety of a dealer’s sending out such confirmations prior to the award of the new issue.” Consistent with the MSRB’s guidance that its rules prohibit a dealer from sending out initial WAI confirmations prior to the trade date, the MSRB understands that the fact pattern presented in the guidance does not occur anymore and that the guidance may have become superfluous in the decades since its issuance.
- In [Interpretive Guidance, G-12, Confirmation: Mailing of WAI, “All or None” Confirmation](#), dated October 7, 1982 [Appendix A, Item III.b.], the MSRB provided guidance specific to “all or none” underwritings. As described in the guidance, “an ‘all or none’ underwriting of a new issue of municipal securities is an underwriting in which the municipal securities dealer agrees to accept liability for the issue at a given price only under a stated contingency, usually that the entire issue is sold within a stated period. The dealer typically ‘presettles’ with the purchasers of the securities, with the customers receiving confirmations and paying for the securities while the underwriting is taking place. Pursuant to SEC rule 15c2-4 all customer funds must be held in a special escrow account for the issue until such time as the contingency is met (*e.g.*, the entire issue is sold) and the funds are released to the issuer; if the contingency is not met, the funds are returned to the purchasers and the securities are not issued.” The MSRB understands that such structures are uncommon today and

MSRB responded to an inquiry regarding confirmation disclosure in the context of agency transactions where the professional receives a concession or other dealer reallowance as its remuneration. As noted in the MSRB rule book, this guidance was applicable to Rule G-15 prior to the amendments effective on January 16, 1992. Given that the current rule text has superseded this guidance, the MSRB is proposing to retire this guidance.

that, as a result, the guidance may have become superfluous in the decades since its issuance.

- In [Interpretive Guidance, G-12, Confirmation Disclosures: Tender Option Bonds with Adjustable Tender Fees](#), dated October 3, 1984 (the “October 3, 1984 guidance”) [Appendix A, Item III.e.] the MSRB noted the requirement to include the phrase “less fee for put” on the confirmations requiring stated interest rate and provided other guidance on interest rate disclosure for tender option bonds with adjustable tender fees. However, the MSRB understands that such fees are not customary in the municipal market anymore and that, as a result, the guidance may have become superfluous in the decades since its issuance.²⁷
- In [Interpretive Guidance, G-12, Confirmation Disclosure: Advance Refunded Securities](#), dated, January 4, 1984 [Appendix A, Item III.d.], the MSRB provided guidance pertaining to disclosures related to advance refunding of issues by certificate numbers. The MSRB understands that certificate numbers are no longer used in the market for determining redemption of bonds. As a result, the MSRB believes that such guidance may have become superfluous since its issuance.
- In [Interpretive Guidance, G-12, Confirmation Disclosure: Put Option Bonds](#), dated May 11, 1981 [Appendix A, Item III.a.], the MSRB provided guidance on confirmation disclosure requirements regarding disclosure of yield to the put option date and designation to such effect. The guidance was issued when Rule G-15 did not have an explicit requirement regarding the presentation of a yield or a dollar price to be computed to the “put option” date as a part of the standard confirmation processing. The MSRB notes that the text of Rule G-15(a)(i)(A)(5) has since superseded such guidance as it mandates calculation and disclosure of yield to a put option date and the draft amended text for Rule G-12 would incorporate the same principle, which also reflects the current market practice; therefore, the MSRB proposes to retire this guidance.

²⁷ Relatedly, in [Interpretive Guidance, G-12, Confirmation Disclosures: Tender Option Bonds with Adjustable Tender Fees](#), dated March 5, 1985 [Appendix A, Item III.f], the MSRB declined to postpone the effective date of the October 3, 1984 guidance. Given the passage of time since such guidance and the lack of application of the related content, the MSRB believes that such guidance is superfluous and is electing to retire it.

- In [Interpretive Guidance, G-15, Callable Securities: Pricing to Call](#), dated March 9, 1979 [Appendix A, Item III.g.], the MSRB provided guidance on a specific fact pattern pertaining to pricing of callable securities. The principles mentioned under this guidance are either codified in the rule text or contain information that the MSRB believes may have limited utility at this point in the market given the passage of time since the issuance of the guidance. Specifically, the guidance notes that, for purposes of dollar price disclosure, dollar price should not be computed based on an in-part call (such as sinking funds), which is noted in a more recent guidance.²⁸ Additionally, the principle related to catastrophe call features is already codified under Rule G-15(a)(i)(C)(2)(a). The last relevant concept reminds dealers that, if a serial bond maturity is prior to the call date, the dollar price calculation should be to the maturity date. The MSRB understands that this principle has since become well understood in the marketplace. As a result, the MSRB proposes to retire this guidance given its likely limited utility in the rule book at this point.
- In [Interpretive Guidance, G-15, Callable Securities: Pricing Transactions on Construction Loan Notes](#), dated March 5, 1984 [Appendix A, Item III.h.], the MSRB answered a query regarding how yield calculation rules noted in Rule G-12 and Rule G-15 would apply to a confirmation of a transaction in construction loan notes, which generally are callable “in whole” six months prior to the stated maturity date at par. The guidance notes that, since the call feature is an “in whole” call, it must be used to calculate the dollar price, which would be computed to the lower of the price of the call feature or the price to maturity. The guidance further notes that, if a transaction is effected on a dollar price basis, it should note the yield to the lower of the yield to this call feature or a yield to maturity. These principles are codified in the rule text for Rule G-15 and would be codified under the draft amended rule text for Rule G-12 as well. As a result, the MSRB proposes to retire this guidance.
- In [Interpretive Guidance, G-15, Securities Description: Prerefunded Securities](#), dated February 17, 1998 [Appendix A, Item III.j], the MSRB provided guidance which stated that, if securities are called or prerefunded, dealers must note this fact (along with the call price and the maturity date fixed by the call notice) on the customer's confirmation. The guidance also stated that the fact that an issuer's intent to prerefund an issue is material information and should be

²⁸ This principle will be saved as an FAQ, to be published at a later date.

disclosed to the customer. Both of these principles already exist under current MSRB rules, specifically Rule G-12(c)(vi)(E), Rule G-15(a)(i)(C)(3)(a) and Rule G-47, Supplementary Material .03(n). As a result, the MSRB proposes to retire this guidance.

III. Other Guidance

The MSRB is not proposing to amend or retire the guidance identified in Appendix A (IV) at this time. However, the MSRB seeks comment as to whether any such guidance should be retired or amended.

Economic Analysis

Section 15B(b)(2)(C) of the Exchange 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 Exchange Act. The Board carefully considers the costs and benefits of new and amended rules. Accordingly, the Board's policy states, prior to proceeding with a rulemaking, the Board should evaluate the need for the potential rule change and determine whether the rule change as drafted would, in its judgement, meet that need and would impose any burden on competition.²⁹ The MSRB does not believe that the draft amendments to Rule G-12 to codify, retire and reorganize certain interpretive guidance would result in any burden on competition in accordance with the purposes of the Exchange Act. The MSRB seeks comment on the economic effects of amending Rule G-12(c), on uniform industry practices for processing, clearance and settlement of transactions between dealers.

A. Need for draft amendments to Rule G-12

Rule G-12(c) establishes the confirmation disclosure requirements for inter-dealer municipal securities transactions that are ineligible for automated comparison by DTCC. As part of the MSRB's rule book modernization initiative,³⁰ the MSRB reviewed 40 pieces of interpretive guidance related to

²⁹ 15 U.S.C. 78o-4(b)(2)(C). See also an explanation of the MSRB's Policy on the Use of Economic Analysis in MSRB Rulemaking. Available at: [Policy on the Use of Economic Analysis in MSRB Rulemaking](#) | MSRB.

³⁰ The MSRB last updated Rule G-12(c) in 1995.

Rule G-12(c),³¹ most of which dated to the 1970s and 1980s. In many instances, the business practices of the industry have superseded the intent of the guidance. The draft amendments to Rule G-12(c) are intended to improve the operational efficiency and promote regulatory certainty by clarifying the obligations of dealers as they relate to inter-dealer confirmations.

Specifically, the purpose of this Request for Comment is to codify certain existing interpretive guidance pertaining to confirmation disclosure requirements for inter-dealer municipal securities transactions that are ineligible for automated comparison into existing Rule G-12(c); make certain clarifying amendments to the rule text to reorganize the rule; and retire certain guidance that would be codified or is already codified in current MSRB rules or that would be consolidated into frequently asked questions (FAQs) pertaining to Rule G-12(c), Rule G-15 and other MSRB rules. Based on the MSRB's analysis, by codifying some pieces of existing interpretive guidance into Rule G-12(c), retaining and restating or consolidating some other pieces of existing guidance as a consolidated set of FAQs and retiring the remaining pieces of existing guidance pertaining to Rule G-12(c), the draft amendments to Rule G-12(c) are intended to streamline the confirmation disclosure requirements, and therefore would reduce the burden on dealers.

B. Relevant baselines against which the likely economic impact of the draft changes can be considered

To evaluate the potential impact of the draft amendments to Rule G-12(c), a baseline or baselines must be established as a point of reference to compare the expected state with draft amended Rule G-12(c). The economic impact of the draft changes is generally viewed as the difference between the baseline state and the expected state. For the purposes of this request for comment, the baseline is current Rule G-12(c), with the separate 40 pieces of interpretive guidance.

C. Identifying and evaluating reasonable alternative regulatory approaches

The MSRB policy on economic analysis in rulemaking addresses the need to consider alternative regulatory approaches, when applicable. Under this

³¹ Appendix A includes a complete list of the 40 pieces of interpretive guidance identified under this Request for Comment. One of the 40 pieces is related to Rule G-33, which would be incorporated into draft Rule G-12(c).

policy, only reasonable regulatory alternatives should be considered and evaluated.

One alternative the MSRB considered was to fully harmonize Rule G-12(c) with all provisions of Rule G-15(a) on customer confirmations, rather than incorporating into Rule G-12(c) some aspects of the interpretive guidance and retaining other interpretations. While Rule G-12(c) addresses solely those inter-dealer transactions that are ineligible for automated comparison, Rule G-15(a) addresses the requirements for dealers to provide customers with written confirmations in all customer transactions. Under this alternative, dealers would be required to provide confirmations to other dealers for inter-dealer municipal securities transactions that are ineligible for automated comparison in a system operated by a registered clearing agency with the same level of disclosure as on a customer confirmation. While the MSRB generally seeks to harmonize existing rules, in this instance it would not be appropriate or necessary. Dealers are generally more sophisticated than customers, especially retail customers, and even without any further disclosure requirement, dealers on both sides of an inter-dealer trade already possess sufficient information to complete a trade, including an inter-dealer trade ineligible for automated comparison. It is for this reason that the MSRB has deemed this alternative as inferior to the draft amendment.

Another alternative the MSRB considered was to embed all remaining pieces of guidance (after retiring certain superfluous guidance) into Rule G-12(c) and Rule G-15(a). In this alternative, all guidance would be directly added to both rules. As part of the rule book modernization, this would allow compliance personnel to only have to look to one place (Rule G-12(c)) for inter-dealer confirmation requirements and one place (Rule G-15(a)) for customer confirmation requirements. However, there are benefits to not having every standalone interpretive guidance embedded into rule text, as the purpose of interpretive guidance for certain more complex or nuanced situations is to provide additional clarity and context to existing rules while remaining flexible and to allow for changes as industry practices and technology evolves. By providing this information directly in the rule text, the MSRB would be limiting its ability to adapt to potential changes in the future and may inevitably design a rule that would be either overly broad and cumbersome or overly restrictive. It is for this reason that the MSRB deemed this alternative as inferior to the draft amendment.

D. Assessing the benefits and costs of the draft changes

The MSRB policy on economic analysis in rulemaking requires consideration of the likely costs and benefits of a draft rule change when the rule change

proposal is fully implemented against the context of the economic baselines. The MSRB is currently unable to quantify the economic effects of draft amendments to Rule G-12(c) in totality because not all of the information necessary to provide a reasonable estimate is available. Given the limitations on the MSRB's ability to conduct a quantitative assessment of the costs and benefits associated with the draft amendments to Rule G-12(c), the MSRB has considered these costs and benefits primarily in qualitative terms and believes the aggregate benefits should exceed the aggregate costs. Regardless, the MSRB is seeking, as part of this Request for Comment, additional data or studies relevant to the costs and benefits of the draft amendments.

Benefits

The MSRB believes codifying principles from interpretive guidance into the rule text and reorganizing the content of Rule G-12(c) to align with the format followed in the analogous provisions of Rule G-15(a) would streamline the confirmation disclosure requirements for inter-dealer municipal securities transactions that are ineligible for automated comparison by a registered clearing agency from the current combination of rule language and large body of separate interpretive pieces. Thus, the draft amendments to Rule G-12(c) would reduce the compliance burden on dealers by eliminating outdated guidance and consolidate duplicative guidance that would streamline and incorporate most relevant guidance into the body of the rule, potentially leading to greater compliance with the rule and current related interpretive guidance and promoting their investor protection goals. The MSRB believes that dealers would benefit from increased efficiency and reduced compliance costs with streamlined rule text that incorporates the source interpretive guidance.

Costs

The MSRB acknowledges that dealers would likely incur minor incremental costs as a result of the proposed actions, relative to the baseline state (current state). These costs may include the one-time upfront costs related to revising related policies and procedures and ongoing costs such as compliance costs associated with maintaining and updating dealer confirmations. However, the draft changes, such as codifying existing interpretive guidance into Rule G-12(c), may not add incremental ongoing costs since dealers are presumably already in compliance with the existing interpretive guidance and relevant MSRB rules, including the recordkeeping requirements. Similarly, the revisions to a dealer's policies and procedures may not be extensive if the dealer presumably already incorporates the review of existing interpretive guidance into their current policies and

procedures. Overall, the MSRB believes the aggregate upfront and any ongoing costs of these changes are expected to be relatively minor.

Effect on Competition, Efficiency, and Capital Formation

The MSRB believes that the draft amendments to Rule G-12(c) and proposed actions would neither impose a burden on competition nor hinder capital formation. The draft amendments would improve the municipal securities market's operational efficiency and promote regulatory certainty by providing dealers with a clearer understanding of regulatory obligations that are incorporated into the rule text. At present, the MSRB is unable to quantitatively evaluate the magnitude of the efficiency gains or losses, but believes the overall incremental benefits accumulated over time for all market participants would outweigh the minor upfront costs of revising policies and procedures, with no expected incremental change in the ongoing compliance and recordkeeping costs by dealers. The MSRB does not expect that the draft amendments to Rule G-12(c) would impose a burden on competition for dealers, as the draft amendments are applicable to all dealers and the upfront costs are expected to be relatively minor for all dealers.

Request for Comment

1. Would the draft amendments achieve the objectives of clarifying and modernizing the rule text regarding confirmation disclosures required for the inter-dealer transactions that are ineligible for automated comparison? If not, please consider providing examples of how to provide greater clarity regarding these regulatory obligations.
2. How might the MSRB better clarify and streamline the Rule G-12(c) text? Are there any other confirmation disclosures that are not specifically discussed in this Request for Comment that should be added (including any confirmation disclosures that are required under Rule G-15(a)) into Rule G-12(c) to promote consistency in the market?
3. The MSRB believes that very few inter-dealer trades currently rely on Rule G-12(c) because the vast majority of such trades are in fact eligible for automated comparison. Is this correct? What are some situations in which Rule G-12(c) applies?
4. For transactions in which Rule G-12(c) applies, have differences between Rule G-12(c) and Rule G-15(a) resulted in any challenges for dealers executing transactions with customers? For example, if a

dealer sells to a customer a municipal security subject to Rule G-12(c) that it acquired from another dealer, does the difference in information requirements under the two rules impair the selling dealer's ability to fulfill its obligation to provide the required information in the customer confirmation under Rule G-15(a)? If so, what items of information typically cause such problems and would the draft amendments address such problems?

5. More generally, have dealers purchasing municipal securities subject to Rule G-12(c) been harmed or experienced operational inefficiencies or other difficulties as a result of the inclusion or exclusion of particular items of information under current Rule G-12(c)? If so, what items of information typically cause such problems and would the draft amendments address such problems?
6. Are there any existing requirements under Rule G-12(c) or draft amended Rule G-12(c) that should be eliminated in addition to any requirements addressed in the questions above? If so, why?
7. As identified in Appendix A (I), Appendix A (III) and Appendix A (V) in this Request for Comment, the MSRB is retiring various pieces of guidance pertaining to confirmation disclosure obligations. Is there any MSRB guidance pertaining to confirmation disclosure obligations that the MSRB proposes to retire that may still be beneficial for the market and should be retained? For example, should the MSRB retain one or more items that represent well understood concepts or common knowledge in the industry, address uncommon practices or are otherwise viewed as of limited utility in order to provide guidance to new market entrants or in the event of shifts in market practice? Please indicate so, and why?
8. As noted above, the MSRB proposes to retain the guidance identified in Appendix A (IV) in this Request for Comment without change at this time. Is there any MSRB guidance listed under Appendix A (IV) that market participants believe is not beneficial at this point and should be retired or amended instead?
9. In Rule G-15 Guidance: [Yield Disclosures: Yields to Call on Zero Coupon Bonds](#) dated January 4, 1984, the MSRB noted that, in the case of a computation of a yield or dollar price to a call or option feature on a transaction in a callable zero coupon security, for the purposes of Rule G-12 and Rule G-15, the call price shown on the confirmation should be expressed in terms of a percentage of the security's maturity value. This would be incorporated into the draft

amendment to Rule G-12(c)(v)(A)(7)(c)(iii)(C). The MSRB seeks comment on the current market practice in this area. Do commenters agree with this approach? Is this still the current market practice?

10. Currently Rule G-12(c)(vi)(H)(1) requires an “ex-legal” designation on confirmations. The draft amendments would delete the “ex-legal” delivery designation from Rule G-12(c). The MSRB understands that “ex legal” is a term which refers to the absence of a legal opinion and an “ex legal” designation on a confirmation describes the rare instances where a bond is physically delivered without a legal opinion attached. This reference was removed from Rule G-15(a) in 1995 due to the movement away from physical delivery of certificates. To further promote consistency with the analogous confirmation requirements noted in Rule G-15(a), the MSRB proposes to remove this confirmation disclosure requirement from Rule G-12(c) as well.³² Does the market see any benefit in retaining the “ex-legal” confirmation disclosure requirement?
11. Currently, Rule G-12(c)(v)(E) provides that the description of the bonds should specify if they are “limited tax.” Traditionally, a limited tax bond is a general obligation bond secured by a specific tax or category of taxes, or a specific portion of any such taxes. This requirement was deleted from Rule G-15(a) in 1995 since its meaning over time had become ambiguous as various states implemented a variety of their own tax limitation measures. In staying consistent with Rule G-15(a), the MSRB proposes to remove this requirement from Rule G-12.³³ Is there any benefit to retaining this requirement?
12. In Rule [G-15 Guidance: Securities Description: Revenue Securities](#) dated December 1, 1982, the MSRB notes that for purposes of Rule G-12 and Rule G-15, revenue securities should be designated as such, regardless of whether such designation appears in the formal title of the security. This could lead to the revenue designation being stated twice on the confirmation, once in the title, and again in a separate information block. In 1995, MSRB acknowledged this redundancy issue and revised Rule G-15(a) to make clear that, if the bond is identified as a revenue bond on the title, there is no need to make an

³² The deletion of this provision, however, does not affect a dealer’s obligation under Rule G-47 to disclose all material facts at the time of the transaction.

³³ The deletion of this provision, however, does not affect a dealer’s obligation under Rule G-47 to disclose all material facts at the time of the transaction.

additional disclosure that the bond is a revenue bond. The MSRB proposes to follow the same approach by adding similar rule text into draft amended Rule G-12(c) and eliminating the requirement of redundant confirmation disclosures. Do commenters agree with this approach?

13. If the MSRB were to codify the text noted under Rule [G-15 Guidance: Confirmation Disclosure Requirements for Callable Municipal Securities](#), dated February 20, 1986, under draft amended Rule G-12(c)(v)(C)(2)(a) as is, in the event of alerting customers to additional call features, the draft amended rule text would require the confirmation disclosure to note that other call features exist, and dealers “must provide clarifying information about the noted call.” The MSRB addressed this obligation in 1995 when it revised Rule G-15(a) to put customers on notice regarding the presence of additional call features and for dealers to furnish the information “upon customers’ request” instead of a mandatory obligation for dealers to provide information. This approach is less burdensome for dealers. The MSRB proposes to make a similar change to Rule G-12(c) since this approach would be analogous to Rule G-15(a). Also, under Rule G-12(c)(v)(C)(2)(a), the MSRB is using the phrase “next pricing call” as noted under Rule G-15(a), instead of the term “first ‘in-whole’ call” as noted under the guidance to stay consistent with the terminology used in the market. Do commenters agree with both of the proposed language enhancements reflected in the draft amended rule text?
14. In [Rule G-33 Guidance: Calculations for Securities with Periodic Interest Payments](#), dated February 23, 2016, the MSRB reminded dealers that computations of yields and dollar prices shall be made in accordance with the formulas prescribed in Rule G-33; this requirement already exists in Rule G-15(a) and is being proposed in the draft amended rule text of Rule G-12(c). Further, this notice provides that prior to July 18, 2016, dealers would be in compliance with Rule G-33(b)(i)(B)(2) if calculating 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 rather than assuming a semi-annual interest payment. Since the safe harbor given in this guidance in 2016 is no longer applicable, the MSRB is seeking to retire and archive this guidance. Is there any aspect of this guidance that should be retained in any way? If so, please specify.

15. Would the draft amended rule text impose any burdens unique to minority and women-owned business enterprise (“MWBE”), veteran-owned business enterprise (“VBE”) or other special designation firms? If so, do commenters have any specific recommendations to alleviate these burdens while still promoting the objectives of Rule G-12(c)? Please offer suggestions.
16. Would the obligations proposed in connection with Rule G-12(c) result in an undue impact on access to business opportunities for small dealers? If so, do commenters have any specific recommendations to alleviate these burdens while still promoting the objectives of Rule G-12(c)? Please offer suggestions.
17. Would the obligations proposed in connection with the draft amendments to Rule G-12(c) result in an undue impact on access to business opportunities for MWBE, VBE or other special designation firms? If so, do commenters have any specific recommendations to alleviate these impacts while still promoting the objectives of Rule G-12(c)? Please offer suggestions.
18. Would draft amended Rule G-12(c) result in an undue impact on access to business opportunities for small dealers? If so, do commenters have any specific recommendations to alleviate these burdens while still promoting the objectives of Rule G-12(c)? Please offer suggestions.

Questions about this notice should be directed to Abha Mohla, Associate Director, Market Regulation, at 202-838-1500.

September 28, 2023

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Text of Draft Amendments^{*}

Rule G-12: Uniform Practice

(a) – (b) No change.

(c) *Dealer Confirmations*. All municipal securities transactions that are ineligible for automated comparison in a system operated by a registered clearing agency shall be subject to the provisions of this section (c).

^{*} Underlining indicates new language; strikethrough denotes deletions.

(i) – (iv) No change.

(v) Each confirmation shall contain the following information:

(A) Transaction Information. The confirmation shall include information regarding the terms of the transaction as set forth in this paragraph (A):

~~(A)~~(1) confirming party's name, address and telephone number;

~~(B)~~(2) "contra party" identification;

~~(C)~~(3) designation of purchase from or sale to;

~~(D)~~(4) Par Value. The par value of the securities shall be shown. For zero coupon securities, the maturity value of the securities must be shown if it differs from the par value;

~~(E) description of the securities, including at a minimum the name of the issuer, interest rate, maturity date, and if the securities are limited tax, subject to redemption prior to maturity (callable), or revenue bonds, an indication to such effect, including in the case of revenue bonds the type of revenue, if necessary for a materially complete description of the securities and in the case of any securities, if necessary for a materially complete description of the securities, the name of any company or other person in addition to the issuer obligated, directly or indirectly, with respect to debt service or, if there is more than one such obligor, the statement "multiple obligors" may be shown;~~

~~(F) CUSIP number, if any, assigned to the securities;~~

~~(G)~~(5) trade date;

~~(H)~~(6) settlement date shall be noted on all confirmations with the exception of initial confirmation for a "when, as and if issued" transaction;

~~(I) yield at which transaction was effected and resulting dollar price, except in the case of securities which are traded on the basis of dollar price or securities sold at par, in which event only dollar price need be shown (in cases in which securities are priced to call or to par option, this must be stated and the call or option date and price used in the calculation must be shown, and where a transaction is effected on a yield basis, the dollar price shall be calculated to the lowest of price to call, price to par option, or price to maturity);~~

(7) Yield and dollar price. Yields and dollar prices shall be computed and shown in the following manner, subject to the exceptions stated in subparagraph (A)(7)(d) of this paragraph:

(a) For transactions that are effected on the basis of a yield to maturity, yield to a call date, or yield to a put date:

(i) The yield at which the transaction was effected shall be shown and, if that yield is to a call date or to a put date, this shall be noted, along with the date and dollar price of the call or put date.

(ii) A dollar price shall be computed and shown in accordance with the rules in subparagraph (A)(7)(c) of this paragraph.

(b) For transactions that are effected on the basis of a dollar price:

(i) The dollar price at which the transaction was effected shall be shown.

(ii) A yield shall be computed and shown in accordance with subparagraph (A)(7)(c) of this paragraph, unless the transaction was effected at "par."

(c) In computing yield and dollar price, the following rules shall be observed:

(i) The yield or dollar price computed and shown shall be computed to the lower of call or maturity date, with the exceptions noted in this subparagraph (A)(7)(d).

(ii) For purposes of computing yield to call or dollar price to call, only those call features that represent "in whole calls" of the type that may be used by the issuer without restriction in a refunding ("pricing calls") shall be considered in computations made under this subparagraph (A)(7).

(iii) With respect to the following specific situations, these additional rules shall be observed:

(A) Declining premium calls. For those securities subject to a series of pricing calls at declining premiums, the call date resulting in the lowest yield or dollar price shall be considered the yield to call or dollar price to call.

(B) Continuously callable securities. For those securities that, at the time of trade, are subject to a notice of a pricing call at any time, the yield to call or dollar price to call shall be computed based upon the assumption that a notice of call may be issued on the day after trade date or on any subsequent date.

(C) Zero coupon securities. For zero coupon securities, the call price shown on the confirmation shall be expressed in terms of a percentage of the security's maturity value.

(iv) Computations shall be made in accordance with the requirements of Rule G-33.

(d) Notwithstanding the requirements noted in subparagraph (v)(A)(7):

(i) Securities traded on a discounted basis. For securities traded on a discounted basis, a yield shall not be shown.

(ii) "When, as and if issued" basis. For transactions effected on a "when, as and if issued" basis, the resulting dollar price shall not be shown.

~~(8)~~ amount of concession, if any, per \$1000 par value unless stated to be an aggregate figure, *provided, however*, that for a transaction in securities maturing in two or more years and, at the time of the transaction, paying investment return solely through capital appreciation, the concession, if any, shall be expressed as a percentage of the price of these securities;

(9) Final monies. The following information relating to the calculation and display of final monies shall be shown on all confirmations except for initial confirmations for transactions effected on a "when, as and if issued" basis:

(a) total dollar amount of transaction;

(b) amount of accrued interest, with special requirements for the following securities:

(i) Zero coupon securities. For zero coupon securities, no figure for accrued interest shall be shown;

(ii) Securities traded on discounted basis. For securities traded on a discounted basis (other than discounted securities traded on a yield-equivalent basis), no figure for accrued interest shall be shown;

(c) if the securities pay interest on a current basis but are traded without interest, a notation of "flat;"

(d) Extended principal amount, with special requirements for securities traded on a discounted basis (other than discounted securities sold on a yield-equivalent basis), rate of discount shall be shown and total dollar amount of

discount may be shown in lieu of the resulting dollar price and extended principal amount;

(10) Delivery of securities. The following information regarding the delivery of securities shall be shown:

(a) Denominations of securities other than bonds, and, in the case of bonds, denominations other than those specified in paragraph (e)(v) hereof;

(b) Delivery instructions. Instructions, if available, regarding receipt or delivery of securities and form of payment, if other than as usual and customary between the parties.

(11) Additional information about the transaction. In addition to the transaction information required above, such other information that may be necessary to ensure that the parties agree to the details of the transaction also shall be shown.

(B) Securities identification information. The confirmation shall include a securities identification which includes, at a minimum:

(1) the name of the issuer, and for stripped coupon securities, the trade name and series designation assigned to the stripped coupon municipal security by the broker, dealer or municipal securities dealer sponsoring the program must be shown;

(2) CUSIP number, if any, assigned to the securities;

(3) maturity date, if any, and for stripped coupon securities, the maturity date of the instrument must be shown in lieu of the maturity date of the underlying securities;

(4) interest rate, if any, with special requirements for the following securities:

(a) Zero coupon securities. For zero coupon securities, the interest rate must be shown as 0%;

(b) Variable rate securities. For securities with a variable or floating interest rate, the interest rate must be shown as "variable;"

(5) dated date if it affects the price or interest calculation, and first interest payment date, if other than semi-annual, with special requirements for the following securities:

(a) Stripped coupon securities. For stripped coupon securities, the date that interest begins accruing to the custodian for payment to the beneficial owner shall be shown in lieu of the dated date of the underlying securities. This date, along with

the first date that interest will be paid to the owner, must be stated on the confirmation whenever it is necessary for calculation of price or accrued interest.

(C) Securities descriptive information. The confirmation shall include descriptive information about the securities which includes, at a minimum:

(1) Credit backing. The following information, if applicable, regarding the credit backing of the security:

(a) Revenue securities. For revenue securities, a notation of that fact, and a notation of the primary source of revenue (e.g., project name). This subparagraph will be satisfied if these designations appear on the confirmation in the formal title of the security or elsewhere in the securities description.

(b) Securities with additional credit backing. The name of any company or other person in addition to the issuer obligated, directly or indirectly, with respect to debt service or, if there is more than one such obligor, the statement "multiple obligors" may be shown and, if a letter of credit is used, the identity of the bank issuing the letter of credit must be noted.

(2) Features of the securities. The following information, if applicable, regarding features of the securities:

(a) Callable securities. If the securities are subject to call prior to maturity through any means, a notation of "callable" shall be included. This shall not be required if the only call feature applicable to the securities is a "catastrophe" or "calamity" call feature, such as one relating to an event such as an act of God or eminent domain, and which event is beyond the control of the issuer of the securities. The date and price of the next pricing call shall be included and so designated. Other specific call features are not required to be listed unless required by subparagraph (A)(7)(c)(ii) of this paragraph on computation and display of price and yield. If there are any call features in addition to the next pricing call, disclosure must be made on the confirmation that "additional call features exist that may affect yield; complete information will be provided upon request;"

(b) Puttable securities. If securities are puttable by the customer, a designation to that effect;

(c) Stepped coupon securities. If stepped coupon securities, a designation to that effect;

(d) Book-entry only securities. If the securities are available only in book entry form, a designation to that effect;

(e) Periodic interest payment. With respect to securities that pay interest on other than a semi-annual basis, a statement of the basis on which interest is paid.

(3) Information on status of securities. The following information, as applicable, regarding the status of the security shall be included:

(a) Prerefunded and called securities. If the securities are called or "prerefunded," a designation to such effect, the date of maturity which has been fixed by the call notice, and the amount of the call price;

(b) Escrowed to maturity securities. If the securities are advance refunded to maturity date and no call feature (with the exception of a sinking fund call) is explicitly reserved by the issuer, the securities must be described as "escrowed to maturity" and, if a sinking fund call is operable with respect to the securities, additionally described as "callable."

(c) Advanced refunded/callable securities. If advanced refunded securities have an explicitly reserved call feature other than a sinking fund call, the securities shall be described as "escrowed to [redemption date]—callable."

(d) Advanced refunded/stripped coupon securities. If the municipal securities underlying stripped coupon securities are advance-refunded, the stripped coupon securities shall be described as "escrowed-to-maturity," or "pre-refunded" as applicable.

(e) Securities in default. If the securities are in default as to the payment of interest or principal, they shall be described as "in default."

(4) Tax information. The following information that may be related to the tax treatment of the security:

(a) Taxable securities. If the securities are identified by the issuer or sold by the underwriter as subject to federal taxation, a designation to that effect.

(b) Alternative minimum tax securities. If interest on the securities is identified by the issuer or underwriter as subject to the alternative minimum tax, a designation to that effect.

(c) Original issue discount securities. If the securities pay periodic interest and are sold by the underwriter as original issue discount securities, a designation that they are "original issue discount" securities.

(vi) Definitions. For purposes of this rule, the following terms shall have the following meanings:

(A) Stepped coupon securities. The term "stepped coupon securities" shall mean securities with the interest rate periodically changing on a pre-established schedule.

(B) Zero coupon securities. The term "zero coupon securities" shall mean securities maturing in more than two years and paying investment return solely at redemption.

(C) Stripped coupon securities. The term "stripped coupon securities" shall have the same meaning as in SEC staff letter dated January 19, 1989 (Stripped Coupon Municipal Securities, SEC No-Action Letter, Fed. Sec. L. Rep. (CCH) ¶ 78,949 (Jan. 19, 1989)), reprinted in MSRB Reports, Vol. 9, No. 1 (March 1989) at 6-7.

(D) The term "pricing call" shall mean a call feature that represents "an in whole call" of the type that may be used by the issuer without restriction in a refunding.

~~(K) amount of accrued interest;~~

~~(L) extended principal amount;~~

~~(M) total dollar amount of transaction; and~~

~~(N) instructions, if available, regarding receipt or delivery of securities, and form of payment if other than as usual and customary between the parties.~~

~~The confirmation for a transaction in securities traded on a discounted basis (other than discounted securities traded on a yield equivalent basis) shall not be required to show the pricing information specified in subparagraph (I) nor the accrued interest specified in subparagraph (K). Such information shall, however, contain the rate of discount and resulting dollar price. Such confirmation may, in lieu of the resulting dollar price and the extended principal amount specified in subparagraph (L), show the total dollar amount of the discount.~~

~~The confirmation for a transaction in securities maturing in more than two years and paying investment return solely at redemption shall not show the par value of the securities specified in subparagraph (D) and shall not be required to show the amount of accrued interest specified in subparagraph (K). Such confirmation shall, however, show the maturity value of the securities and specify that the interest rate on the securities is "0%."~~

~~The initial confirmation for a "when, as and if issued" transaction shall not be required to contain the information specified in subparagraphs (H), (K), (L), and (M) of this paragraph or the resulting dollar price as specified in subparagraph (I).~~

~~(vi) In addition to the information required by paragraph (v) above, each confirmation shall contain the following information, if applicable:~~

~~(A) dated date if it affects the price or interest calculation, and first interest payment date, if other than semi-annual;~~

~~(B) if the securities are available only in book entry form, a designation to such effect;~~

~~(C) if the securities are identified by the issuer or sold by the underwriter as subject to federal taxation, a designation to that effect;~~

~~(D) if the interest on the securities is identified by the issuer or the underwriter as subject to the alternative minimum tax, a designation to that effect;~~

~~(E) if the securities are "called" or "pre-refunded," a designation to such effect, the date of maturity which has been fixed by the call notice, and the amount of the call price;~~

~~(F) denominations of securities other than bonds, and, in the case of bonds, denominations other than those specified in paragraph (e)(v) hereof;~~

~~(G) if the securities pay periodic interest and are sold by the underwriter as original issue discount securities, a designation that they are "original issue discount" securities;~~

~~(H) any special instructions or qualifications, or factors affecting payment of principal or interest, such as (1) "ex legal," or (2) if the securities are traded without interest, "flat," or (3) if the securities are in default as to the payment of interest or principal, "in default," or (4) with respect to securities with periodic interest payments, if such securities pay interest on other than a semi-annual basis, a statement of the basis on which interest is paid; and~~

~~(I) such other information as may be necessary to ensure that the parties agree to the details of the transaction.~~

(d) No change.

(e) *Delivery of securities.* The following provisions shall, unless otherwise agreed by the parties, govern the delivery of securities:

(i) - (iv) No change.

(v) *Units of Delivery.* ~~Delivery of bonds shall be made in the following denominations:~~

~~(A) for bearer bonds, in denominations of \$1,000 or \$5,000 par value; and~~

~~(B) for registered bonds, delivery of bonds shall made~~ in denominations which are multiples of \$1,000 par value, up to \$100,000 par value.

(B) Delivery of other municipal securities shall be made in the denominations specified on the confirmation as required pursuant to paragraph (c)(vi)(v)(A)(10) of this rule except that

deliveries of notes may be made in denominations smaller than those specified if the notes delivered can be aggregated to constitute the denominations specified.

(vi) – (xvi) No change.

(f) No change.

(g) *Rejections and Reclamations.*

(i) - (ii) No change.

(iii) *Basis for Reclamation and Time Limits.* A reclamation may be made by the receiving party or a demand for reclamation may be made by the delivering party if, subsequent to delivery, information is discovered which, if known at the time of the delivery, would have caused the delivery not to constitute good delivery, provided such reclamation or demand for reclamation is made within the following time limits:

(A) - (B) No change.

(C) reclamation or demand for reclamation by reason of the following shall be made within 18 months following the date of delivery:

(1) - (2) No change.

(3) information pertaining to the description of the securities was inaccurate for either of the following reasons:

(i) information required by subparagraph (c)(v)~~(E)~~(C) of this rule was omitted or erroneously noted on a confirmation, or

(ii) information material to the transaction but not required by subparagraph (c)(v)~~(E)~~(C) of this rule was erroneously noted on a confirmation.

(D) No change.

(iv) – (vi) No change.

(h) – (j) No change.

* * * * *

Appendix A: List of All Interpretive Guidance

- I. **Guidance to be Retired Following Codification into Rule G-12(c) (14 items)**
 - a. G-12, [Confirmation Disclosure: Put Option Bonds](#), April 24, 1981
 - b. G-15, [Callable Securities: "Catastrophe" Calls](#), November 7, 1977
 - c. G-15, [Interpretive Notice on Rule G-12 on Uniform Practice and Rule G-15 on Customer Confirmations](#), November 28, 1977
 - d. G-15, [Callable Securities: Pricing to Call](#), June 8, 1978
 - e. G-15, [Confirmation Requirements](#), March 25, 1980
 - f. G-15, [Confirmation Disclosure Requirements Applicable to Variable-Rate Municipal Securities](#), December 10, 1980
 - g. G-15, [Notice Concerning "Zero Coupon" and "Stepped Coupon" Securities](#), April 27, 1982
 - h. G-15, [Callable Securities: Disclosure](#), August 23, 1982
 - i. G-15, [Securities Description: Revenue Securities](#), December 1, 1982
 - j. G-15, [Securities Description: Securities Backed by Letters of Credit](#), December 2, 1982
 - k. G-17, [Put Option Bonds: Safekeeping, Pricing](#), February 18, 1983
 - l. G-15, [Callable Securities: Extraordinary Mandatory Redemption Features](#), February 18, 1983
 - m. G-15, [Confirmation Disclosure Requirements for Callable Municipal Securities](#), February 20, 1986
 - n. G-33, [Calculations for Securities with Periodic Interest Payments](#), February 23, 2016

- II. **Guidance to be Partially Codified and/or Partially Merged into a Consolidated Set of FAQs (10 items)**
 - a. G-15, [Pricing to Call](#), December 10, 1980
 - b. G-12, [Confirmation Requirements for Partially Refunded Securities](#), August 15, 1989
 - c. G-15, [Original Issue Discount, Zero coupon Securities: Disclosure of, Pricing to Call Feature](#), June 30, 1982
 - d. G-15, [Notice Concerning Stripped Coupon Municipal Securities](#), March 13, 1989
 - e. G-15, [Calculation of Price and Yield on Continuously Callable Securities](#), August 15, 1989
 - f. G-15, [Callable Securities: Pricing to Call and Extraordinary Mandatory Redemption Features](#), February 10, 1984
 - g. G-17, [Notice of Interpretation on Escrowed-to Maturity Securities: Rules G-17, G-12 and G-15](#), September 21, 1987
 - h. G-12, [Delivery Requirements: Put Option Bonds](#), February 27, 1985
 - i. G-17, [Notice Concerning the Application of Board Rules to Put Option Bonds](#), September 30, 1985 (*multiple rules*)
 - j. G-15, [Yield Disclosures: Yields to Call on Zero Coupon Bonds](#), January 4, 1984

- III. **Guidance to be Retired as Superfluous – Potentially Outdated Guidance or Guidance with Limited Utility (10 items)**
 - a. G-12, [Confirmation Disclosure: Put Option Bonds](#), May 11, 1981
 - b. G-12, [Confirmation: Mailing of WAI, "All or None" Confirmation](#), October 7, 1982
 - c. G-12, [Confirmation: Mailing of WAI Confirmation](#), April 30, 1982

- d. G-12, [Confirmation Disclosure: Advance Refunded Securities](#), January 4, 1984
- e. G-12, [Confirmation Disclosures: Tender Option Bonds with Adjustable Tender Fees](#), October 3, 1984
- f. G-12, [Confirmation Disclosures: Render Option Bonds with Adjustable Tender Fees](#), March 5, 1985
- g. G-15, [Callable Securities: Pricing to Call](#), March 9, 1979
- h. G-15, [Callable Securities: Pricing Transactions on Construction Loan Notes](#), March 5, 1984
- i. G-15, [Agency Transaction: Pricing](#), September 20, 1979
- j. G-15, [Securities Description: Prerefunded Securities](#), February 17, 1998

IV. Guidance to be Retained (4 items)

- a. G-15, [Automated Clearance: "Internal" Transactions](#), September 21, 1983
- b. G-12, [Application of the Board's Rules to Trades in Misdescribed or Non-Existent Securities](#), January 12, 1984
- c. G-12, [Notice on Determining Whether Transactions Are Inter-Dealer or Customer Transactions: Rules G-12 and G-15](#), May 1, 1988
- d. G-12, [Interpretation on the Application of Rules G-8, G-12 and G-14 to Specific Electronic Trading Systems](#), March 26, 2001

V. Guidance to be Retired Under the Rule G-47 Retrospective Rule Review Initiative (2 items)

- a. G-15, [Disclosure of Pricing: Calculating the Dollar Price of Partially Prerefunded Bonds](#), May 15, 1986
- b. G-15, [Notice Concerning Confirmation, Delivery and Reclamation of Interchangeable Securities](#), August 10, 1988

COMMENT LETTER ON NOTICE 2023-08 (SEPTEMBER 28, 2023)

Securities Industry and Financial Markets Association: Letter from Leslie M. Norwood, Managing Director and Associate General Counsel, Head of Municipal Securities, dated December 15, 2023



December 15, 2023

VIA ELECTRONIC SUBMISSION

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW, Suite 1000
Washington, DC 20005

Re: MSRB Notice 2023-08 – Request for Comment on Retrospective Rule Review of Rule G-12(c) on Inter-Dealer Confirmations and Related Interpretive Guidance

Dear Mr. Smith,

The Securities Industry and Financial Markets Association (“SIFMA”)¹ appreciates this opportunity to provide input on the MSRB’s retrospective review of Rule G-12(c).² Overall, SIFMA applauds the MSRB’s review of these rules to facilitate compliance and reduce unnecessary burdens while ensuring Rule G-12(c) continues to achieve its goals consistent with current market practices. Rule G-12(c) is outdated and should be eliminated. Should the MSRB decide to retain Rule G-12(c), SIFMA recommends the MSRB proceed with a more measured pace of change to avoid unintended consequences.

Recommendations

- Rule G-12(c) should be deleted as electronification of systems has rendered it obsolete and eliminated the need for interdealer trade disclosures.
- If the MSRB chooses to retain Rule G-12(c), the amount of guidance being amended, codified, merged into the rule, or retired by the Notice is significant and the volume of

¹ SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry’s nearly 1 million employees, we advocate for legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA).

² See MSRB Notice 2023-08 (Sept. 28, 2023) (the “Notice”).

guidance makes it difficult to fully assess any unintended consequences resulting from the proposed changes.

- Given the scope of proposed changes, the MSRB should prioritize addressing guidance that is not being incorporated into the rule or otherwise does not require a rule amendment before taking further action on items that do trigger such amendments.

I. Rule G-12(c) Should Be Deleted as Electronification of Systems has Rendered it Obsolete and Eliminated the Need for Interdealer Trade Disclosures.

a. *Electronification of Systems Has Made Paper Interdealer Confirmations Obsolete.*

Rule G-12(c) should be deleted as electronification of systems has rendered it obsolete. Rule G-12(c) had value when it was originally adopted, and it served a valid purpose in an operational environment where there were a significant number of trades that were ineligible for automated comparison. However, Rule G-12(c) has been made obsolete in large part to the speed of computers as settlement cycles have continued to shrink from T+3 to the current T+2 and the planned move to T+1 in May 2024.

While Rule G-15 customer confirmations still have value, paper interdealer confirmations do not. Currently, industry practice is to evidence interdealer trades with Bloomberg screen captures, VCONs, or trade blotters. These are also the types of items that FINRA examiners ask for as evidence of interdealer trades.

b. *Dealers Need Information to Settle Trades, Not Disclosures.*

Rule G-12(c), if the MSRB chooses to retain it in some form, should be pared down and materially simplified. For interdealer trades, the only information that should be required to be transmitted is that which is required to settle the trade. There is no need to harmonize Rule G-12(c) and Rule G-15. As stated above, Rule G-15, as well as Rule G-47, describes information disclosures due at the time of confirmation, or trade, to customers. These information disclosures are unnecessary to send to dealers, and merely create a web of potential regulatory foot-faults without any benefit.

To be clear, dealers rely on their information service vendors for all data points related to trade execution, confirmations, clearance, and settlement. In the current environment, no dealers would use data received inbound on a G-12(c) interdealer confirmation to populate a G-15 customer confirmation. Operationally, dealer computer systems are not designed to consume data from interdealer confirmations or anywhere other than their information service vendor to update their security master database. Aside from the technological challenges, the risk that the data may be incorrect would be too great. As a necessary cost of doing business, all dealers have access to reliable security master information through an information service vendor. As dealers all have access to reliable security master information in order to conduct business, there is no need for dealers to send security disclosure information to other dealers on interdealer trades.

Again, the only information that is necessary for a dealer to send to another dealer regarding a trade is the information needed to settle the trade.

SIFMA would welcome a retrospective review by the MSRB of Rule G-12(h) on close-out procedures, as we feel Rule G-12(h) could be better aligned with current market practices and MSRB goals.

II. If the MSRB Chooses to Proceed, the Amount of Guidance Being Amended, Codified, Merged into the Rule, or Retired by the Notice Should be Reduced.

While SIFMA members applaud the goal of reducing unnecessary duplication in the rule book, the number of pieces of guidance being amended, codified, merged into Rule G-12(c) or retired by the Notice is overwhelming and could be better paced over the course of more than just a single request for comment. A more focused investigation and analysis would be beneficial to understand the scope of these changes in terms of number of trades impacted, including closeouts, step-out trades, and other special yet common situations. The significant scope of the proposed rule changes makes it difficult to gauge any unintended consequences. Further study on various current market practices, industry vendor processes, and information flows are necessary before proceeding with specific incorporation of new rule text.

III. The MSRB Should Prioritize Addressing Guidance Not Being Incorporated into the Rule Before Taking Further Action.

The MSRB should prioritize addressing guidance not being incorporated into the rule and allow those changes to be implemented before taking further action. Changes to rules themselves can cause significant unintended consequences, increasing risks of non-compliance. SIFMA recommends that MSRB address the guidance to be retired or codified into FAQs before addressing guidance that is proposed to be codified into the rule. Addressing these many pieces of varied guidance in a phased approach will allow for a more paced and thoughtful process that will hopefully avoid most or all unintended consequences. In any case, MSRB has asserted in the request for comment that the proposed changes are merely duplicative and/or non-substantive. Therefore, SIFMA would appreciate specific assurances in any rule filing that if a firm has existing policies and procedures that are compliant with the existing rule, such policies and procedures would not need to be substantively updated once such changes become operative.

* * *

Thank you for considering SIFMA's comments. Overall, SIFMA appreciates the MSRB's retrospective rule review project and its objective to aid compliance by regulated entities and reduce unnecessary burdens while ensuring the rule continues to achieve its goals. SIFMA asks that the MSRB consider our comments in furtherance of these goals, particularly the potential elimination of Rule G-12(c) due to changes in the speed of technology and market practices. If the MSRB chooses to continue with this project, we ask that the MSRB further analyze the scope of the impact of the proposed changes and various current market practices, and adopt any

changes with a more incremental approach. SIFMA would also welcome a retrospective review by the MSRB of rule G-12(h) on close-out procedures, as we feel the rule could be better aligned with current market practices and MSRB goals. If a fuller discussion of our comments would be helpful, I can be reached at (212) 313-1130 or lnorwood@sifma.org.

Sincerely,

A handwritten signature in black ink, appearing to be 'L. Norwood', written over a faint, light-colored signature line.

Leslie M. Norwood
Managing Director and Associate General Counsel
Head of Municipal Securities

cc: ***Municipal Securities Rulemaking Board***

Ernesto A. Lanza, Chief Regulatory and Policy Officer
Abha Mohla, Associate Director, Market Regulation

APPENDIX A**QUESTIONS**

1. Would the draft amendments achieve the objectives of clarifying and modernizing the rule text regarding confirmation disclosures required for the inter-dealer transactions that are ineligible for automated comparison? If not, please consider providing examples of how to provide greater clarity regarding these regulatory obligations.

No. Rule G-12(c) should be eliminated or pared down to be limited to information required for trade settlement. Dealers do not need disclosure information like this from other dealers, as all dealers have access to security master information.

Also, the speed of current technology makes paper inter-dealer confirmations obsolete. Interdealer trades are currently evidenced by Bloomberg screen captures, VCONs or trade blotters. Current market practice has almost all trades being submitted for automated comparison. If the trade fails to settle, then dealers sort out the issue in real-time through phone calls and electronic messages. The current settlement cycle of T+2 does not allow time for dealers to wait for a paper inter-dealer confirmation before remediating a failed trade, and settlement cycles are scheduled to reduce even further to T+1 in May 2024.

Further, should the MSRB believe it necessary to proceed with amendments to Rule G-12(c), codifying, merging, and/or retiring several different pieces of guidance requires a more deliberate and incremental approach to avoid unintentional consequences. We have concerns about guidance that is codified into the rule, as condensing language can cause new interpretation issues and compliance concerns. If this initiative continues, the MSRB should prioritize addressing guidance that is not proposed to be incorporated into Rule G-12(c) first.

2. How might the MSRB better clarify and streamline the Rule G-12(c) text? Are there any other confirmation disclosures that are not specifically discussed in this Request for Comment that should be added (including any confirmation disclosures that are required under Rule G-15(a)) into Rule G-12(c) to promote consistency in the market?

Rule G-12(c) should be eliminated or pared down to be limited to information required for trade settlement. There is no need to harmonize Rule G-15(a) and Rule G-12(c). Dealers do not need disclosure information like this from other dealers, as all dealers have access to security master information. The MSRB should focus its retrospective rulebook efforts on Rule G-12(h) on close-outs.

3. The MSRB believes that very few inter-dealer trades currently rely on Rule G-12(c) because the vast majority of such trades are in fact eligible for automated comparison. Is this correct? What are some situations in which Rule G-12(c) applies?

While buy-ins, close-outs and step-out trades may require exception processing, they are almost always³ submitted for automated comparison before they are exited from NSCC, and the continuous netting settlement process, to DTCC for ex-clearing settlement. Any exceptions represent far less than 1% of total trading counts and volume.

4. For transactions in which Rule G-12(c) applies, have differences between Rule G-12(c) and Rule G-15(a) resulted in any challenges for dealers executing transactions with customers? For example, if a dealer sells to a customer a municipal security subject to Rule G-12(c) that it acquired from another dealer, does the difference in information requirements under the two rules impair the selling dealer's ability to fulfill its obligation to provide the required information in the customer confirmation under Rule G-15(a)? If so, what items of information typically cause such problems and would the draft amendments address such problems?

No. The information needed for a client confirmation is very different than the minimal information needed to operationally settle an interdealer trade. Dealers rely on information service vendors to provide all information needed for trading, confirmations, clearance and settlement, and would never use data received on a paper confirmation for a subsequent electronic trade. The draft amendments do not address the core issue which is that Rule G-12(c) is obsolete.

5. More generally, have dealers purchasing municipal securities subject to Rule G-12(c) been harmed or experienced operational inefficiencies or other difficulties as a result of the inclusion or exclusion of particular items of information under current Rule G-12(c)? If so, what items of information typically cause such problems and would the draft amendments address such problems?

Operationally, market practice has rendered interdealer confirmations obsolete. If paper interdealer confirmations are created, they are typically not utilized in any way, and immediately discarded. The requirement to have an interdealer confirmation pursuant to Rule G-12(c) is inefficient, burdensome and wasteful. Rule G-12(c) merely creates regulatory compliance risks without benefits. Rule G-12(c) should be eliminated or pared down to be limited to information required for trade settlement. Dealers do not need disclosure information from other dealers, as all dealers have access to security master information.

6. Are there any existing requirements under Rule G-12(c) or draft amended Rule G-12(c) that should be eliminated in addition to any requirements addressed in the questions above? If so, why?

Yes, Rule G-12(c) should be eliminated in whole, in addition to any requirements addressed in the questions above.

³ It is possible there may be rare trades which are ineligible for automated comparison in NSCC's RTTM system due to the lack of a CUSIP number on that particular security.

7. As identified in Appendix A (I), Appendix A (III) and Appendix A (V) in this Request for Comment, the MSRB is retiring various pieces of guidance pertaining to confirmation disclosure obligations. Is there any MSRB guidance pertaining to confirmation disclosure obligations that the MSRB proposes to retire that may still be beneficial for the market and should be retained? For example, should the MSRB retain one or more items that represent well understood concepts or common knowledge in the industry, address uncommon practices or are otherwise viewed as of limited utility in order to provide guidance to new market entrants or in the event of shifts in market practice? Please indicate so, and why?

At this time, even if Rule G-12(c) is retained, SIFMA agrees that the MSRB should retire the guidance as suggested in the Notice. However, Rule G-12(c) should be eliminated or pared down to be limited to information required for trade settlement. Dealers do not need disclosure information like this from other dealers, as all dealers have access to security master information.

8. As noted above, the MSRB proposes to retain the guidance identified in Appendix A (IV) in this Request for Comment without change at this time. Is there any MSRB guidance listed under Appendix A (IV) that market participants believe is not beneficial at this point and should be retired or amended instead?

SIFMA members agree that the guidance identified in Appendix A (IV) in the Notice should be retained without change at this time. These pieces of guidance largely relate to determining the character of the trade, which may continue to be beneficial.

9. In Rule G-15 Guidance: Yield Disclosures: Yields to Call on Zero Coupon Bonds dated January 4, 1984, the MSRB noted that, in the case of a computation of a yield or dollar price to a call or option feature on a transaction in a callable zero coupon security, for the purposes of Rule G-12 and Rule G-15, the call price shown on the confirmation should be expressed in terms of a percentage of the security's maturity value. This would be incorporated into the draft MSRB Notice 2023-08 amendment to Rule G-12(c)(v)(A)(7)(c)(iii)(C). The MSRB seeks comment on the current market practice in this area. Do commenters agree with this approach? Is this still the current market practice?

It is still current market practice to express the call price of a zero coupon security in terms of a percentage of the security's maturity value and SIFMA agrees with this approach for G-15 customer confirmations. However, Rule G-12(c) should be eliminated or pared down to be limited to information required for trade settlement. Yield to call information is not required for trade settlement. Dealers do not need this kind of disclosure information from other dealers, as all dealers have access to security master information.

10. Currently Rule G-12(c)(vi)(H)(1) requires an "ex-legal" designation on confirmations. The draft amendments would delete the "ex-legal" delivery designation from Rule G-12(c). The MSRB understands that "ex legal" is a term which refers to the absence of a

legal opinion and an “ex legal” designation on a confirmation describes the rare instances where a bond is physically delivered without a legal opinion attached. This reference was removed from Rule G-15(a) in 1995 due to the movement away from physical delivery of certificates. To further promote consistency with the analogous confirmation requirements noted in Rule G-15(a), the MSRB proposes to remove this confirmation disclosure requirement from Rule G-12(c) as well. Does the market see any benefit in retaining the “ex-legal” confirmation disclosure requirement?

If the MSRB keeps Rule G-12(c), SIFMA agrees that removing this term from Rule G-12(c) is appropriate. However, Rule G-12(c) should be eliminated or pared down to be limited to information required for trade settlement. Dealers do not need disclosure information like this from other dealers, as all dealers have access to security master information.

11. Currently, Rule G-12(c)(v)(E) provides that the description of the bonds should specify if they are “limited tax.” Traditionally, a limited tax bond is a general obligation bond secured by a specific tax or category of taxes, or a specific portion of any such taxes. This requirement was deleted from Rule G-15(a) in 1995 since its meaning over time had become ambiguous as various states implemented a variety of their own tax limitation measures. In staying consistent with Rule G-15(a), the MSRB proposes to remove this requirement from Rule G-12. Is there any benefit to retaining this requirement?

SIFMA agrees that there is no benefit to retaining this requirement in Rule G-12(c). Also, this type of disclosure is not needed for trade settlement. Dealers do not need disclosure information from other dealers, as all dealers have access to security master information. Maintaining disclosure requirements in Rule G-12(c) merely creates a regulatory burden for no tangible benefit to market participants.

12. In Rule G-15 Guidance: Securities Description: Revenue Securities dated December 1, 1982, the MSRB notes that for purposes of Rule G-12 and Rule G-15, revenue securities should be designated as such, regardless of whether such designation appears in the formal title of the security. This could lead to the revenue designation being stated twice on the confirmation, once in the title, and again in a separate information block. In 1995, MSRB acknowledged this redundancy issue and revised Rule G-15(a) to make clear that, if the bond is identified as a revenue bond on the title, there is no need to make an additional disclosure that the bond is a revenue bond. The MSRB proposes to follow the same approach by adding similar rule text into draft amended Rule G-12(c) and eliminating the requirement of redundant confirmation disclosures. Do commenters agree with this approach?

SIFMA agrees with this approach, if the MSRB decides to retain Rule G-12(c). However, Rule G-12(c) should be eliminated or pared down to be limited to information required for trade settlement. Dealers do not need disclosure information from other dealers, as all dealers have access to security master information.

13. If the MSRB were to codify the text noted under Rule G-15 Guidance: Confirmation Disclosure Requirements for Callable Municipal Securities, dated February 20, 1986, under draft amended Rule G-12(c)(v)(C)(2)(a) as is, in the event of alerting customers to additional call features, the draft amended rule text would require the confirmation disclosure to note that other call features exist, and dealers “must provide clarifying information about the noted call.” The MSRB addressed this obligation in 1995 when it revised Rule G-15(a) to put customers on notice regarding the presence of additional call features and for dealers to furnish the information “upon customers’ request” instead of a mandatory obligation for dealers to provide information. This approach is less burdensome for dealers. The MSRB proposes to make a similar change to Rule G-12(c) since this approach would be analogous to Rule G-15(a). Also, under Rule G-12(c)(v)(C)(2)(a), the MSRB is using the phrase “next pricing call” as noted under Rule G-15(a), instead of the term “first ‘in-whole’ call” as noted under the guidance to stay consistent with the terminology used in the market. Do commenters agree with both of the proposed language enhancements reflected in the draft amended rule text?

SIFMA agrees with both of these language changes, should the MSRB decide to retain Rule G-12(c). However, Rule G-12(c) should be eliminated or pared down to be limited to information required for trade settlement. Dealers do not need disclosure information from other dealers, as all dealers have access to security master information.

14. In Rule G-33 Guidance: Calculations for Securities with Periodic Interest Payments, dated February 23, 2016, the MSRB reminded dealers that computations of yields and dollar prices shall be made in accordance with the formulas prescribed in Rule G-33; this requirement already exists in Rule G-15(a) and is being proposed in the draft amended rule text of Rule G-12(c). Further, this notice provides that prior to July 18, 2016, dealers would be in compliance with Rule G-33(b)(i)(B)(2) if calculating 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 rather than assuming a semi-annual interest payment. Since the safe harbor given in this guidance in 2016 is no longer applicable, the MSRB is seeking to retire and archive this guidance. Is there any aspect of this guidance that should be retained in any way? If so, please specify.

This guidance does not need to be retained.

15. Would the draft amended rule text impose any burdens unique to minority and women-owned business enterprise (“MWBE”), veteran-owned business enterprise (“VBE”) or other special designation firms? If so, do commenters have any specific recommendations to alleviate these burdens while still promoting the objectives of Rule G-12(c)? Please offer suggestions.

No, these changes would not impose any unique burdens on MWBE, VBE or other special designation firms, other than those that may otherwise be classified as small firms. Eliminating Rule G-12(c) would reduce the burdens on these dealers without reducing any information or protections to market participants.

16. Would the obligations proposed in connection with Rule G-12(c) result in an undue impact on access to business opportunities for small dealers? If so, do commenters have any specific recommendations to alleviate these burdens while still promoting the objectives of Rule G-12(c)? Please offer suggestions.

Regulatory changes typically do create higher burdens on small dealers that may have less resources for systems and compliance changes. Eliminating Rule G-12(c) would reduce the burdens on these dealers without reducing any information to or protections for market participants.

17. Would the obligations proposed in connection with the draft amendments to Rule G-12(c) result in an undue impact on access to business opportunities for MWBE, VBE or other special designation firms? If so, do commenters have any specific recommendations to alleviate these impacts while still promoting the objectives of Rule G-12(c)? Please offer suggestions.

No, these draft amendments would not result in an undue impact on access to business opportunities for MWBE, VBE or other special designation firms. However, eliminating Rule G-12(c) would clearly reduce the burdens on these dealers.

18. Would draft amended Rule G-12(c) result in an undue impact on access to business opportunities for small dealers? If so, do commenters have any specific recommendations to alleviate these burdens while still promoting the objectives of Rule G-12(c)? Please offer suggestions.

These draft amendments would not result in an undue impact on access to business opportunities for small dealer firms. However, SIFMA feels a better result would be to eliminate Rule G-12(c).

Rule G-12: Uniform Practice

(a)–(b) No change.

(c) *Dealer Confirmations*. All municipal securities transactions that are ineligible for automated comparison in a system operated by a registered clearing agency shall be subject to the provisions of this section (c).

(i)–(iv) No change.

(v) Each confirmation shall contain the following information:

(A) Securities Transaction Information. The confirmation shall include information regarding the terms of the transaction as set forth in this subparagraph (A):

(1)[(A)] confirming party's name, including address, [and] telephone number or other information providing reasonable means of contacting the confirming party;

(2)[(B)] "contra party" identification;

(3)[(C)] designation of purchase from or sale to;

(4)[(D)] Par Value. The par value of the securities shall be shown. For zero coupon securities, the maturity value of the securities must be shown if it differs from the par value;

[(E) description of the securities, including at a minimum the name of the issuer, interest rate, maturity date, and if the securities are limited tax, subject to redemption prior to maturity (callable), or revenue bonds, an indication to such effect, including in the case of revenue bonds the type of revenue, if necessary for a materially complete description of the securities and in the case of any securities, if necessary for a materially complete description of the securities, the name of any company or other person in addition to the issuer obligated, directly or indirectly, with respect to debt service or, if there is more than one such obligor, the statement "multiple obligors" may be shown;]

[(F) CUSIP number, if any, assigned to the securities;]

(5)[(G)] trade date;

(6)[(H)] settlement date shall be noted on all confirmations with the exception of initial confirmation for a "when, as and if issued" transaction;

[(I) yield at which transaction was effected and resulting dollar price, except in the case of securities which are traded on the basis of dollar price or

securities sold at par, in which event only dollar price need be shown (in cases in which securities are priced to call or to par option, this must be stated and the call or option date and price used in the calculation must be shown, and where a transaction is effected on a yield basis, the dollar price shall be calculated to the lowest of price to call, price to par option, or price to maturity);]

(7) Yield and dollar price. Yields and dollar prices shall be computed and shown in the following manner, subject to the exceptions stated in subparagraph (A)(7)(d) of this paragraph:

(a) For transactions that are effected on the basis of a yield to maturity, yield to a call date, or yield to a put date:

(i) The yield at which the transaction was effected shall be shown and, if that yield is to a call date or to a put date, this shall be noted, along with the date and dollar price of the call or put date.

(ii) A dollar price shall be computed and shown in accordance with the rules in subparagraph (A)(7)(c) of this paragraph.

(b) For transactions that are effected on the basis of a dollar price:

(i) The dollar price at which the transaction was effected shall be shown.

(ii) A yield shall be computed and shown in accordance with subparagraph (A)(7)(c) of this paragraph, unless the transaction was effected at "par."

(c) In computing yield and dollar price, the following rules shall be observed:

(i) The yield or dollar price computed and shown shall be computed to the lower of call or maturity date, with the exceptions noted in subparagraph (A)(7)(d) of this paragraph.

(ii) For purposes of computing yield to call or dollar price to call, only those call features that represent "in whole calls" of the type that may be used by the issuer without restriction in a refunding ("pricing calls") shall be considered in computations made under subparagraph (A)(7) of this paragraph.

(iii) With respect to the following specific situations, these additional rules shall be observed:

(A) Declining premium calls. For those securities subject to a series of pricing calls at declining premiums, the call date resulting in the lowest yield or dollar price shall be considered the yield to call or dollar price to call.

(B) Continuously callable securities. For those securities that, at the time of trade, are subject to a notice of a pricing call at any time, the yield to call or dollar price to call shall be computed based upon the assumption that a notice of call may be issued on the day after trade date or on any subsequent date.

(C) Zero coupon securities. For zero coupon securities, the call price shown on the confirmation shall be expressed in terms of a percentage of the security's maturity value.

(iv) Computations shall be made in accordance with the requirements of Rule G-33.

(d) Notwithstanding the requirements noted in subparagraph (A)(7)(a) through (c) of this paragraph above:

(i) Variable rate securities. For municipal securities with a variable interest rate, a yield shall not be shown unless the transaction was effected on the basis of yield to put.

(ii) Securities traded on a discounted basis. For securities traded on a discounted basis, a yield shall not be shown.

(iii) "When, as and if issued" basis. For transactions effected on a "when, as and if issued" basis, the resulting dollar price shall not be required to be shown in the initial confirmation.

~~[(J)](8)~~ amount of concession, if any, per \$1000 par value unless stated to be an aggregate figure, *provided, however*, that for a transaction in securities maturing in two or more years and, at the time of the transaction, paying investment return solely through capital appreciation, the concession, if any, shall be expressed as a percentage of the price of these securities;

(9) Final monies. The following information relating to the calculation and display of final monies shall be shown on all confirmations except for initial confirmations for transactions effected on a "when, as and if issued" basis:

(a) total dollar amount of transaction;

(b) amount of accrued interest, with special requirements for the following securities:

(i) Zero coupon securities. For zero coupon securities, no figure for accrued interest shall be shown;

(ii) Securities traded on a discounted basis. For securities traded on a discounted basis (other than discounted securities traded on a yield-equivalent basis), no figure for accrued interest shall be shown;

(c) if the securities pay interest on a current basis but are traded without interest, a notation of "flat;"

(d) extended principal amount, provided that for securities traded on a discounted basis (other than discounted securities sold on a yield-equivalent basis), total dollar amount of discount may be shown in lieu of the resulting dollar price and extended principal amount;

(10) Delivery of securities. The following information regarding the delivery of securities shall be shown:

(a) Denominations of securities other than bonds, and, in the case of bonds, denominations other than those specified in paragraph (v) of section (e) hereof;

(b) Delivery instructions. Instructions, if available, regarding receipt or delivery of securities and form of payment, if other than as usual and customary between the parties.

(B) Securities Identification Information. The confirmation shall include a securities identification which includes, at a minimum:

(1) the name of the issuer, and for stripped coupon securities, the trade name and series designation assigned to the stripped coupon municipal security by the broker, dealer or municipal securities dealer sponsoring the program must be shown;

(2) maturity date, if any, and for stripped coupon securities, the maturity date of the instrument must be shown in lieu of the maturity date of the underlying securities;

(3) interest rate, if any, with special requirements for the following securities:

(a) Zero coupon securities. For zero coupon securities, the interest rate must be shown as 0%;

(b) Variable rate securities. For securities with a variable or floating interest rate, the interest rate must be shown as "variable;"

(c) Stripped coupon securities. For stripped coupon securities, the interest rate actually paid on the instrument must be shown in lieu of the interest rate on the underlying securities;

(4) A securities identifier, if any, such as a CUSIP number or an alternative securities identifier that is mutually agreed upon between two parties;

(5) dated date if it affects the price or interest calculation, and first interest payment date, if other than semi-annual, with special requirements for the following securities:

(a) Stripped coupon securities. For stripped coupon securities, the date that interest begins accruing to the custodian for payment to the beneficial owner shall be shown in lieu of the dated date of the underlying securities. This date, along with the first date that interest will be paid to the owner, must be stated on the confirmation whenever it is necessary for calculation of price or accrued interest.

(C) Securities Additional Information. In addition to the information as required pursuant to subparagraph (A)-(B) of this paragraph, such other information that may be necessary to ensure that the parties agree to the details of the transaction and to the identity of the specific security being transacted also shall be shown.

(vi) Definitions. For purposes of this rule, the following terms shall have the following meanings:

(A) Stepped coupon securities. The term "stepped coupon securities" shall mean securities with the interest rate periodically changing on a pre-established schedule.

(B) Zero coupon securities. The term "zero coupon securities" shall mean securities maturing in more than two years and paying investment return solely at redemption.

(C) Stripped coupon securities. The term "stripped coupon securities" shall have the same meaning as in SEC staff letter dated January 19, 1989 (Stripped Coupon Municipal Securities, SEC No-Action Letter, Fed. Sec. L. Rep. (CCH) ¶ 78,949 (Jan. 19, 1989)), reprinted in MSRB Reports, Vol. 9, No. 1 (March 1989) at 6-7.

(D) The term "pricing call" shall mean a call feature that represents "an in whole call" of the type that may be used by the issuer without restriction in a refunding.

[(K) amount of accrued interest;]

[(L) extended principal amount;]

[(M) total dollar amount of transaction; and]

[(N) instructions, if available, regarding receipt or delivery of securities, and form of payment if other than as usual and customary between the parties.]

[The confirmation for a transaction in securities traded on a discounted basis (other than discounted securities traded on a yield-equivalent basis) shall not be required to show the pricing information specified in subparagraph (I) nor the accrued interest specified in subparagraph (K). Such information shall, however, contain the rate of discount and resulting dollar price. Such confirmation may, in lieu of the resulting dollar price and the extended principal amount specified in subparagraph (L), show the total dollar amount of the discount.]

[The confirmation for a transaction in securities maturing in more than two years and paying investment return solely at redemption shall not show the par value of the securities specified in subparagraph (D) and shall not be required to show the amount of accrued interest specified in subparagraph (K). Such confirmation shall, however, show the maturity value of the securities and specify that the interest rate on the securities is "0%."]

[The initial confirmation for a "when, as and if issued" transaction shall not be required to contain the information specified in subparagraphs (H), (K), (L), and (M) of this paragraph or the resulting dollar price as specified in subparagraph (I).]

[(vi) In addition to the information required by paragraph (v) above, each confirmation shall contain the following information, if applicable:]

[(A) dated date if it affects the price or interest calculation, and first interest payment date, if other than semi-annual;]

[(B) if the securities are available only in book-entry form, a designation to such effect;]

[(C) if the securities are identified by the issuer or sold by the underwriter as subject to federal taxation, a designation to that effect;]

[(D) if the interest on the securities is identified by the issuer or the underwriter as subject to the alternative minimum tax, a designation to that effect;]

[(E) if the securities are "called" or "pre-refunded," a designation to such effect, the date of maturity which has been fixed by the call notice, and the amount of the call price;]

[(F) denominations of securities other than bonds, and, in the case of bonds, denominations other than those specified in paragraph (e)(v) hereof;]

[(G) if the securities pay periodic interest and are sold by the underwriter as original issue discount securities, a designation that they are "original issue discount" securities;]

[(H) any special instructions or qualifications, or factors affecting payment of principal or interest, such as (1) "ex legal," or (2) if the securities are traded without

interest, "flat," or (3) if the securities are in default as to the payment of interest or principal, "in default," or (4) with respect to securities with periodic interest payments, if such securities pay interest on other than a semi-annual basis, a statement of the basis on which interest is paid; and]

[(I) such other information as may be necessary to ensure that the parties agree to the details of the transaction.]

(d) No change.

(e) *Delivery of Securities*. The following provisions shall, unless otherwise agreed by the parties, govern the delivery of securities:

(i) No change.

(ii) *Securities Delivered*.

(A) All securities delivered on a transaction shall be identical as to the information set forth in subparagraph (v)(B) of section (c) of this rule. [subparagraph (E) of paragraph (c)(v) and, to the extent applicable, the information set forth in subparagraphs (A) and (E) of paragraph (c)(vi). All securities delivered shall also be identical as to the call provisions and the dated date of such securities.]

(B) *CUSIP Numbers*.

(1) [The securities delivered on a transaction shall have the same CUSIP number as that set forth on the confirmation of such transaction pursuant to the requirements of subparagraph (c)(v)(F) of this rule; *provided, however*, that, for] For purposes of subparagraph (ii)(A) of section (e) of this rule [this item (1)], a security shall be deemed to have the same CUSIP number as that specified on the confirmation (a) if the number assigned to the security and the number specified on the confirmation differ only as a result of a transposition or other transcription error, or (b) if the number specified on the confirmation has been assigned as a substitute or alternative number for the number reflected on the security.

(2) A new issue security delivered by an underwriter who is subject to the provisions of rule G-34 shall have the CUSIP number assigned to the security imprinted on or otherwise affixed to the security.

(iii) *Delivery Ticket*. A delivery ticket shall accompany the delivery of securities. Such ticket shall contain the information set forth in [subparagraphs (A), (B), (D) (except in the case of transactions in zero coupon, compound interest and multiplier securities, in which case the maturity value shall be shown), (E) through (H), (M) and (N) of] paragraph (v) of section (c) of this rule except a delivery ticket may omit [and, to the extent applicable,] the information set forth in items (3), (7), (8) and clauses (b) and (d) of item (9) [subparagraphs (A) through (I)] of subparagraph (c)(v)(A) thereof [(c)(vi)] and shall have

attached to it an extra copy of the ticket which may be used to acknowledge receipt of the securities.

(iv) No change.

(v) *Units of Delivery*. [Delivery of bonds shall be made in the following denominations:]

(A) [for bearer bonds, in denominations of \$1,000 or \$5,000 par value; and]

[(B) for registered bonds,] Delivery of bonds shall be made in denominations which are multiples of \$1,000 par value, up to \$100,000 par value.

(B) Delivery of other municipal securities shall be made in the denominations specified on the confirmation as required pursuant to paragraph [(c)(vi)] (v)(A)(10) of section (c) of this rule except that deliveries of notes may be made in denominations smaller than those specified if the notes delivered can be aggregated to constitute the denominations specified.

(vi)–(xvi) No change.

(f) No change.

(g) *Rejections and Reclamations*.

(i)–(ii) No change.

(iii) *Basis for Reclamation and Time Limits*. A reclamation may be made by the receiving party or a demand for reclamation may be made by the delivering party if, subsequent to delivery, information is discovered which, if known at the time of the delivery, would have caused the delivery not to constitute good delivery, provided such reclamation or demand for reclamation is made within the following time limits:

(A)–(B) No change.

(C) reclamation or demand for reclamation by reason of the following shall be made within 18 months following the date of delivery:

(1)–(2) No change.

(3) information pertaining to the description of the securities was inaccurate for either of the following reasons:

(i) information required by [subparagraph (c)(v)(E)] paragraph (v)(B)(1)–(3) of section (c) of this rule was omitted or erroneously noted on a confirmation, or

(ii) information material to the transaction but not required by [subparagraph (c)(v)(E)] paragraph (v)(B)(1)–(3) of section (c) of this rule was erroneously noted on a confirmation.

(D) No change.

(iv)–(vi) No change.

(h)–(k) No change.

* * * * *

Interpretive Guidance¹

Yield Disclosures: Yields to Call on Zero Coupon Bonds

... {C}all features on ... {zero coupon, compound interest, multiplier, or other similar type of security} often express the call prices in terms of a percentage of the compound accreted value of the security as of the call date. You note that, in computing a price or yield to such a call feature, it is necessary for the computing dealer to convert such a call price into its equivalent in terms of a percentage of maturity value (i.e., into a standard dollar price), and use this figure in the computation. You inquire whether, in circumstances where the confirmation of a transaction is required to disclose a yield or dollar price computed to such a call feature, the call price used in the calculation should be stated on the confirmation in terms of the percentage of the compound accreted value or in terms of the equivalent percentage of maturity value.

The requirement which is the subject of your inquiry is set forth in Board rule G-15(a)(i)(A)(5)[G-15(a)(i)(I) as follows:

In cases in which the resulting dollar price or yield shown on the confirmation is calculated to call or par option, this must be stated, and the call or option date and price used in the calculation must be shown...{*}

The Board is of the view that, in the case of a computation of a yield or dollar price to a call or option feature on a transaction in a zero coupon or similar security, the call price shown on the confirmation should be expressed in terms of a percentage of the security's maturity value. The Board believes that the disclosure of the call price in terms of the security's maturity value would provide more meaningful information to the purchaser, since other confirmation disclosures on these types of securities are also expressed in terms of the security's maturity value. This form of disclosure therefore presents the information to a purchaser in a consistent format, thereby facilitating the purchaser's understanding of the information shown on the confirmation. The Board notes also that this form of disclosure is simpler and requires less confirmation space to present.

¹ Braces are used in this Exhibit 5 in place of brackets that exist in the original text that is being amended by this proposed rule change in order to avoid confusion with the use of brackets to indicate deletions in this Exhibit 5. Upon approval of the proposed rule change, the amended text will include brackets wherever braces are used herein.

- * Comparable requirements with respect to inter-dealer confirmations are set forth in Board rule G-12(c)(v)(A)(7). [G-12(c)(v)(I).]

* * * * *

[Confirmation Disclosure Requirements for Callable Municipal Securities, February 20, 1986]

[Recently, the Board has received inquiries concerning the application of its inter-dealer and customer confirmation rules, rules G-12(c) and G-15(a) respectively, to municipal securities subject to call features. In particular, the Board has been made aware of instances in which dealers note one call date and price, usually the first in-whole call, on inter-dealer and customer confirmations without noting that the call information relates to the first in-whole call or that the bonds are otherwise callable.

Rules G-12(c) and G-15(a) require that confirmations set forth a

description of the securities, including... if the securities are... subject to redemption prior to maturity (callable)..., an indication to such effect...

Thus, municipal securities subject to in-whole or in-part calls must be described as callable. Rules G-12(c) and G-15(a) also require dealers, when securities transactions are effected on a yield basis, to set forth a dollar price that has been computed to the lowest of the price to call, price to par option, or price to maturity; rule G-15 requires that confirmations of customer transactions effected on a dollar price disclose a yield in a similar manner. These rules provide that when a price or yield is calculated to a call, this must be stated, and the call date and price used in the calculation must be shown.* These are the only instances in which specific call features must be identified on a confirmation.

The Board understands that confusion may arise when specific call features are noted on confirmations without an adequate description of such information. The Board has determined that confirmations that include specific call information not required to be included under the Board's confirmation rules also must include a notation that other call features exist and must provide clarifying information about the noted call, *e.g.* "first in-whole call." These disclosures should be sufficient to ensure that purchasing dealers and customers will be alerted to the need to obtain additional information.

The Board cautions dealers to ensure that confirmations of municipal securities with call features clearly describe the securities as "callable." If this information is not included on inter-dealer confirmations, or if specific call information is erroneously noted on the confirmation, purchasing dealers have the right to reclaim the securities under rule G-12(g)(iii)(C)(3).]

[* In addition, rule G-15(a)(iii)(D) requires a legend to be placed on customer confirmations of transactions in callable securities which notes that "Call features may exist which could affect yield; complete information will be provided upon request."]

* * * * *

Notice of Interpretation on Escrowed-to-Maturity Securities: Rules G-17

[Introduction

The Board is concerned that the market for escrowed-to-maturity securities has been disrupted by uncertainty whether these securities may be called pursuant to optional redemption provisions. Accordingly, the Board has issued the following interpretations of rule G-17, on fair dealing, and rules G-12(c) and G-15(a), on confirmation disclosure, concerning escrowed-to-maturity securities. The interpretations are effective immediately.]

Background

Traditionally, the term escrowed-to-maturity has meant that such securities are not subject to optional redemption prior to maturity. Investors and market professionals have relied on this understanding in their purchases and sales of such securities. Recently, certain issuers have attempted to call escrowed-to-maturity securities. As a result, investors and market professionals considering transactions in escrowed-to-maturity securities must review the documents for the original issue, for any refunding issues, as well as the escrow agreement and state law, to determine whether any optional redemption provisions apply. In addition, the Board understands that there is uncertainty as to the fair market price of such securities which may cause harm to investors.

On March 17, 1987, the Board sent letters to the Public Securities Association, the Government Finance Officers Association and the National Association of Bond Lawyers expressing its concern. The Board stated that it is essential that issuers, when applicable, expressly note in official statements and defeasance notices relating to escrowed-to-maturity securities whether they have reserved the right to call such securities. It stated that the absence of such express disclosure would raise concerns whether the issuer's disclosure documents adequately explain the material features of the issue and would severely damage investor confidence in the municipal securities market. Although the Board has no rulemaking authority over issuers, it advised brokers, dealers and municipal securities dealers ("dealers") that assist issuers in preparing disclosure documents for escrowed-to-maturity securities to alert these issuers of the need to disclose whether they have reserved the right to call the securities since such information is material to a customer's investment decision about the securities and to the efficient trading of such securities.

Application of Rule G-17 on Fair Dealing

In the intervening months since the Board's letter, the Board has continued to receive inquiries from market participants concerning the callability of escrowed-to-maturity securities. Apparently, some dealers now are describing all escrowed-to-maturity securities as callable and there is confusion how to price such securities. In order to avoid confusion with respect to issues that might be escrowed-to-maturity in the future, the Board is interpreting rule G-17, on fair dealing,¹ to require that municipal securities dealers that assist in the preparation of refunding documents as underwriters or financial advisors alert issuers of the materiality of information relating to the callability of escrowed-to-maturity securities. Accordingly, such dealers must

recommend that issuers clearly state when the refunded securities will be redeemed and whether the issuer reserves the option to redeem the securities prior to their maturity.

[Application of Rules G-12(c) and G-15(a) on Confirmation Disclosure of Escrowed-to-Maturity Securities

Rules G-12(c)(vi)(E) and G-15(a)(iii)(E) require dealers to disclose on customer confirmations, respectively, whether the securities are "called" or "prerefunded," the date of maturity which has been fixed by the call notice, and the call price. The Board has stated that this paragraph would require, in the case of escrowed-to-maturity securities, a statement to that effect (which would also meet the requirement to state "the date of maturity which has been fixed") and the amount to be paid at redemption.² In addition, rules G-12(c)(v)(E) and G-15(a)(i)(E) require dealers to note on confirmations if securities are subject to redemption prior to maturity ("callable").

The Board understands that dealers traditionally have used the term escrowed-to-maturity only for non-callable advance refunded issues the proceeds of which are escrowed to the original maturity date or for escrowed-to-maturity issues with mandatory sinking fund calls. To avoid confusion in the use of the term escrowed-to-maturity, the Board has determined that dealers should use the term escrowed-to-maturity to describe on confirmations only those issues with no optional redemption provisions expressly reserved in escrow and refunding documents. Escrowed-to-maturity issues with no optional or mandatory call features must be described as "escrowed-to-maturity." Escrowed-to-maturity issues subject to mandatory sinking fund calls must be described as "escrowed-to-maturity" and "callable." If an issue is advance refunded to the original maturity date, but the issuer expressly reserves optional redemption features, the security should be described on confirmations as "escrowed (or prerefunded) to {the actual maturity date}" and "callable."³

The Board believes that the use of different terminology to describe advance refunded issues expressly subject to optional calls will better alert dealers and customers to this important aspect of certain escrowed issues.⁴

¹ Rule G-17 states

In the conduct of its municipal securities business, each broker, dealer, and municipal securities dealer shall deal fairly with all persons and shall not engage in any deceptive, dishonest, or unfair practice."

² See MSRB interpretation of January 7, 1982 by Donald F. Donahue, Deputy Executive Director, MSRB Manual (CCH) para. 3571.15 at 4752.]

³ This terminology also would be used for any issue prerefunded to a call date, with an earlier optional call expressly reserved.]

⁴ The Board believes that, because of the small number of advance refunded issues that expressly reserve the right of the issuer to call the issue pursuant to an optional

redemption provision, confirmation systems should be able to be programmed for use of the new terminology without delay.]

* * * * *

Notice Concerning Clearance and Settlement of Stripped Coupon Municipal Securities

[Confirmation Requirements

Dealers generally should confirm transactions in stripped coupon municipal securities as they would transactions in other municipal securities that do not pay periodic interest or which pay interest annually.² A review of the Board's confirmation requirements applicable to the securities follows.

Securities Descriptions. Rules G-12(c)(v)(E) and G-15(a)(i)(E) require a complete securities description to be included on inter-dealer and customer confirmations, respectively, including the name of the issuer, interest rate and maturity date.³ In addition to the name of the issuer of the underlying municipal securities, the trade name and series designation assigned to the stripped coupon municipal security by the dealer sponsoring the program must be included on the confirmation.⁴ Of course, the interest rate actually paid by the stripped coupon security (*e.g.*, zero percent or the actual, annual interest rate) must be stated on the confirmation as the interest rate rather than the interest rate on the underlying security. Similarly, the maturity date listed on the confirmation must be the date of the final payment made by the stripped coupon municipal security rather than the maturity date of the underlying securities.⁵

Credit Enhancement Information. Rules G-12(c)(vi)(D) and G-15(a)(ii)(D) require confirmations of securities pre-refunded to a call date or escrowed to maturity to state this fact along with the date of maturity set by the advance refunding and the redemption price. If the underlying municipal securities are advance-refunded, confirmations of the stripped coupon municipal securities must note this. In addition, rules G-12(c)(v)(E) and G-15(c)(i)(E) require that the name of any company or other person, in addition to the issuer, obligated directly or indirectly with respect to debt service on the underlying issue or the stripped coupon security be included on confirmations.⁶

Quantity of Securities and Denominations. For securities that mature in more than two years and pay investment return only at maturity, rules G-12(c)(v) and G-15(a)(v) require the maturity value to be stated on confirmations in lieu of par value. This requirement is applicable to transactions in stripped coupon municipal securities over two years in maturity that pay investment return only at maturity, *e.g.*, securities representing one interest payment or one principal payment. For securities that pay only principal and that are pre-refunded at a premium price, the principal amount may be stated as the transaction amount, but the maturity value must be clearly noted elsewhere on the confirmation. This may permit such securities to be sold in standard denominations and will facilitate the clearance and settlement of the securities.

Rules G-12(c)(vi)(F) and G-15(a)(iii)(G) require confirmations of securities that are sold or that will be delivered in denominations other than the standard denominations specified in rules G-

12(e)(v) and G-15(a)(iii)(G) to state the denominations on the confirmation. The standard denominations are \$1,000 or \$5,000 for bearer securities, and for registered securities, increments of \$1,000 up to a maximum of \$100,000. If stripped coupon municipal securities are sold or will be delivered in any other denominations, the denomination of the security must be stated on the confirmation.

Dated Date. Rules G-12(c)(vi)(A) and G-15(a)(iii)(A) require that confirmations state the dated date of a security if it affects price or interest calculations, and the first interest payment date if other than semi-annual. The dated date for purposes of an interest-paying stripped coupon municipal security is the date that interest begins accruing to the custodian for payment to the beneficial owner. This date, along with the first date that interest will be paid to the owner, must be stated on the confirmation whenever it is necessary for calculation of price or accrued interest.

Original Issue Discount Disclosure. Rules G-12(c)(vi)(G) and G-15(a)(iii)(H) require that confirmations identify securities that pay periodic interest and that are sold by an underwriter or designated by the issuer as "original issue discount." This alerts purchasers that the periodic interest received on the securities is not the only source of tax-exempt return on investment. Under federal tax law, the purchaser of stripped coupon municipal securities is assumed to have purchased the securities at an "original issue discount," which determines the amount of investment income that will be tax-exempt to the purchaser. Thus, dealers should include the designation of "original issue discount" on confirmations of stripped coupon municipal securities, such as annual payment securities, which pay periodic interest.]

[Clearance and Settlement of Stripped Coupon Municipal Securities]

Under rules G-12(e)(vi)(B) and G-15(a)(iv)(B), delivery of securities transferable only on the books of a custodian can be made only by the bookkeeping entry of the custodian.^{1[7]} Many dealers sponsoring stripped coupon programs provide customers with "certificates of accrual" or "receipts," which evidence the type and amount of the stripped coupon municipal securities that are held by the custodian on behalf of the beneficial owner. Some of these documents, which generally are referred to as "custodial receipts," include "assignment forms," which allow the beneficial owner to instruct the custodian to transfer the ownership of the securities on its books. Physical delivery of a custodial receipt is not a good delivery under rules G-12(e) and G-15(a) unless the parties specifically have agreed to the delivery of a custodial receipt. If such an agreement is reached, it should be noted on the confirmation of the transaction, as required by rules G-12(c)(v)(A)(10)(b) [G-12(c)(v)(N)] and G-15(a)(i)(A)(7)(d). [G-15(a)(i)(N).]

^[2] Thus, for stripped coupon municipal securities that do not pay periodic interest, rules G-12(c)(v) and G-15(a)(v) require confirmations to state the interest rate as zero and, for customer confirmations, the inclusion of a legend indicating that the customer will not receive periodic interest payments. Rules G-12(c)(vi)(H) and G-15(a)(iii)(I) require confirmations of securities paying annual interest to note this fact.]

^[3] The complete description consists of all of the following information:

the name of the issuer, interest rate, maturity date, and if the securities are limited tax, subject to redemption prior to maturity (callable), or revenue bonds, an indication to such effect, including in the case of revenue bonds the type of revenue, if necessary for a materially complete description of the securities and in the case of any securities, if necessary for a materially complete description of the securities, the name of any company or other person in addition to the issuer obligated, directly or indirectly, with respect to debt service or, if there is more than one such obligor, the statement, "multiple obligors" may be shown.]

[⁴ Trade name and series designation is required under rules G-12(c)(vi)(l) and G-15(a)(iii)(J), which state that confirmations, must include all information necessary to ensure that the parties agree to the details of the transaction.]

[⁵ Therefore, the maturity date of a stripped coupon municipal security representing one interest payment is the date of the interest payment.]

[⁶ It should be noted that the SEC staff letter is limited to instruments in which "neither the custodian nor sponsor additionally will guarantee or otherwise enhance the creditworthiness of the underlying municipal security or the stripped coupon security."]

¹ [⁷ Under Rule G-15(a)(i)(C)(2)(d) [rules G-12(c)(vi)(B) and G-15(a)(iii)(B)] the book-entry-only nature of the securities also must be noted on the confirmation.

* * * * *

Confirmation Requirements for Partially Refunded Securities

This will respond to your letter of May 16, 1989. The Board reviewed your letter at its August 1989 meeting and authorized this response.

You ask what is the correct method of computing price from yield on certain types of "partially prerefunded" issues having a mandatory sinking fund redemption. The escrow agreement for these issues provides for a stated portion of the issue to be redeemed at a premium price on an optional, "in-whole," call date for the issue. The remainder of the issue is subject to a sinking fund redemption at par.¹ Unlike some issues that are prerefunded by certificate number, the certificates that will be called at a premium price on the optional call date are not identified and published in advance. Instead, they are selected by lottery 30 to 60 days before the redemption date for the premium call. Prior to this time, it is not known which certificates will be called at a premium price on the optional call date. In the particular issues you have described, the operation of the sinking fund redemption will retire the entire issue prior to the stated maturity date for the issue.

As you know, rules G-12(c) and G-15(a) govern inter-dealer and customer confirmations, respectively. [Rules G-12(c)(v)(1) and G-15(a)(i)(1)] These rules require the dollar price computed from yield and shown on the confirmation to be computed to the lower of call date or maturity. For purposes of computing price to call, only "in-whole" calls, of the type which may

be exercised in the event of a refunding, are used.² Accordingly, the Board previously has concluded that the sinking fund redemption in the type of issue you have described should be ignored and the dollar price should be calculated to the lowest of the "in-whole" call date for the issue (*i.e.*, the redemption date of the prerefunding) or maturity. In addition, the stated maturity date must be used for the calculation of price to maturity rather than any "effective" maturity which results from the operation of the sinking fund redemption. Identical rules apply when calculating yield from dollar price. Of course, the parties to a transaction may agree to calculate price or yield to a specific date, *e.g.*, a date which takes into account a sinking fund redemption. If this is done, it should be noted on the confirmation.^[3]

In our telephone conversations, you also asked what is the appropriate securities description for securities that are advance refunded in this manner. Rule G-15(a)(i)(C)(3)(a) [Rules G-12(c)(v)(E) and G-15(a)(i)(E)] require that confirmations of securities that are "prerefunded" include a notation of this fact along with the date of "maturity" that has been fixed by the advance refunding and the redemption price. The rules also state that securities that are redeemable prior to maturity must be described as "callable".^[4] In addition, Rule G-15(a)(i)(A)(8) [rules G-12(c)(vi)(I) and G-15(a)(iii)(J)] states that confirmations must include information not specifically required by the rules if the information is necessary to ensure that the parties agree to the details of the transaction. Since, in this case, only a portion of the issue will be chosen by lot and redeemed at a premium price under the prerefunding, this fact must be noted on the confirmation. As an example, the issue could be described as "partially prerefunded to {redemption date} at {premium price} to be chosen by lot-callable." The notation of this fact must be included within the securities description shown on the front of the confirmation.

¹ In some issues, a sinking fund redemption operates prior to the optional call date, while, in others, the sinking fund redemption does not begin until on or after that date.

² See Notice of December 10, 1980, Concerning Pricing to Call. [MSRB Manual, paragraph 3571, at 4605-4606.]

^[3] These rules on pricing partially prerefunded securities with sinking funds are set forth in MSRB interpretation of May 15, 1986, MSRB Manual (CCH), paragraph 3571.26, at 4757].

^[4] The Board has published an interpretive notice providing specific guidance on the confirmation of advanced refunded securities that are callable pursuant to an optional call. See Application of Rules G-12(c) and G-15(a) on Confirmation Disclosure of Escrowed to Maturity Securities, MSRB Manual, paragraph 3581, at page 4862].

* * * * *

Calculation of Price and Yield on Continuously Callable Securities

This will respond to your letter of May 30, 1989, relating to the calculation of price and yield in transactions involving municipal securities which can be called by the issuer at any time after the

first optional "in-whole" call date. The Board reviewed your letter at its August 1989 meeting and has authorized this response.

Rules G-12(c) and G-15(a) govern inter-dealer and customer confirmations, respectively. For transactions executed on a yield basis, Rules G-12(c)(v)(A)(7)(c) and G-15(a)(i)(A)(5)(c) [rules G-12(c)(v)(1) and G-15(a)(v)(1)] require the dollar price computed from yield and shown on the confirmation to be computed to the lower of call or maturity. The rules also require the call date and price to be shown on the confirmation when securities are priced to a call date.

In computing price to call, only "in-whole" calls, of the type which may be exercised in the event of a refunding, should be used.¹ The "in-whole" call producing the lowest price must be used when computing price to call. If there is a series of "in-whole" call dates with declining premiums, a calculation to the first premium call date generally will produce the lowest price to call. However, in certain circumstances involving premiums which decline steeply over a short time, an "intermediate" call date - a date on which a lower premium or par call becomes operative - may produce the lowest price. Dealers must calculate prices to intermediate call dates when this is the case.² Identical rules govern the computation and display of yield to call and yield to maturity, as required on customer confirmations under rule G-15(a).

The issues that you describe are callable at declining premiums, in part or in whole, at any time after the first optional call date. There is no restriction on the issuer in exercising a call after this date except for the requirement to give 30 to 60 days notice of the redemption. Since this "continuous" call provision is an "in-whole" call of the type which may be used for a refunding, it must be considered when calculating price or yield.

The procedure for calculating price to call for these issues is the same as for other securities with declining premium calls. Dealers must take the lowest price possible from the operation of an "in-whole" call feature, compare it to the price calculated to maturity and use the lower of the two figures on the confirmation. For settlement dates prior to the first "in-whole" call, it generally should be sufficient to check the first and intermediate call dates (including the par call), determine which produces the lowest price, and compare that price to the price calculated to maturity. For settlement dates occurring after the first "in-whole" call date, it must be assumed that a notice of call could be published on the day after trade date, which would result in the redemption of the issue 31 days after trade date.³ The price calculated to this possible redemption date should be compared to prices calculated to subsequent intermediate call dates and the lowest of these prices used as the price to call. The price computed to call then can be compared to the price computed to maturity and the lower of the two included on the confirmation. If a price to call is used, the date and redemption price of the call must be stated. Identical procedures are used for computing yield from price for display on customer confirmations under rule G-15(a). You also have asked for the Board's interpretation of two official statements which you believe have a continuous call feature and ask whether securities with continuous call features typically are called between the normal coupon dates. The Board's rulemaking authority does not extend to the interpretation of official statements and the Board does not collect information on issuer practices in calling securities. Therefore, the Board cannot assist you with these inquiries.

- ¹ The parties to a transaction may agree at the time of trade to price securities to a date other than an "in-whole" call date or maturity. If such an agreement is reached, it must be noted on the confirmation.
- ² *See* Notice Concerning Pricing to Call, December 10, 1980 [, MSRB Manual (CCH) paragraph 3571, at 4606].
- ³ If a notice of call for the entire issue occurs on or prior to the trade date, delivery cannot be made on the transaction and it must be worked out or arbitrated by the parties unless the securities are identified as "called" at the time of trade. *See* rules G-12(e)(x)(B) and G-15(c)(viii)(B).