

MSRB REPORTS

Volume 5, Number 1

Municipal Securities Rulemaking Board

January 1985

Selection Process Starts for New Board Members

The Board appointed at its December meeting the 1985 Nominating Committee, to start the process of selecting five new Board members to serve three-year terms beginning October 1, 1985. One public, two bank dealers, and two securities firm representatives must be elected.

The Nominating Committee asks your participation in this process whether you are a member of the industry or someone from the general public.

As Chairman of the Nominating Committee, I urge you to use this opportunity to play a part in choosing the people who will guide the municipal securities industry. To help you participate, information on how to make a recommendation, a form for submitting a recommendation, and the names of those serving on the 1985 Nominating Committee are published in this issue.

John L. Glenn, Jr.
Chairman
1985 Nominating Committee

Important Changes

The Board arbitration program is now being administered from the Board offices. Documents required for filing an arbitration claim should be sent to the Director of Arbitration, Municipal Securities Rulemaking Board, 1818 N Street, N.W., Suite 800, Washington, DC 20036-2491. Requests for information and materials should also be directed to the Board offices.

The MSRB offices have moved to
1818 N Street, N.W.
Suite 800
Washington, DC 20036-2491.
The telephone number remains
(202) 223-9347.

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- **Disclosures on New Issues** p. 9
Amendments Withdrawn: Rules G-32, G-8, and G-9

The Board has withdrawn the proposed amendments and is considering alternative ways for providing disclosures on new issue securities to purchasers.

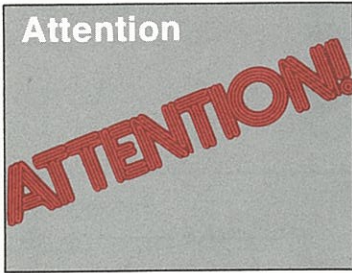
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Route To:

- Manager, Muni. Dept.
- Underwriting
- Trading
- Sales
- Operations
- Public Finance
- Compliance
- Training
- Other _____

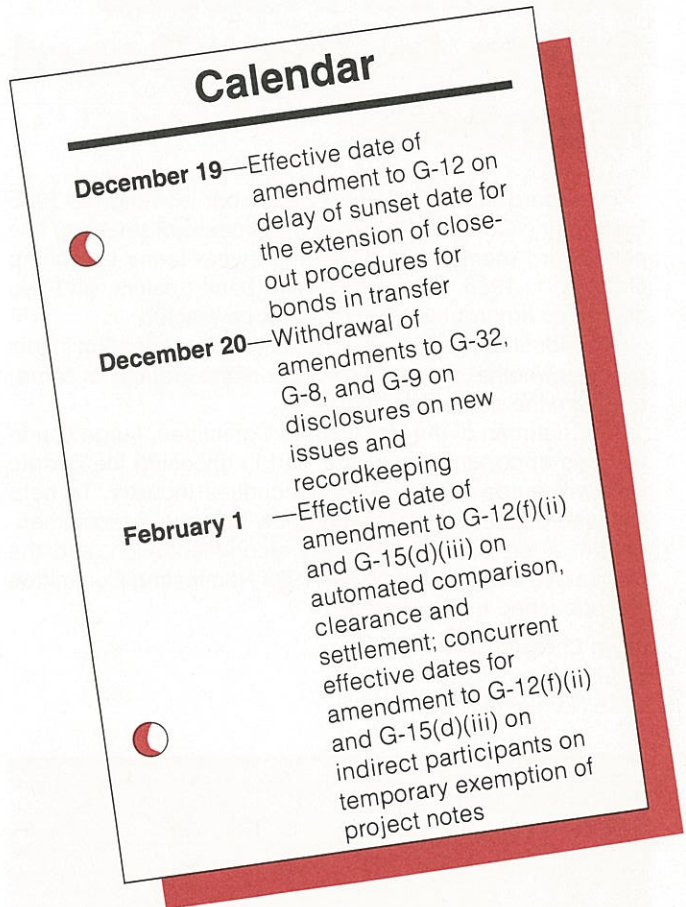
New Edition of Representative's Examination Study Outline Published

A January 1985 edition of the Study Outline for the Municipal Securities Representative Qualifications Examination (Test Series 52) has been published. No substantive change in subject matter has been made to this edition of the study outline, but three topics have been expanded to reflect recent changes in the marketplace. If you have an earlier edition of the study outline, you may wish to update that edition by incorporating these changes:

- Page 2—change topic “Notes” to “Short-term obligations,” and add subtopics “Demand notes” and “Tax-exempt commercial paper”;
- Page 2—under topic “Form of Ownership,” add subtopic “Book-entry”; and
- Page 3—change topic “Interest rate” to “Coupon rate,” and add subtopics “Fixed,” “Variable,” and “Zero.”

December 27, 1984

Questions concerning professional qualifications and requests for the study outline should be directed to Peter H. Murray, Assistant Executive Director, and Doris N. Celarier.





Route To:

- Manager, Muni. Dept.
- Underwriting
- Trading
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- Other _____

Recommendations Requested for Board Nomination

The 1985 Nominating Committee requests recommendations of persons to be considered for nomination for the five Board positions open October 1, 1985.

Membership Requirements

When making recommendations, keep in mind these Board membership requirements:

- One public member representative, two bank dealer representatives, and two securities firm representatives must be elected this year to ensure equal representation in each membership category.

- Municipal securities brokers and municipal securities dealers of diverse size and type must be represented.

- Broad geographic representation must be maintained.

The Board, established by Congress in 1975 to act as the primary rulemaking body for the municipal securities industry, consists of 15 members—five representatives of bank dealers, five representatives of securities firms, and five public members not associated with any bank dealer or securities firm. In the public category, one member must be a representative of issuers and one of investors. Public members may not be associated with a securities firm or bank dealer, other than by reason of being under common control with, or indirectly controlling, any broker or dealer which is not a municipal securities broker or municipal securities dealer.

Procedures for Recommending Candidates

1. Complete the form printed on page 7 or a photocopy of that form. (Additional forms may be obtained from the

Board's office.) At a minimum, include the following information for Board nominee recommendations:

- The name of the individual recommended, his or her business affiliation, business address and telephone number and home address and telephone number; the category for which the individual is recommended—bank representative, securities firm representative, or public member. (Item 1.)

- The educational and professional background of the individual recommended. (Item 2.)

- The proposer's name, business address, telephone number, and professional relationship (if any), to the individual recommended. (Item 3.)

- The affiliation, if any, of the individual with any broker, dealer, or municipal securities dealer. (Item 4.)

2. Determine in advance that the person recommended is willing to serve on the Board.

3. Submit names not later than March 15, 1985.

4. Send recommendations to

John L. Glenn, Jr.
Chairman, Nominating Committee
c/o Municipal Securities Rulemaking Board
Suite 800
1818 N Street, N.W.
Washington, DC 20036-2491

The Nominating Committee

John L. Glenn, Jr.
Arch W. Roberts
Donald J. Robinson
Everett D. Williams
Frederick C. Witsell, Jr.
John B. Eger
Thomas E. Leafstrand
Lauren M. Miralia
Grady L. Patterson, Jr.
William J. Rex
Kenneth R. Von der Heiden



Route To:

- Manager, Muni. Dept.
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1985 Nominating Committee

The Nominating Committee appointed by the Board at its December meeting to nominate persons to be considered for positions open on the Board beginning October 1, 1985, consists of the five outgoing Board members and six non-Board members. The six non-Board members represent banks, the public and securities firms equally. A list of the names of those serving on the 1985 Nominating Committee follows:

Board Members

JOHN L. GLENN, JR., *Executive Vice President*

Sun Bank, N.A.
200 South Orange Avenue
P.O. Box 3833
Orlando, FL 32897
(305) 237-4778

ARCH W. ROBERTS, *President*

Arch W. Roberts & Co.
1405 N.W. 13th Street
P.O. Box 13394
Gainesville, FL 32601
(904) 372-2517

DONALD J. ROBINSON, *Partner*

Hawkins, Delafield & Wood
67 Wall Street
New York, NY 10005
(212) 820-9300

EVERETT D. WILLIAMS, *Partner*

Stone & Youngberg
One California Street
San Francisco, CA 94111
(415) 981-1314

FREDERICK C. WITSELL, JR. *Senior Vice President*

Personnel Department
Morgan Guaranty Trust Co.
23 Wall Street
New York, NY 10015
(212) 208-4654

Non-Board Members

JOHN B. EGER, *First Vice President and Manager*

First Wisconsin National Bank of Milwaukee
777 East Wisconsin Avenue
Milwaukee, WI 53202
(414) 765-4030

THOMAS E. LEAFSTRAND, *Vice President*

The Northern Trust Company
50 South La Salle Street
Chicago, IL 60675
(312) 444-3683

LAUREN M. MIRALIA, *Executive Vice President*

Municipal Bond Insurance Association
34 South Broadway
Box 788
White Plains, NY 10602
(914) 946-4242

GRADY L. PATTERSON, JR., *State Treasurer*

Wade Hampton State Office Building
P.O. Box 11778
Columbia, SC 29211
(803) 758-7695

WILLIAM J. REX, *Executive Vice President and Manager*

Foster & Marshall/American Express, Inc.
205 Columbia Street
Seattle, WA 98104
(206) 344-2497

KENNETH R. VON DER HEIDEN, *Vice President and Manager*

John Nuveen & Co., Inc.
209 South La Salle Street
Chicago, IL 60604
(312) 621-3000

Chairman

JOHN L. GLENN, JR.

Terms of Present Board Members

Terms Expire September 30, 1985

JOHN L. GLENN, JR., *Executive Vice President*
Sun Bank, N.A.
Orlando, Florida

ARCH W. ROBERTS, *President*
Arch W. Roberts & Co.
Gainesville, Florida

DONALD J. ROBINSON, *Partner*
Hawkins, Delafield & Wood
New York, New York

EVERETT D. WILLIAMS, *Partner*
Stone & Youngberg
San Francisco, California

FREDERICK C. WITSELL, JR., *Senior Vice President*
Morgan Guaranty Trust Co.
New York, New York

Terms Expire September 30, 1986

ROBERT N. DOWNEY, *Partner*
Goldman, Sachs & Co.
New York, New York

PETER J.D. GORDON, *Vice President*
T. Rowe Price Associates, Inc.
Baltimore, Maryland

RALPH HORN, *Senior Vice President and Manager*
First Tennessee Bank, N.A.
Memphis, Tennessee

MORRIS C. MATSON, *Vice President*
American Municipal Bond
Assurance Corporation
Fort Worth, Texas

STEPHEN C. STONE, *Senior Vice President and Manager*
Cullen/Frost Bank
Dallas, Texas

Terms Expire September 30, 1987

H. KEITH BRUNNEMER, JR., *President*
First Charlotte Corporation
Charlotte, North Carolina

LEONARD M. LEIMAN, *Partner*
Reavis & McGrath
New York, New York

WALTER P. STERN, *Vice Chairman*
Capital Research Company
New York, New York

SAMUEL A. RAMIREZ, *President*
Samuel A. Ramirez & Co., Inc.
New York, New York

BYRON G. THOMPSON, *Vice Chairman*
United Missouri Bank of Kansas City, N.A.
Kansas City, Missouri

Recommendation Form

1. Individual Recommended: _____

Business Address:

Home Address:

Telephone Number: _____

Telephone Number: _____

Category: Bank representative
Securities firm representative
Public member

2. Educational and Professional Background

Professional: _____

Education: _____

Associations: _____

3. Proposer: _____

4. Associated Person under Securities Exchange Act of 1934: _____



Route To:

- Manager, Muni. Dept.
- Underwriting
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Disclosures on New Issues: Rules G-32, G-8, and G-9

Action Taken: Withdrawal of Proposed Amendments

The Board has withdrawn the proposed amendments concerning disclosures in connection with new issues and the recordkeeping of those disclosures until it has reviewed comment received on the proposed amendments and determined whether an alternative approach can be found which imposes a lesser compliance burden but achieves the desired ends.

On October 23, 1984, the Board filed with the Securities and Exchange Commission amendments to rule G-32 on disclosures in connection with new issues and to rules G-8 and G-9 on recordkeeping. The amendments were adopted in response to comments that rule G-32 was not being complied with and are designed to strengthen and facilitate enforcement of the rule.¹ The Commission noticed the amendments for comment on November 2, 1984.² Since that date, the Board has received a number of oral and written comments on the amendments and, as a result, has withdrawn the amendments from the Commission pending their further consideration by the Board.

Background

Rule G-32 currently prohibits a municipal securities broker or dealer from selling during the underwriting period new issue municipal securities to a customer unless, at or prior to sending the final confirmation of the transaction, a copy of the final official statement, if one is prepared by or on behalf of the issuer, and, in the case of negotiated sales, certain additional written information concerning the underwriting arrangements, are provided to the customer.³ The rule also requires dealers to furnish copies of official statements and other rule G-32 disclosures upon request to any broker, dealer, or municipal securities dealer to which it sells new issue municipal securities. The Board has stated that if sufficient copies of official statements are not available, a dealer must reproduce the official statement at its

own expense. These requirements apply to all dealers who sell new issue securities, not solely to underwriters of the issue. The rule is designed to ensure that a purchaser of new issue securities is provided with all available information relevant to his investment decision.

Summary of Amendments Which Have Been Withdrawn

The amendment to rule G-32, which has been withdrawn, would have required that all brokers, dealers, and municipal securities dealers who purchase new issue securities automatically be provided with the rule G-32 disclosures at or prior to the time the money confirmation of the transaction is sent. The Board received several comments opposing this requirement for various reasons. The current provisions of rule G-32 which require that customers be sent official statements at or prior to sending the final confirmation and that official statements be provided to purchasing dealers on request remain in effect.

The Board also has withdrawn the amendments to rules G-8 and G-9 which set forth the recordkeeping and record retention requirements respectively for brokers, dealers, and municipal securities dealers. These provisions would have added a new section to rule G-8 requiring a dealer to maintain a record of deliveries of rule G-32 disclosures and a new section to rule G-9 to require that these records be retained for a period of not less than three years.

Alternative Approaches to be Considered

The Board continues to believe that the information required to be disclosed to investors under rule G-32 is important and necessary to permit these persons to reach informed investment decisions. Accordingly, the Board continues to be of the view that the requirements of rule G-32 should be strengthened to ensure that purchasers of new issue securities receive these important disclosures. The Board intends to review all of the comments it has received in connection with its consideration of rule G-32 over the past year to determine whether an alternative approach to that embodied in the July amendments might accomplish these results

Questions concerning the withdrawal of these proposed amendments may be directed to Angela Desmond, General Counsel.

¹The Board published for comment draft amendments in March 1984 (*MSRB Reports*, vol. 4, no. 2), and June 1984 (*MSRB Reports*, vol. 4, no. 4).

²The text of the proposed amendments was published in the *Federal Register*, 49 F. Reg. 44835 (November 9, 1984).

³The underwriting period is defined in rule G-11 (a)(ix) as:

... the period commencing with the first submission to a syndicate of an order for the purchase of new issue municipal securities or the purchase of such securities from the issuer, whichever first occurs, and ending at such time as the issuer delivers the securities to the syndicate or the syndicate no longer retains an unsold balance of securities, whichever last occurs.

while imposing lesser compliance burdens, or whether the amendments continue to be the only viable way of achieving

the desired ends. The Board intends to complete this review and take final action on this matter at its February meeting.

December 20, 1984



Route To:

- Manager, Muni. Dept.
- Underwriting
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Close-Out Procedures—Extension for Bonds in Transfer: Rule G-12

Principal Change

The amendment postpones until January 1, 1986, the sunset date for the time extension provided to recipients of close-out notices on transactions involving securities submitted for transfer.

On December 19, 1984 the Securities and Exchange Commission approved an amendment to the provisions of Board rule G-12(h) concerning the procedure for close-outs by purchasing dealers. The amendment delays the "sunset" date of an existing provision of the rule concerning the periods of time applicable to certain close-out procedures. The amendment was effective upon Commission approval.

Board rule G-12(h) prescribes certain procedures to be followed by municipal securities brokers and dealers seeking to close out transactions which have not been completed within a period of time after the settlement date. Among other matters, the rule specifies certain extensions of time which are provided persons receiving notices of close-out in certain circumstances. Subparagraph (h)(i)(B)(2) of the rule provides for an extension of time prior to the execution of a close-out to a dealer who received an initial, unretransmitted close-out notice if the securities which were the subject of the notice had been submitted for transfer.

The Board adopted the provisions of rule G-12(h)(i)(B)(2) due to concern that, during the initial implementation of the registration requirements of the Tax Equity and Fiscal Responsibility Act of 1982, the transfer arrangements for registered municipal issues might not be as efficient as possible, and might cause delays in the settlement of trades. The Board anticipated, however, that transfer practices with respect to registered municipal issues would improve over time, as more experience with these procedures was gained; accordingly, the Board included in this provision a "sunset" clause, so that this transfer extension would not be available on close-out notices issued on or after January 1, 1985.

As a result of its monitoring of transfer practices in the municipal industry, the Board concluded that it would be appropriate to continue to provide in the rule for an extension of time in the event the securities involved in a particular close-out procedure have been submitted for transfer.

Accordingly, the amendment delays the "sunset" date for the existing transfer extension provisions to January 1, 1986. It continues to be the Board's intention, however, that this provision be permitted to lapse. The Board anticipates that the provisions of rules G-12(f) and G-15(d) mandating the use of book-entry delivery procedures, which are scheduled to become effective on February 1, 1985, will significantly enhance the efficiency of the clearance of municipal securities transactions, and may make this time extension provision of the close-out rules no longer necessary. The Board also urges members of the municipal securities industry and others to continue their efforts to promote efficiency in the transfer process.

December 28, 1984

Questions concerning the amendment should be directed to Donald F. Donahue, Deputy Executive Director.

Text of Amendment*

Rule G-12. Uniform Practice

(a) through (g) No change.

(h) Close-Out. Transactions which have been confirmed or otherwise agreed upon by both parties but which have not been completed may be closed out in accordance with this section, or as otherwise agreed by the parties.

(i) Close-Out by Purchaser. With respect to a transaction which has not been completed by the seller according to its terms and the requirements of this rule, the purchaser may close out the transaction in accordance with the following procedures:

(A) No change.

(B)(1) No change.

(2) Transfer of Securities. If a selling dealer receiving an initial notice of close-out which has not been retransmitted has submitted the securities owed on the transaction to the registrar or transfer agent for transfer, the selling dealer may, upon notice to the purchaser, extend the dates for close-out by ten business days. The selling dealer must provide such notice by telephone, not later than the first business day following its receipt of the telephone notice of close-out, and must immediately thereafter send, return receipt requested, a written confirmation of such notice,

*Underlining indicates additions; broken rule indicates deletions.

stating the dates for close-out as extended due to such notice. The provisions of this item (2) of subparagraph (B) shall not apply to any notice of close-out initiated on or after January 1, ~~1985~~ 1986.

- (C) through (G) No change.
- (ii) through (iv) No change.
- (i) through (I) No change.



Route To:

- Manager, Muni. Dept.
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- Training
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Syndicate Manager Selling Short for Own Account to Detriment of Syndicate Account: Rule G-17

Summary of Rule Interpretation

A syndicate manager who uses inside information to the benefit of its own account and to the detriment of the syndicate account appears to violate the fair dealing rule.

The Board has received an inquiry concerning a situation in which a municipal securities dealer that is acting as a syndicate manager sells bonds "short" for its own account to the detriment of the syndicate account. In particular, the Board has been made aware of allegations that certain syndicate managers, with knowledge that the syndicate account on a particular new issue of securities is not successful, have sold securities of the new issue "short" for their own accounts and then required syndicate members to take their allotments of unsold bonds. The syndicate managers allegedly have subsequently covered their short positions when the syndicate members attempt to sell their allotments at the lower market price.

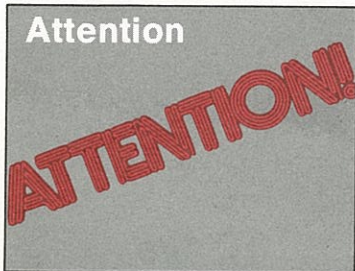
Rule G-17, the Board's fair dealing rule, provides:

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.

Syndicate managers act in a fiduciary capacity in relation to syndicate accounts. Therefore they may not use proprietary information about the account obtained solely as a result of acting as manager to their personal advantage over the syndicate's best interests. The Board is of the view that a syndicate manager that uses information on the status of the syndicate account which is not available to syndicate members to its own benefit and to the detriment of the syndicate account (e.g., by effecting "short sale" transactions for its own account against the interests of other syndicate members) appears to be acting in violation of the fair dealing provisions of rule G-17.

December 21, 1984

Questions concerning this notice may be directed to Diane G. Klinke, Deputy General Counsel.



Route To:

- Manager, Muni. Dept.
- Underwriting
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**Financial Statements—Fiscal Years
Ended September 30, 1983 and
1984**

Coopers
& Lybrand

certified public accountants

To the Members of the
Municipal Securities Rulemaking Board

We have examined the balance sheets of the Municipal Securities Rulemaking Board as of September 30, 1984 and 1983, and the related statements of revenues and expenses and change in fund balance and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Municipal Securities Rulemaking Board as of September 30, 1984 and 1983, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

A handwritten signature in black ink that reads "Coopers & Lybrand".

1800 M Street, N. W.
Washington, D. C. 20036
October 31, 1984

MUNICIPAL SECURITIES RULEMAKING BOARD

BALANCE SHEETS

September 30, 1984 and 1983

	1984	1983
ASSETS		
Cash	\$ 35,074	\$ 4,905
Investments (Notes 1 and 2)	941,934	1,265,199
Assessment fees receivable (Note 1)	144,960	107,311
Accrued interest receivable	56,338	46,351
Prepaid expenses	7,435	7,759
Deposits	48,652	-
Other assets	1,892	980
Office furniture, equipment and leasehold improvements, at cost, less accumulated depreciation and amortization of \$100,330 in 1984 and \$80,600 in 1983 (Note 1)	39,752	46,552
	<u>\$1,276,037</u>	<u>\$1,479,057</u>
LIABILITIES AND FUND BALANCE		
Accounts payable	\$ 23,772	\$ 36,105
Accrued salaries and vacation pay	40,398	30,503
	64,170	66,608
Commitments (Note 3)		
Fund balance	1,211,867	1,412,449
	<u>\$1,276,037</u>	<u>\$1,479,057</u>

The accompanying notes are an integral part of these financial statements.

MUNICIPAL SECURITIES RULEMAKING BOARD
STATEMENTS OF REVENUES AND EXPENSES AND
CHANGE IN FUND BALANCE
for the years ended September 30, 1984 and 1983

	1984	1983
Revenues:		
Assessment fees (Note 1)	\$ 830,534	\$ 943,938
Annual fees (Note 1)	220,125	197,400
Initial fees (Note 1)	29,800	24,200
Investment income	113,950	133,521
Board manuals and other	30,716	21,201
	1,225,125	1,320,260
Expenses:		
Salaries and employee benefits (Note 4)	556,151	570,566
Board and committee	377,914	337,300
Operations (Note 3)	178,690	167,661
Education and communication	228,057	212,930
Professional services	61,603	15,803
Depreciation and amortization (Note 1)	23,292	14,538
	1,425,707	1,318,798
Revenues over (under) expenses	(200,582)	1,462
Fund balance, beginning of year	1,412,449	1,410,987
Fund balance, end of year	\$1,211,867	\$1,412,449

The accompanying notes are an integral part
of these financial statements.

MUNICIPAL SECURITIES RULEMAKING BOARD
STATEMENTS OF CHANGES IN FINANCIAL POSITION
for the years ended September 30, 1984 and 1983

	<u>1984</u>	<u>1983</u>
Sources of funds:		
Operations:		
Revenues over (under) expenses	\$(200,582)	\$ 1,462
Noncash expenses - depreciation and amortization	<u>23,292</u>	<u>14,538</u>
Funds provided (used) by operations	(177,290)	16,000
Decrease in cash and investments	293,096	-
Decrease in assessment fees receivable	-	132,308
Decrease in prepaid expenses	324	1,995
Decrease in other assets	-	3,910
Increase in accounts payable	-	22,886
Increase in accrued salaries and vacation pay	<u>9,895</u>	<u>11,651</u>
	<u><u>\$ 126,025</u></u>	<u><u>\$188,750</u></u>
Uses of funds:		
Increase in cash and investments	\$ -	\$148,077
Increase in assessment fees receivable	37,649	-
Increase in accrued interest receivable	9,987	8,996
Increase in other assets	912	-
Increase in deposits	48,652	-
Net additions to fixed assets	16,492	31,677
Decrease in accounts payable	<u>12,333</u>	<u>-</u>
	<u><u>\$ 126,025</u></u>	<u><u>\$188,750</u></u>

The accompanying notes are an integral part
of these financial statements.

MUNICIPAL SECURITIES RULEMAKING BOARD
NOTES TO FINANCIAL STATEMENTS

1. Accounting policies

The Municipal Securities Rulemaking Board (the Board) was established in 1975 pursuant to authority granted by the Securities Exchange Act of 1934, as amended by the Securities Acts Amendments of 1975, as an independent, self-regulatory organization charged with rulemaking responsibility for the municipal securities industry.

Assessment fees

The underwriting assessment fee is equal to a percentage of the face amount of all municipal securities which are purchased from an issuer as part of a new issue by or through such municipal securities broker or municipal securities dealer, whether acting as principal or agent, and which have a final stated maturity of not less than two years and an aggregate par value of not less than \$1,000,000. This fee amounted to .001% of all such sales in 1984 and 1983. Revenue from assessment fees is recognized upon the sale of the issue and is payable within 30 days of settlement with the issuer.

Annual fees

Each municipal securities broker and municipal securities dealer is required to pay an annual fee of \$100 with respect to each fiscal year of the Board in which the municipal securities broker or municipal securities dealer conducts business. This fee is due by February 15 of the fiscal year for which the fee is paid.

Initial fees

The initial fee is a one-time fee of \$100 which is to be paid by every municipal securities broker or municipal securities dealer registered with the SEC.

Continued

MUNICIPAL SECURITIES RULEMAKING BOARD
NOTES TO FINANCIAL STATEMENTS

Revenue from initial fees is recognized when received by the Board.

Investments

Investments in securities are stated at cost which closely approximates market.

Depreciation and amortization

Depreciation of fixed assets is computed on the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is computed on the straight-line method over the shorter of the remaining lease period or the estimated useful life of the improvement.

2. Investments

A summary of investments is as follows:

	September 30,	
	1984	1983
T. Rowe Price U. S. Treasury Money Fund	\$ 91,011	\$ 66,229
U. S. Treasury Bills	850,923	1,198,970
	<u>\$941,934</u>	<u>\$1,265,199</u>

3. Commitments

The Board will lease its current office space through December 14, 1984 at a monthly rental of \$4,191. Effective December 15, 1984, the Board will assign the rights to lease its present office space to a current tenant of the building and be released of all further obligations under this lease. The Board expects to realize a net gain after receiving an undetermined amount of cash for assigning its rights under this lease and charging to expense the net book value of abandoned leasehold improvements.

Continued

MUNICIPAL SECURITIES RULEMAKING BOARD
NOTES TO FINANCIAL STATEMENTS

Commencing November 16, 1984, the Board will lease new office space under a lease agreement expiring in November 1994, at a monthly rent of \$9,350 through May 1987, and \$18,700 a month for the remainder of the lease term, subject to an annual escalation based on the Consumer Price Index and a proportionate share of the increase in the costs of operating the building. The lease may be renewed at the Board's option, for a period of five years, in accordance with the terms set forth in the lease agreement.

Total lease expense for office space and equipment for the years ended September 30, 1984 and 1983, was \$91,700 and \$89,800, respectively.

4. Retirement plan

The Board has a defined-contribution retirement plan. Participation in the plan is voluntary, and all employees are eligible to participate upon attaining a minimum length of service. The Board makes contributions to an insurance company based on a percentage of the salaries of covered employees and their lengths of service. Retirement plan costs are funded as they accrue. Employees may also make voluntary contributions. Costs of the plan were approximately \$37,200 in 1984 and \$31,700 in 1983.

5. Income taxes

Under provisions of the Internal Revenue Code and applicable income tax regulations of the District of Columbia, the Board is exempt from taxes on income other than unrelated business income. No provision for income taxes is required as of September 30, 1984 and 1983, since the Board had no unrelated business income.



1818 N STREET, N.W. SUITE 800
WASHINGTON, D.C. 20036-2491
TELEPHONE: 202-223-9347

Form A-13

Full Name of Issuer/Description of Issue _____

_____ State _____

Date of Sale/Commitment _____ Date of Settlement _____

Par Value of Issue _____ Date of Final Maturity _____

Amount of Fee Paid _____ Dated Date _____

Managing Underwriter _____

Please attach a list of all syndicate members and their respective participations: