

## TEXT OF PROPOSED RULE CHANGE

*Note: Proposed new language is underlined. Proposed deletions are enclosed in brackets.*

### **RESTATED INTERPRETIVE NOTICE REGARDING THE APPLICATION OF MSRB RULES TO TRANSACTIONS WITH SOPHISTICATED MUNICIPAL MARKET PROFESSIONALS [- April 30, 2002]**

[Industry participants have suggested that the] **The** MSRB's fair practice rules [should] allow dealers[1] to recognize the different capabilities of certain institutional customers as well as the varied types of dealer-customer relationships. [Prior MSRB interpretations reflect that the nature of the dealer's counter-party should be considered when determining the specific actions a dealer must undertake to meet its duty to deal fairly. The MSRB believes that dealers may consider the nature of the institutional customer in determining what specific actions are necessary to meet the fair practice standards for a particular transaction.] This interpretive notice concerns [only] the manner in which a dealer determines that it has met certain of its fair practice obligations to certain institutional customers; it does not alter the basic duty to deal fairly, which applies to all transactions and all customers. For purposes of this [interpretive] notice, an **"institutional customer"** [shall be an entity, other than a natural person (corporation, partnership, trust, or otherwise), with total assets of at least \$100 million invested in municipal securities in the aggregate in its portfolio and/or under management] **shall mean a customer with an "institutional account" as defined in Rule G-8(a)(xi).**[2]

#### **Sophisticated Municipal Market Professionals**

**For purposes of this notice, the term "sophisticated municipal market professional" or "SMMP" shall mean an institutional customer of a dealer that: (1) the dealer has a reasonable basis to believe is capable of evaluating investment risks and market value independently, both in general and with regard to particular transactions in municipal securities, and (2) affirmatively indicates that it is exercising independent judgment in evaluating the recommendations of the dealer. As part of the reasonable basis analysis required by clause (1), the dealer should consider the amount and type of municipal securities owned or under management by the institutional customer. A customer may make the affirmation required by clause (2) either orally or in writing and may provide the affirmation on a trade-by-trade basis, on a type-of-municipal-security basis (e.g., general obligation, revenue, variable rate, etc.), or for all potential transactions for the customer's account.**

[Not all institutional customers are sophisticated regarding investments in municipal securities. There are three important considerations with respect to the nature of an institutional customer in determining the scope of a dealer's fair practice obligations. They are:

- Whether the institutional customer has timely access to all publicly available material facts concerning a municipal securities transaction;

- Whether the institutional customer is capable of independently evaluating the investment risk and market value of the municipal securities at issue; and
- Whether the institutional customer is making independent investment decisions about its investments in municipal securities.]

[When a dealer has reasonable grounds for concluding that an institutional customer (i) has timely access to the publicly available material facts concerning a municipal securities transaction; (ii) is capable of independently evaluating the investment risk and market value of the municipal securities at issue; and (iii) is making independent decisions about its investments in municipal securities, and other known facts do not contradict such a conclusion, the institutional customer can be considered a sophisticated municipal market professional (“SMMP”).]

While it is difficult to define in advance the scope of a dealer’s fair practice obligations with respect to a particular transaction, as will be discussed later, by making a reasonable determination that an institutional customer is an SMMP, [then] certain of the dealer’s fair practice obligations remain applicable but are deemed fulfilled. In addition, as discussed below, the fact that a quotation is made by an SMMP would [have an impact on] **affect** how such quotation is treated under [rule] **Rule** G-13.

### **[Considerations Regarding The Identification Of Sophisticated Municipal Market Professionals]**

#### **Application of SMMP Concept to Rule G-17**

The MSRB has [identified certain factors for evaluating an institutional investor’s sophistication concerning a municipal securities transaction and these factors are discussed in detail below. Moreover, dealers are advised that they have the option of having investors attest to SMMP status as a means of streamlining the dealers’ process for determining that the customer is an SMMP. However, a dealer would not be able to rely upon a customer’s SMMP attestation if the dealer knows or has reason to know that an investor lacks sophistication concerning a municipal securities transaction, as discussed in detail below.] **interpreted Rule G-17 to require a dealer, in connection with any sale of municipal securities, to disclose to its customer, at or prior to the time of trade, all material information about the transaction known by the dealer, as well as material information about the security that is reasonably accessible to the market from established industry sources.[3] A dealer must provide its customer with a complete description of the security, including a description of the features that would likely be considered significant by a reasonable investor and facts that are material to assessing the potential risks of the investment.[4]**

#### **[Access to Material Facts]**

[A determination that an institutional customer has timely access to the publicly available material facts concerning the municipal securities transaction will depend on the customer’s resources and the customer’s ready access to established industry sources (as defined below) for

disseminating material information concerning the transaction. Although the following list is not exhaustive, the MSRB notes that relevant considerations in determining that an institutional customer has timely access to publicly available information could include:

- the resources available to the institutional customer to investigate the transaction (*e.g.*, research analysts);
- the institutional customer's independent access to the NRMSIR system,[2] and information generated by the MSRB's Municipal Securities Information Library® (MSIL®) system[3] and Transaction Reporting System ("TRS"),[4] either directly or through services that subscribe to such systems; and
- the institutional customer's access to other sources of information concerning material financial developments affecting an issuer's securities (*e.g.*, rating agency data and indicative data sources).]

#### [Independent Evaluation of Investment Risks and Market Value]

[Second, a determination that an institutional customer is capable of independently evaluating the investment risk and market value of the municipal securities that are the subject of the transaction will depend on an examination of the institutional customer's ability to make its own investment decisions, including the municipal securities resources available to the institutional customer to make informed decisions. In some cases, the dealer may conclude that the institutional customer is not capable of independently making the requisite risk and valuation assessments with respect to municipal securities in general. In other cases, the institutional customer may have general capability, but may not be able to independently exercise these functions with respect to a municipal market sector or type of municipal security. This is more likely to arise with relatively new types of municipal securities and those with significantly different risk or volatility characteristics than other municipal securities investments generally made by the institution. If an institution is either generally not capable of evaluating investment risk or lacks sufficient capability to evaluate the particular municipal security, the scope of a dealer's fair practice obligations would not be diminished by the fact that the dealer was dealing with an institutional customer. On the other hand, the fact that a customer initially needed help understanding a potential investment need not necessarily imply that the customer did not ultimately develop an understanding and make an independent investment decision.]

[While the following list is not exhaustive, the MSRB notes that relevant considerations in determining that an institutional customer is capable of independently evaluating investment risk and market value considerations could include:

- the use of one or more consultants, investment advisers, research analysts or bank trust departments;
- the general level of experience of the institutional customer in municipal securities markets and specific experience with the type of municipal securities under consideration;

- the institutional customer's ability to understand the economic features of the municipal security;
- the institutional customer's ability to independently evaluate how market developments would affect the municipal security that is under consideration; and
- the complexity of the municipal security or securities involved.]

#### [Independent Investment Decisions]

[Finally, a determination that an institutional customer is making independent investment decisions will depend on whether the institutional customer is making a decision based on its own thorough independent assessment of the opportunities and risks presented by the potential investment, market forces and other investment considerations. This determination will depend on the nature of the relationship that exists between the dealer and the institutional customer. While the following list is not exhaustive, the MSRB notes that relevant considerations in determining that an institutional customer is making independent investment decisions could include:

- any written or oral understanding that exists between the dealer and the institutional customer regarding the nature of the relationship between the dealer and the institutional customer and the services to be rendered by the dealer;
- the presence or absence of a pattern of acceptance of the dealer's recommendations;
- the use by the institutional customer of ideas, suggestions, market views and information relating to municipal securities obtained from sources other than the dealer; and
- the extent to which the dealer has received from the institutional customer current comprehensive portfolio information in connection with discussing potential municipal securities transactions or has not been provided important information regarding the institutional customer's portfolio or investment objectives.]

[Dealers are reminded that these factors are merely guidelines which will be utilized to determine whether a dealer has fulfilled its fair practice obligations with respect to a specific institutional customer transaction and that the inclusion or absence of any of these factors is not dispositive of the determination. Such a determination can only be made on a case-by-case basis taking into consideration all the facts and circumstances of a particular dealer/customer relationship, assessed in the context of a particular transaction. As a means of ensuring that customers continue to meet the defined SMMP criteria, dealers are required to put into place a process for periodic review of a customer's SMMP status.]

#### **[Application of SMMP Concept to Rule G-17's Affirmative Disclosure Obligations]**

[The SMMP concept as it applies to rule G-17 recognizes that the actions of a dealer in complying with its affirmative disclosure obligations under rule G-17 when effecting non-recommended secondary market transactions may depend on the nature of the customer. While it is difficult to define in advance the scope of a dealer's affirmative disclosure obligations to a particular institutional customer, the MSRB has identified the factors that define an SMMP as factors that may be relevant when considering compliance with the affirmative disclosure aspects of rule G-17.]

[When] **However, when** the dealer has reasonable grounds for concluding that the [institutional] customer is an SMMP, [ the institutional customer, by definition, is already aware, or capable of making itself aware of, material facts and is able to independently understand the significance of the material facts available from established industry sources.[5] When the dealer has reasonable grounds for concluding that the customer is an SMMP then] the dealer's obligation [ when effecting non-recommended secondary market transactions] to ensure disclosure of material information available from established industry sources is fulfilled. There may be times when an SMMP is not satisfied that the information available from established industry sources is sufficient to allow it to make an informed investment decision. In those circumstances, the MSRB believes that an SMMP can recognize that risk and take appropriate action, [be it] **by** declining to transact, undertaking additional investigation, or asking the dealer to undertake additional investigation.

This interpretation does nothing to alter a dealer's duty not to engage in deceptive, dishonest, or unfair practices under [rule] **Rule** G-17 or under the federal securities laws. In essence, a dealer's disclosure obligations to SMMPs [when effecting non-recommended secondary market transactions] would be on **a** par with inter-dealer disclosure obligations. This interpretation will be particularly relevant to dealers operating [electronic trading platforms] **alternative trading systems**, although it will also apply to **other** dealers [who act as order takers over the phone or in-person. [6] This interpretation recognizes that there is no need for a dealer in a non-recommended secondary market transaction to disclose material facts available from established industry sources to an SMMP customer that already has access to the established industry sources.[7]].

As in the case of an inter-dealer transaction, in a transaction with an SMMP, a dealer's intentional withholding of a material fact about a security, [where] **when** the information is not accessible through established industry sources, may constitute an unfair practice [violative of rule] **that violates Rule** G-17. In addition, a dealer may not knowingly misdescribe securities to the customer. A dealer's duty not to mislead its customers is absolute and is not dependent upon the nature of the customer.

### **Application of SMMP Concept to Rule G-18 [ Interpretation—Duty to Ensure That Agency Transactions Are Effected at Fair and Reasonable Prices]**

Rule G-18 [requires] **provides** that each dealer, when executing a transaction in municipal securities for or on behalf of a customer as agent, **must** make a reasonable effort to obtain a price for the customer that is fair and reasonable in relation to prevailing market conditions.[[8]]The actions that must be taken by a dealer to make reasonable efforts to ensure that its non-

recommended secondary market agency transactions with customers are effected at fair and reasonable prices may be influenced by the nature of the customer as well as by the services explicitly offered by the dealer.

If a dealer effects non-recommended secondary market agency transactions for SMMPs and its services have been explicitly limited to providing anonymity, communication, order matching, and/or clearance functions and the dealer does not exercise discretion as to how or when a transaction is executed, [then] the MSRB believes the dealer is not required to take further actions on individual transactions to ensure that its agency transactions are effected at fair and reasonable prices.[[9]] By making the determination that the customer is an SMMP, the dealer necessarily concludes that the customer has met the requisite high thresholds regarding [timely access to information,] capability of evaluating risks and market values, and undertaking of independent investment decisions that would help ensure the institutional customer's ability to evaluate whether a transaction's price is fair and reasonable.

This interpretation will be particularly relevant to dealers operating alternative trading systems in which [participation is limited to dealers and SMMPs. It clarifies that in such systems rule G-18 does not impose an obligation upon the dealer operating such a system to investigate each individual transaction price to determine its relationship to the market. The MSRB recognizes that dealers operating such systems may be merely aggregating the buy and sell interest of other dealers or SMMPs. This function may provide efficiencies to the market. Requiring the system operator to evaluate each transaction effected on its system may reduce or eliminate the desired efficiencies. Even] **SMMPs are permitted to participate. However, even** though this interpretation eliminates a duty to evaluate each **individual** transaction **price**, a dealer operating such system, under the general duty set forth in [rule] **Rule** G-18, must act to investigate any alleged pricing irregularities on its system brought to its attention. Accordingly, a dealer may be subject to [rule] **Rule** G-18 violations if it fails to take actions to address system or participant pricing abuses.

If a dealer effects agency transactions for customers [who] **that** are not SMMPs, or has held itself out to do more than provide anonymity, communication, matching and/or clearance services, or performs such services with discretion as to how and when the transaction is executed, it will be required to establish that it exercised reasonable efforts to ensure that its agency transactions with customers are effected at fair and reasonable prices. **Further, if a dealer engages in principal transactions with an SMMP, Rule G-30(a) applies and the dealer is responsible for a transaction-by-transaction review to ensure that it is charging a fair and reasonable price. In addition, Rule G-30(b) applies to the commission or service charges that a dealer operating an alternative trading system may charge to effect the agency transactions that take place on its system, even in connection with transactions with SMMPs for which no further action is required pursuant to this notice with respect to Rule G-18.**

**Application of SMMP Concept to Rule G-19 [ Interpretation--Suitability of Recommendations and Transactions]**

The MSRB's suitability rule is fundamental to fair dealing and is intended to promote ethical sales practices and high standards of professional conduct. Dealers' responsibilities include having a reasonable basis for recommending a particular security or strategy, as well as having reasonable grounds for believing the recommendation is suitable for the customer to whom it is made. Dealers are expected to meet the same high standards of competence, professionalism, and good faith regardless of the financial circumstances of the customer. Rule G-19, on suitability of recommendations and transactions, requires that, in recommending to a customer any municipal security transaction, a dealer shall have reasonable grounds for believing that the recommendation is suitable for the customer based upon information available from the issuer of the security or otherwise and based upon the facts disclosed by the customer or otherwise known about the customer.

This guidance concerns only the manner in which a dealer determines that a recommendation is suitable for a particular institutional customer. The manner in which a dealer fulfills this suitability obligation will vary depending on the nature of the customer and the specific transaction. Accordingly, this interpretation deals only with guidance regarding how a dealer will fulfill such "customer-specific suitability obligations" under [rule] **Rule** G-19. This interpretation does not address the obligation related to suitability that requires that a dealer have a "reasonable basis" to believe that the recommendation could be suitable for at least some customers. In the case of a recommended transaction, a dealer may, depending upon the facts and circumstances, be obligated to undertake a more comprehensive review or investigation in order to meet its obligation under [rule] **Rule** G-19 to have a "reasonable basis" to believe that the recommendation could be suitable for at least some customers. [[10]] **[5]**

The manner in which a dealer fulfills its "customer-specific suitability obligations" will vary depending on the nature of the customer and the specific transaction. While it is difficult to define in advance the scope of a dealer's suitability obligation with respect to a specific institutional customer transaction recommended by a dealer, the MSRB has identified the factors that define an SMMP as factors that may be relevant when considering compliance with [rule] **Rule** G-19. Where the dealer has reasonable grounds for concluding that an institutional customer is an SMMP, then a dealer's obligation to determine that a recommendation is suitable for that particular customer is fulfilled.

This interpretation does not address the facts and circumstances that go into determining whether an electronic communication does or does not constitute a "recommendation."

### **Application of SMMP Concept to Rule G-13 [, on Quotations]**

[New electronic trading systems provide a variety of avenues for disseminating quotations among both dealers and customers. In general, except as described below] **Under Rule G-13, no dealer may distribute or publish, or cause to be distributed or published, any quotation relating to municipal securities, unless the quotation is *bona fide* (i.e., the dealer making the quotation is prepared to execute at the quoted price) and the price stated in the quotation is based on the best judgment of the dealer of the fair market value of the securities that are the subject of the quotation at the time the quotation is made. In general,** any quotation disseminated by a dealer [is presumed to be a quotation made by such

dealer. In addition, any “quotation” of a non-dealer (*e.g.*) **(including the quotation of** an investor) [relating to municipal securities that is disseminated by a dealer] is presumed [, except as described below,] to be a quotation made by [such] **the** dealer [.]<sup>[11]</sup> The **and the** dealer is [affirmatively] responsible [in either case] for ensuring compliance with the *bona fide* and fair market value requirements with respect to [such] **the** quotation.<sup>[6]</sup> However, if a dealer disseminates a quotation that is actually made by another dealer and the quotation is labeled as such, then the quotation is presumed to be a quotation made by such other dealer and not by the disseminating dealer. [Furthermore, if] **In such a case, the disseminating dealer is only required to have no reason to believe that either: (i) the quotation does not represent a bona fide bid for, or offer of, municipal securities by the maker of the quotation or (ii) the price stated in the quotation is not based on the best judgment of the maker of the quotation of the fair market value of the securities.**

**If** an SMMP makes a “quotation” and it is labeled as such, then it is presumed not to be a quotation made by the disseminating dealer; rather, the dealer is held to the same standard as if it were disseminating a quotation made by another dealer. <sup>[12]</sup> <sup>[7]</sup> In either case, the disseminating dealer’s responsibility with respect to such quotation is reduced. Under these circumstances, the disseminating dealer must have no reason to believe that either: (i) the quotation does not represent a *bona fide* bid for, or offer of, municipal securities by the maker of the quotation or (ii) the price stated in the quotation is not based on the best judgment of the maker of the quotation of the fair market value of the securities.

While [rule] **Rule** G-13 does not impose an affirmative duty on the dealer disseminating quotations made by other dealers or SMMPs to investigate or determine the market value or *bona fide* nature of each such quotation, it does require that the disseminating dealer take into account any information it receives regarding the nature of the quotations it disseminates. Based on this information, such a dealer must have no reason to believe that these quotations fail to meet either the *bona fide* or the fair market value requirement and it must take action to address such problems brought to its attention. Reasons for believing there are problems could include, among other things, (i) complaints received from dealers and investors seeking to execute against such quotations, (ii) a pattern of a dealer or SMMP failing to update, confirm, or withdraw its outstanding quotations so as to raise an inference that such quotations may be stale or invalid, or (iii) a pattern of a dealer or SMMP effecting transactions at prices that depart materially from the price listed in the quotations in a manner that consistently is favorable to the party making the quotation. <sup>[13]</sup> <sup>[8]</sup>

In a prior MSRB interpretation stating that stale or invalid quotations published in a daily or other listing must be withdrawn or updated in the next publication, the MSRB did not consider the situation where quotations are disseminated electronically on a continuous basis. <sup>[14]</sup> <sup>[9]</sup> In such case, the MSRB believes that the *bona fide* requirement obligates a dealer to withdraw or update a stale or invalid quotation promptly enough to prevent a quotation from becoming misleading as to the dealer’s willingness to buy or sell at the stated price. In addition, although not required under the rule, the MSRB believes that posting the time and date of the most recent update of a quotation can be a positive factor in determining whether the dealer has taken steps to ensure that a quotation it disseminates is not stale or misleading.



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[1] The term “dealer” is used in this notice as shorthand for “broker,” “dealer” or “municipal securities dealer,” as those terms are defined in the Securities Exchange Act of 1934 (**the “Exchange Act”**). The use of the term in this notice does not imply that the entity is necessarily taking a principal position in a municipal security.

**[2] Rule G-8(a)(xi) defines “institutional account” as the account of (i) a bank, savings and loan association, insurance company, or registered investment company; (ii) an investment adviser registered either with the Commission under Section 203 of the Investment Advisers Act of 1940 or with a state securities commission (or any agency or office performing like functions); or (iii) any other entity (whether a natural person, corporation, partnership, trust, or otherwise) with total assets of at least \$50 million.**

**[3] See, e.g., Guidance on Disclosure and Other Sales Practice Obligations to Individual and Other Retail Investors in Municipal Securities (July 14, 2009); see also Interpretive Notice Regarding Rule G-17, on Disclosure of Material Facts (March 20, 2002).**

**[4] The Supreme Court has stated that a fact is material when there is a “substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the ‘total mix’ of information made available.” *Matrixx Initiatives, Inc. v. Siracusano*, 131 S. Ct. 1309 (2011); *Basic Inc. v. Levinson*, 485 U.S. 224 (1988); *TSC Industries, Inc. v. Northway, Inc.*, 426 U.S. 438 (1976).**

[[2] For purposes of this notice, the “NRMSIR system” refers to the disclosure dissemination system adopted by the SEC in Rule 15c2-12. Under Rule 15c2-12, as adopted in 1989, participating underwriters provide a copy of the final official statement to a Nationally Recognized Municipal Securities Information Repository (“NRMSIR”) to reduce their obligation to provide a final official statement to potential customers upon request. In the 1994 amendments to Rule 15c2-12 the Commission determined to require that annual financial information and audited financial statements submitted in accordance with issuer undertakings must be delivered to each NRMSIR and to the State Information Depository (“SID”) in the issuer’s state, if such depository has been established. The requirement to have annual financial information and audited financial statements delivered to all NRMSIRs and the appropriate SID was included in Rule 15c2-12 to ensure that all NRMSIRs receive disclosure information directly. Under the 1994 amendments, notices of material events, as well as notices of a failure by an issuer or other obligated person to provide annual financial information, must be delivered to each NRMSIR or the MSRB, and the appropriate SID.]

[[3] The MSIL<sup>®</sup> system collects and makes available to the marketplace official statements and advance refunding documents submitted under MSRB rule G-36, as well as certain secondary market material event disclosures provided by issuers under SEC Rule 15c2-12. Municipal Securities Information Library<sup>®</sup> and MSIL<sup>®</sup> are registered trademarks of the MSRB.]

[[4] The MSRB’s TRS collects and makes available to the marketplace information regarding inter-dealer and dealer-customer transactions in municipal securities.]

[[5] The MSRB has filed a related notice regarding the disclosure of material facts under rule G-17 concurrently with this filing. *See* SEC File No. SR-MSRB-2002-01. The MSRB’s rule G-17 notice provides that a dealer would be responsible for disclosing to a customer any material fact concerning a municipal security transaction (regardless of whether such transaction had been recommended by the dealer) made publicly available through sources such as the NRMSIR system, the MSIL<sup>®</sup> system, TRS, rating agency reports and other sources of information relating to the municipal securities transaction generally used by dealers that effect transactions in municipal securities (collectively, “established industry sources”).]

[[6] For example, if an SMMP reviewed an offering of municipal securities on an electronic platform that limited transaction capabilities to broker-dealers and then called up a dealer and asked the dealer to place a bid on such offering at a particular price, the interpretation would apply because the dealer would be acting merely as an order taker effecting a non-recommended secondary market transaction for the SMMP.]

[[7] In order to meet the definition of an SMMP an institutional customer must, at least, have access to established industry sources.]

[[8] This guidance only applies to the actions necessary for a dealer to ensure that its agency transactions are effected at fair and reasonable prices. If a dealer engages in principal transactions with an SMMP, rule G-30(a) applies and the dealer is responsible for a transaction-by-transaction review to ensure that it is charging a fair and reasonable price. In addition, rule G-30(b) applies to the commission or service charges that a dealer operating an electronic trading system may charge to effect the agency transactions that take place on its system.]

[[9] Similarly, the MSRB believes the same limited agency functions can be undertaken by a broker’s broker toward other dealers. For example, if a broker’s broker effects agency transactions for other dealers and its services have been explicitly limited to providing anonymity, communication, order matching and/or clearance functions and the dealer does not exercise discretion as to how or when a transaction is executed, then the MSRB believes the broker’s broker is not required to take further actions on individual transactions to ensure that its agency transactions with other dealers are effected at fair and reasonable prices.]

[[10] *See e.g.*, Rule G-19 Interpretation—Notice Concerning the Application of Suitability Requirements to Investment Seminars and Customer Inquiries Made in Response to a Dealer’s Advertisement, May 7, 1985, *MSRB Rule Book* (July 1, 2001) at 135; *In re F.J. Kaufman and Company of Virginia*, 50 S.E.C. 164, 168, 1989 SEC LEXIS 2376, \*10 (1989). The SEC, in its discussion of municipal underwriters’ responsibilities in a 1988 Release, noted that “a broker-dealer recommending securities to investors implies by its recommendation that it has an adequate basis for the recommendation.” *Municipal Securities Disclosure*, Exchange Act Release No. 26100 (September 22, 1988) (the “1988 SEC Release”) at text accompanying note 72.]

**[5] See MSRB Interpretive Notice Regarding Rule G-17, on Disclosure of Material Facts (March 20, 2002); see also MSRB Notice Regarding Application of Rule G-19, on**

**Suitability of Recommendations and Transactions, to Online Communications (September 25, 2002).**

[[11]] A customer's bid for, offer of, or request for bid or offer is included within the meaning of a "quotation" if it is disseminated by a dealer.]

**[6] A customer's bid for, offer of, or request for bid or offer is included within the meaning of a "quotation" if it is disseminated by a dealer.**

[[12]] [7] The disseminating dealer need not identify by name the maker of the quotation, but only that such quotation was made by another dealer or an SMMP, as appropriate.

[[13]] [8] The MSRB believes that, consistent with its view previously expressed with respect to "bait-and-switch" advertisements, a dealer that includes a price in its quotation that is designed as a mechanism to attract potential customers interested in the quoted security for the primary purpose of drawing such potential customers into a negotiation on that or another security, where the quoting dealer has no intention at the time it makes the quotation of executing a transaction in such security at that price, could be a violation of [rule] **Rule** G-17. See [Rule G-21 Interpretive Letter – Disclosure obligations, *MSRB interpretation of May 21, 1998*, *MSRB Rule Book* (July 1, 2001) at p. 139.] **MSRB Rule G-21 Interpretive Letter – Disclosure Obligations (May 21, 1998).**

[[14]] [9] See [Rule G-13 Interpretation, Notice of Interpretation of Rule G-13 on Published Quotations, April 21, 1988, *MSRB Rule Book* (July 1, 2001) at 91.] **MSRB Notice of Interpretation of Rule G-13 on Published Quotations (April 21, 1988).**