[Release No. 34–36522; File No. SR–MSRB– 95–15]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Municipal Securities Rulemaking Board Relating to Consultants

November 28, 1995.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"), 15 U.S.C. 78s(b)(1), notice is hereby given that on September 28, 1995,1 the Municipal Securities Rulemaking Board (MSRB'' or "Board") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by the MSRB. The Board has requested that the Commission delay the effective date of the proposed rule change until sixty (60) days after the Commission's approval thereof. 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 Board proposes to amend rules $G-8^2$ and $G-9,^3$ on recordkeeping and record retention, rule $G-27,^4$ on political contributions and prohibitions on municipal securities business, and add a new rule G-38 regarding consultants. The Board also proposes to amend its Form G-37, and redesignate it as Form G-37/G-38.

Below is the text of the proposed rule change. Proposed new language is italicized; proposed deletions are in brackets.

Rule G–8. Books and Records To Be Made by Brokers, Dealers and Municipal Securities Dealers

(a) Description of Books and Records Required to be Made.

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(xvi) Records Concerning Political Contributions and Prohibitions on Municipal Securities Business Pursuant to Rule G-37, Records reflecting: * * * (D) a listing of the issuers with which the broker, dealer or municipal securities dealer has engaged in municipal securities business, along with the type of municipal securities business engaged in, during the current year and separate listings for each of the previous two calendar years[. Where applicable, a listing of the name, company, role and compensation arrangement of any person employed by the broker, dealer or municipal securities dealer to obtain or detain municipal securities business with such issuers also shall be made]; * * *

(xvii) Records Concerning Consultants Pursuant to Rule G-38. Each broker, dealer and municipal securities dealer shall maintain: (i) A listing of the name, company, role and compensation arrangement of each consultant; (ii) a copy of each Consultant Agreement referred to in rule G-38(b); (iii) a listing of the compensation paid in connection with each such Consultant Agreement; (iv) where applicable, a listing of the municipal securities business obtained or retained through the activities of each consultant; (v) a listing of issuers and a record of disclosures made to such issuers, pursuant to rule G-38(c), concerning each consultant used by the broker, dealer or municipal securities dealer to obtain or retain municipal securities business with each such issuer; and (vi) the date of termination of any consultant arrangement

(f) Compliance with Rule 17a-3. Brokers, dealers and municipal securities dealers other than bank dealers which are in compliance with rule 17a-3 of the Commission will be deemed to be in compliance with the requirements of this rule, provided that the information required by subparagraph (a)(iv)(D) of this rule as it relates to uncompleted transactions involving customers; paragraph (a)(viii); paragraph (a)(xi); paragraph (a)(xii); paragraph (a)(xiii); paragraph (a)(xiv); paragraph (a)(xv); paragraph (a)(xvi); [and] paragraph (a)(xvii); and paragraph (a)(xviii) shall in any event be maintained.

Rule G-9. Preservation of Records

- (a) Records to be Preserved for Six Years. Every broker, dealer and municipal securities dealer shall preserve the following records for a period of not less than six years. * * *
- (x) the records required to be maintained pursuant to rule G-8(a)(xviii).

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Rule G–37. Political Contributions and Prohibitions on Municipal Securities Business

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(e)(i) Each broker, dealer or municipal securities dealer shall submit to the Board, by certified or registered mail, or some other equally prompt means that provides a record of sending, and the Board shall make public, reports on contributions to officials of issuers and on payments to political parties of states and political subdivisions that are required to be recorded pursuant to rule G–8(a)(xvi). Such reports shall include information concerning the amount of contributions to officials of issuers and payments to political parties of states and political subdivisions and an indication of the contributor category of each contribution or payment made by:

Such reports also shall include information on municipal securities business engaged in and certain other information specified in this section (e), as well as other identifying information as may be determined by the Board from time to time [in accordance with Board rule G–37 filing procedures].

(ii) *Two copies of the* [R]*r*eports referred to in paragraph (i) of this section (e) must be submitted to the Board on Form G-37/G-38 [in accordance with Board rule G-37 filing procedures, quarterly with due dates determined by the Board,] within thirty (30) calendar days after the end of each calendar quarter (these dates correspond to January 31, April 30, July 31 and October 31), and must include, in the prescribed format, by state, the following information on contributions to each official of an issuer and payments to each political party of a state or political subdivision made and municipal securities business engaged in during the reporting period: (A) name and title (including any city/county/ state or political subdivision) of each official of an issuer and political party receiving contributions or payments; (B) [total number and dollar amount of contributions or payments made by contribution or payment amount made and the contributor category of the persons and entities described in paragraph (i) of this section (e); and (C) such other identifying information required by Form G-37/G-38. Such reports also must include a list of issuers with which the broker, dealer or municipal securities dealer has engaged in municipal securities business, along with the type of municipal securities business [and the name, company, role and compensation arrangement of any person, other than a municipal finance

¹ On November 15, 1995, the MSRB filed Amendment No. 1 with the Commission. Amendment No. 1 was a minor technical amendment, the text of which may be examined in the Commission's Public Reference Room, *See* Letter from Jill C. Finder, Assistant General Counsel, MSRB, to Ethan D. Corey, Senior Counsel, Division of Market Regulation, Commission, dated November 15. 1995.

 $^{^2}$ MSRB Manual, General Rules, G–8 (CCH) ¶ 3536.

 $^{^3}$ MSRB Manual, General Rules, G–9 (CCH) \P 3541.

⁴ MSRB Manual, General Rules, G–37 (CCH) ¶ 3681