

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-56736; File No. SR-MSRB-2007-04)

November 2, 2007

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing of Proposed Rule Change Relating to Amendments to Rule G-40 on E-Mail Contacts

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on October 16, 2007, the Municipal Securities Rulemaking Board (“MSRB”) 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 substantially 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 is filing with the Commission a proposed rule change consisting of amendments to Rule G-40, on electronic mail contacts, that would more fully conform MSRB requirements to Financial Industry Regulatory Authority (“FINRA”) requirements relating to contact information. The MSRB proposes that the amendments become effective on December 31, 2007 to coincide with the effective date of recently-approved FINRA requirements.³ The text of the proposed rule change is available on the MSRB’s

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Securities Exchange Act Release No. 56179 (August 1, 2007), 72 FR 44203 (August 7, 2007) (SR-NASD-2007-034).

Web site (<http://www.msrb.org>), 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

In 2002, the MSRB adopted Rule G-40, on e-mail contacts, to establish a reliable method for electronic communication with brokers, dealers and municipal securities dealers (collectively, "dealers").⁴ The rule requires, among other things, that dealers use Form G-40 to appoint a "Primary Contact" for purposes of electronic communication between the dealer and the MSRB. The Primary Contact must be either a Series 53-registered municipal securities principal or a Series 51-registered municipal fund

⁴ In adopting the rule, the MSRB stated that the events of September 11, 2001 and the weeks that followed, emphasized the importance of, and need for an efficient and reliable means of official communication between regulators and the industry, and that establishing a reliable method for electronic communication was necessary to allow the MSRB to efficiently alert dealers to official communications, including time-sensitive developments, rule changes, notices, etc., as well as to facilitate dealers' internal distribution of such information. The MSRB also noted that it had discontinued publication of MSRB Reports in 2002 (since that time, all MSRB notices have been available exclusively on the MSRB web site at www.msrb.org). The rule was approved in Securities Exchange Act Release No. 46043 (June 6, 2002), 67 FR 40762 (June 13, 2002) (SR-MSRB 2002-05).

securities limited principal.⁵ Dealers are required to submit their original forms and any subsequent changes electronically through their electronic G-40 account using the appropriate user ID and password. The rule also requires that each dealer maintain an Internet electronic mail account to permit communication with the MSRB, and to review and, if necessary, update its Primary Contact information within 17 business days after the end of each calendar quarter.

Rule G-40 was based on similar NASD (now FINRA) requirements.⁶ The MSRB attempts, whenever possible, to adopt rule provisions and language similar to FINRA rules in order to facilitate dealer understanding of and compliance with such provisions, as well as inspection and enforcement.

The Commission recently approved a FINRA proposal, which becomes effective December 31, 2007, that: (i) changes the quarterly review/update requirement to an annual requirement; (ii) requires firms to update their required contact information promptly but not later than 30 days following any change in such information; and (iii) requires firms to comply with any FINRA request for such information promptly but not

⁵ Dealers may also appoint an “Optional Contact” and this person does not have to be a registered principal.

⁶ Those NASD requirements (set forth in Article IV, Section 3 of the NASD By-Laws) required member firms to appoint and certify one “executive representative” to, among other things, serve as the official contact person between the firm and NASD; the executive representative was required to be a member of the firm’s senior management and a registered principal of the member, and was required to maintain an Internet e-mail account for communication with NASD. In addition, NASD Rule 1150 (Executive Representative) required each member firm to review and, if necessary, update its executive representative information within 17 business days after the end of the each calendar quarter.

later than 15 days following such request, or such longer period that may be agreed to by FINRA staff.⁷

The MSRB has determined to similarly amend Rule G-40 to ensure a coordinated regulatory approach in this area. Thus, the proposed amendments to Rule G-40 would require dealers to: (i) promptly update any change in the required information for their Primary Contact but not later than 30 days following such change; (ii) review and, if necessary, update required information on their Primary Contact within 17 business days after the end of each calendar year; and (iii) promptly comply with any request by the appropriate regulatory agency (as defined in Section 3(a)(34) of the Act) for such information but not later than 15 days following such request, or such longer period that may be agreed to by the appropriate regulatory agency.

⁷ In its filing (File No. SR-NASD-2007-034 and Amendment No. 1 thereto), NASD proposed to adopt new Rule 1160 (Firm Contact Information) regarding the reporting of designated contact information to NASD and the annual review of such information. NASD also proposed amendments to, among other things, Rule 1150 (Executive Representative) to eliminate the requirement that members review and update, at the end of each calendar quarter, the contact information required by that rule. In its filing, NASD noted that, for many firms, the designated contact persons seldom change. Thus, its proposal was designed to eliminate any unnecessary burden that firms may incur in conducting quarterly reviews of their required contact information while at the same time ensuring that such information is kept current and provided to NASD promptly upon request. In approving NASD's proposal, the Commission noted that the proposal sets forth a reasonable approach for member firms to provide and keep current required contact information, which should reduce unnecessary burdens on firms by eliminating the requirement that firms review and update the contact information on a quarterly basis; instead, firms would be required to conduct such reviews on an annual basis as well as to promptly update the information following any change. *See* Securities Exchange Act Release No. 56179 (August 1, 2007), 72 FR 44203 (August 7, 2007) (SR-NASD-2007-034).

2. Statutory Basis

The MSRB believes that the proposed rule change is consistent with Section 15B(b)(2)(C) of the Act,⁸ which 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, to remove impediments to and perfect the mechanism of a free and open market in municipal securities, and, in general, to protect investors and the public interest.

The MSRB believes that the proposed rule change is consistent with the Act because substantially conforming Rule G-40 to comparable FINRA requirements relating to e-mail contact information will promote regulatory consistency by facilitating dealer compliance with such requirements, as well as the inspection and enforcement thereof.

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

The MSRB does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act since it would apply equally to all brokers, dealers and municipal securities dealers.

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

Written comments were neither solicited nor received.

III. DATE OF EFFECTIVENESS OF THE PROPOSED RULE CHANGE AND TIMING FOR COMMISSION ACTION

⁸ 15 U.S.C. 78o-4(b)(2)(C).

Within 35 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date 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 such proposed rule change, or
- B. institute proceedings to determine whether the proposed rule change should be disapproved.

The MSRB has proposed that the amendments become effective on December 31, 2007 to coincide with the effective date of the recently-approved FINRA requirements described above.

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 e-mail to rule-comments@sec.gov. Please include File Number SR-MSRB-2007-04 on the subject line.

Paper comments:

- Send paper comments in triplicate to Nancy M. Morris, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-MSRB-2007-04. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<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 inspection and copying 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 such filing also will be available for inspection and copying at the principal office of the MSRB. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All

submissions should refer to File Number SR-MSRB-2007-04 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Florence E. Harmon
Deputy Secretary

⁹ 17 CFR 200.30-3(a)(12).