

and manner specified in the current Instructions for Form G-37/G-38 and Form G-37x.

(f)-(i) No change.

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Rule G-38—Consultants

(a)-(d) No change.

(e) Disclosure to Board. Each broker, dealer and municipal securities dealer shall send 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 of all consultants used by the broker, dealer or municipal securities dealer during each calendar quarter. *Such* [Two copies of the] reports must be sent to the Board on Form G-37/G-38 by the last day of the month following the end of each calendar quarter (these dates correspond to January 31, April 30, July 31, and October 31) *in the manner provided under Rule G-37*. Such reports shall include, for each consultant, in the prescribed format, the consultant's name pursuant to the Consultant Agreement, business address, role (including the state or geographic area in which the consultant is working on behalf of the broker, dealer or municipal securities dealer), compensation arrangement, any municipal securities business obtained or retained by the consultant with each such business listed separately, and, if applicable, dollar amounts paid to the consultant connected with particular municipal securities business. Such reports shall indicate the total dollar amount of payments made to each consultant during the report period. In addition, such reports shall include the following information to the extent required to be obtained during such calendar quarter pursuant to paragraph (c)(i) of this rule:

(i)-(ii) No change.

(iii) if applicable, a statement that the consultant failed to provide any report of information to the *broker, dealer or municipal securities* dealer concerning reportable political contributions or reportable political party payments.

Once a contribution or payment has been disclosed on a report, the *broker, dealer or municipal securities* dealer should not continue to disclose that particular contribution or payment on subsequent reports.

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 texts 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

Rules G-37 and G-38 require brokers, dealers and municipal securities dealers ("dealers") to submit to the MSRB on Form G-37/G-38 certain information regarding political contributions to issuer officials, payments to state and local political parties, issuers with which the dealer has engaged in municipal securities business and consultants engaged by the dealer to obtain municipal securities business. In addition, certain dealers that wish to be exempted from the Form G-37/G-38 submission requirement must submit Form G-37x to the MSRB. The MSRB is implementing an optional system of electronic submission by dealers of Forms G-37/G-38 and G-37x to the MSRB. The MSRB also is amending rules G-37 and G-38 in order to effectuate this electronic system.²

Dealers will not be required to make submissions electronically and the MSRB will continue to accept submissions made on paper. Dealers that submit Forms G-37/G-38 and G-37x on paper will continue to be required to send two copies of each form to the MSRB by certified or registered mail, or some other equally prompt means that provides a record of sending.³ Electronic submissions will be made as described below.⁴

Electronic submissions will be made by dealers through a secure, password-protected Internet website. A password will be assigned to a dealer prior to the first use by such dealer of the electronic system in a manner intended to assure authentication of submitters using the

² Technical amendments to the final sentence of Rule G-38(e) and to Rule G-38(e)(iii) are also made to conform language to usage throughout MSRB rules.

³ Procedures for making submissions by paper are removed from Rules G-37(e)(i), G-37(e)(ii)(A)(2)(b) and G-38(e) and are consolidated in amended Rule G-37(e)(iv)(A).

⁴ Amended Rule G-37(e)(iv)(B) provides that procedures for making submissions using the electronic system would be set forth in the MSRB's Instructions for Form G-37/G-38 and Form G-37x to be published upon implementation of the system. These instructions will replace the current Instructions of Completing and Filing Form G-37/G-38.

system. Each dealer will be required to submit an e-mail address for purposes of receiving electronic records of submissions as well as to provide for follow-up by MSRB staff should any submission prove to be incomplete or incorrect.

Forms G-37/G-38 and G-37x will be submitted electronically by completion of an on-line data entry form, by uploading of an electronic file of a completed form, or a combination of on-line data entry and uploading of files.⁵ On-line forms will elicit the same information as paper Forms G-37/G-38 and G-37x and will be in substantially the same format. All uploaded files must be in Adobe Acrobat® portable document format ("PDF"). The MSRB will continue to make all Forms G-37/G-38 and G-37x available to the public for viewing and printing through its website.

The new system will provide a dealer that makes an electronic submission with an electronic record confirming receipt of the submission and providing a control number assigned by the system. This electronic record, together with a PDF copy of the Form G-37/G-38 or G-37x submitted by the dealer made available by the system on-line, is intended to satisfy the requirement under Rule G-8(a)(xvi)(H) that dealers maintain copies of Forms G-37/G-38 and G-37x and records of sending such forms to the MSRB.⁶

The MSRB currently requires that any incomplete or incorrect submission be corrected by the submitter prior to the MSRB accepting the submission as in compliance with Rules G-37 and G-38. Thus, any submission through the electronic system will be subject to such automated and/or manual review as MSRB staff deems appropriate prior to final acceptance. The electronic record of submission sent by the system as described above should not be viewed as a record of acceptance by the MSRB.

(2) Basis

The MSRB believes that the proposed rule change is consistent with section 15B(b)(2)(C) of the Exchange Act, which requires that the MSRB's rules:

be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with

⁵ For example, a dealer could provide information regarding political contributions through direct data entry into the on-line form and could upload an internally-generated electronic file listing all municipal securities business engaged in during the calendar quarter.

⁶ Of course, this electronic record must be maintained in a manner that complies with section (e) of Rule G-9, on preservation of records.