

I. CONTRIBUTIONS MADE TO ISSUER OFFICIALS

[List by state]

State	Complete name, title (including) any city/county/state or other political subdivision) of issuer official.	Contributions by each contributor category (i.e., dealer, dealer controlled PAC, municipal finance professional controlled PAC, municipal finance professionals and executive officers). For each contribution, list contribution amount and contributor category (for example, (\$500 contribution by non-MFP executive officer). <i>If any contribution is the subject of an automatic exemption pursuant to Rule G-37 (j), list amount of contribution and date of such automatic exemption.</i>
-------------	--	--

II. Payments Made to Political Parties of States or Political Subdivisions (List by State)

No change.

III. Issuers With Which Dealer Has Engaged in Municipal Securities Business (List by State)

No change.

IV. Consultants

No change.

* * * * *

Rule G-37 Questions & Answers To Be Withdrawn

May 24, 1994 (Q&A #12)

[Q: A dealer may discover that a "disgruntled" municipal finance professional made a contribution to an issuer official deliberately to prohibit the dealer from engaging in municipal securities business with the issuer. Is there a procedure in place whereby the dealer can seek an exemption from the prohibition on municipal securities business in such circumstances?]

[A: The Board recognizes that there may be limited circumstances in which a dealer should be able to request an exemption from the prohibition on business. Thus, the Board has filed with the SEC an amendment to rule G-37 that allows bank regulatory authorities (the Office of the Comptroller of the Currency, Federal Reserve Board and Federal Deposit Insurance Corporation), upon application by a dealer, to grant such exemption, conditionally or unconditionally, in certain circumstances. See the rule filing, SR-MSRB-94-5, for more information about this procedure.]

June 15, 1995 (Q&A #4)

[Q: Rule G-37(i) provides a procedure whereby dealers may request that the NASD or the appropriate regulatory agency (i.e., federal bank regulatory authorities) grant an exemption from the rule's two-year ban on municipal securities business with an issuer which resulted from political contributions made to officials of that issuer by the dealer, a PAC controlled by the dealer,

or a municipal finance professional. If a municipal finance professional made a contribution to an issuer official which triggered the ban, what factors would be relevant to the dealer's decision to request an exemption from that ban, and to the NASD or appropriate regulatory agency in determining whether the exemption should be granted?]

[A: In determining whether to grant such an exemption, rule G-37(i) requires the NASD or the appropriate regulatory agency to consider, among other factors, whether (i) such exemption is consistent with the public interest, the protection of investors and the purposes of rule G-37; and (ii) such dealer (A) prior to the time the contribution(s) which resulted in such prohibition was made, had developed and instituted procedures reasonably designed to ensure compliance with the rule; (B) prior to or at the time the contribution(s) which resulted in such prohibition was made, had no actual knowledge of the contribution(s); (C) has taken all available steps to cause the person or persons involved in making the contribution(s) which resulted in such prohibition to obtain a return of the contribution(s); and (D) has taken such other remedial or preventive measures as may be appropriate under the circumstances.

In reviewing the facts and circumstances presented by the dealer, as well as the factors set forth above, the NASD or the appropriate regulatory agency will consider whether, prior to the time the contribution was made, the dealer had developed and instituted procedures reasonably designed to ensure compliance with the rule. Such procedures are required by rule G-27 on supervision. Effective compliance procedures are essential because rule G-37 requires the dealer to have information regarding each contribution made by the dealer, dealer-controlled PACs and municipal finance professionals so that the dealer can determine where and with whom it may or may not engage in municipal securities business. In addition, for disclosure purposes, the dealer must maintain information on executive

officers' contributions and payments to political parties, as well as consultant hiring practices. Moreover, because of the "directly and indirectly" provision in rule G-37(d), as well as the no solicitation and no bundling provisions in section (c) of the rule, the dealer must ensure that those persons and entities subject to the rule are not causing the dealer to be in violation thereof. In this regard, the Board wishes to remind dealers that they are responsible for determining which of their employees, supervisors (e.g., branch managers), and management personnel (e.g., members of the dealer's executive or management committee or similarly situated officials) are "municipal finance professionals." In addition to those persons and entities covered by the rule, the dealer must ensure that other persons and entities hired to assist in municipal securities activities (e.g., consultants) are not being directed to make contributions, or otherwise being used as conduits, in violation of the rule. In reviewing a request for exemption, the NASD or the appropriate regulatory agency also will consider whether the dealer has taken all available steps to obtain a return of the contribution. The return of the contribution, while important, is only one of the factors to be considered, and is not dispositive of whether an exemption should be granted.

Finally, the NASD or appropriate regulatory agency will consider whether the dealer has taken remedial or preventive measures as may be appropriate under the circumstances. Thus, dealers should provide information on any changes to compliance procedures and/or personnel action taken to address the particular situation which resulted in the prohibition so that such problems do not recur. For additional guidance on the exemption provision, please refer to Q&A number 2 in the August 1994 issue of *MSRB Reports* (Vol. 14, No. 4).

The Board previously provided two examples in which exemptions may be appropriate. The first example described a situation in which a disgruntled municipal finance professional made a contribution purposely to injure the