

administrative fees, revenue sharing payments, or other similar payments in connection with assets subject to the Substitution (whether such benefits are with respect to the AIM V.I. Premier Equity Fund or part of an overall relationship with AIM V.I. Funds, any investment adviser or underwriter to any of such Fund, or any affiliated person of any of them). In this connection, Applicants also represent that neither such Substitution nor the selection of AIM V.I. Premier Equity Fund as a Replacing Fund have been motivated by the receipt or promised receipt by John Hancock, JHVLICO or any of their affiliated persons of any benefit or other thing of value from AIM V.I. Premier Equity Fund, any investment adviser or underwriter to such Fund, or any affiliated person of any of them.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

**Margaret H. McFarland,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-47650; File No. SR-MSRB-2003-02]

### Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing of Proposed Rule Change Relating to Rule G-14, on Reports of Sales or Purchases

April 8, 2003.

Pursuant to section 19(b)(1) of the Securities and Exchange Act of 1934 (the "Exchange Act") and Rule 19b-4 thereunder,<sup>1</sup> notice is hereby given that on April 7, 2003, the Municipal Securities Rulemaking Board ("MSRB") filed with the Securities and Exchange Commission ("Commission") a proposed rule change (File No. SR-MSRB-2003-02) (the "proposed rule change") described in Items I, II, and III below, which Items have been 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 has filed with the Commission a proposed rule change with regard to Rule G-14, on reports of

sales or purchases, to increase transparency in the municipal securities market. The proposed rule change would not change the wording of Rule G-14.

#### 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 Section 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

The purpose of the proposed rule change is to increase price transparency for municipal securities by increasing the amount of price data available on the day after trade date.

###### Background Information

Since the implementation of the inter-dealer trade reporting system in 1995, the MSRB has been increasing price transparency in the municipal securities market in measured steps.<sup>2</sup> The first price transparency report was a T+1 report that summarized high, low and average inter-dealer prices for issues that met a trading threshold of four or more trades in the inter-dealer market. In 1998, the MSRB implemented the customer transaction reporting system and customer transaction data was added to the T+1 summary report. The trading threshold of four trades was retained, but since it applied regardless of whether the trades were inter-dealer or customer, many more issues met the trading threshold and were subject to price reporting. In January 2000, the MSRB further enhanced the T+1 report by publishing individual transaction data (rather than high, low and average prices) for each issue contained in the report.

In October 2000 the MSRB began offering a comprehensive transaction report, which lists all municipal securities transactions (regardless of

frequency of trading) and includes late-reported trades, inter-dealer trades compared after trade date, and transaction data corrected by dealers after trade date. The Comprehensive Report began with a minimum one-month delay in trade publication. That delay has gradually been reduced such that the report currently is disseminated on a daily basis, one week after trade date. To make more trade data available on a T+1 basis, in 2002, the MSRB began the process of lowering the trading threshold in the T+1 Daily Report. In May 2002, the MSRB changed the trading threshold to three trades.<sup>3</sup> In November 2002, the trading threshold was lowered to two trades.<sup>4</sup>

The T+1 Daily Report and the Comprehensive Report have been well received by market professionals seeking information on market price levels and trading activity for individual securities.<sup>5</sup> The reports have garnered greater and greater use over time, both with market professionals and through free, customer-oriented outlets such as "InvestingInBonds.com" operated by The Bond Market Association ("TBMA"). At this time, in preparation for the move to real-time price transparency in mid-2004, the MSRB believes that the trading threshold in the T+1 Daily Reports should be eliminated to further increase the price transparency that is available on T+1.

#### Proposed Changes in the T+1 Daily Report

The MSRB has noted since the outset of its transparency initiative that, as the market obtains experience with price transparency, price reports eventually would need to occur on a more contemporaneous and comprehensive basis, culminating with real-time transaction reporting.<sup>6</sup> The proposal to change the T+1 Daily Report at this time is part of the MSRB's longstanding plan to introduce transparency in measured steps, allowing the market time to adjust to new situations presented by each new level of price transparency. As an example, when price reports were first introduced in 1995, the MSRB was concerned that an observer might be misled if he or she considered an isolated transaction or pair of transactions as providing the same

<sup>3</sup> See Release No. 34-45861 (May 1, 2002), 67 FR 30989.

<sup>4</sup> See Release No. 34-46819 (November 12, 2002), 67 FR 69779.

<sup>5</sup> Currently, the MSRB has twenty-four subscribers to the T+1 Daily Report and fifty-one to Comprehensive Report.

<sup>6</sup> See, e.g., "Board to Proceed with Pilot Program to Disseminate Inter-Dealer Transaction Information," *MSRB Reports*, Vol. 14, No. 1 (January 1994).

<sup>1</sup> 15 U.S.C. 78s(b)(1) and 17 CFR 240.19b-4 thereunder.

<sup>2</sup> This plan has been discussed in many notices since 1994. See, e.g., "Board to Proceed with Pilot Program to Disseminate Inter-Dealer Transaction Information," *MSRB Reports*, Vol. 14, No. 1 (January 1994).