



MSRB NOTICE 2008-23 (MAY 9, 2008)

NOTICE OF FILING OF PROPOSED RULE CHANGE TO REQUIRE UNDERWRITER REGISTRATION AND TESTING WITH DTCC'S NIIDS SYSTEM

Today, the MSRB filed with the Securities and Exchange Commission ("SEC") a proposed rule change consisting of an amendment to Rule G-34, on CUSIP Numbers and New Issue Requirements, that would require underwriters to register and conduct tests with the Depository Trust and Clearing Corporation's ("DTCC") New Issue Information Dissemination System ("NIIDS").^[1] The "NIIDS Registration and Testing Requirements" would help ensure that dealers are prepared for the September 30, 2008 effective date of other changes to MSRB rules to require underwriters to participate in NIIDS.^[2] Accordingly, the NIIDS Registration and Testing Requirements would require all dealers that have acted as underwriter^[3] in the last year on a new issue of municipal securities with nine months or greater effective maturity to register to use NIIDS with DTCC and successfully test NIIDS prior to September 15, 2008.^[4] On an ongoing basis the NIIDS Registration and Testing Requirements would require dealers to register to use NIIDS with DTCC and successfully test NIIDS prior to acting as underwriter on a new issue of municipal securities with nine months or greater effective maturity.

DTCC NIIDS IMPLEMENTATION PLAN

NIIDS is a centralized system for collecting and communicating new issue securities information. NIIDS will act as a central collection point for standardized electronic files of new issue information provided by underwriters that will be disseminated in real-time to information vendors. NIIDS is a component of a larger initiative at DTCC to implement an updated system for making new issues depository eligible ("UW SOURCE"). While NIIDS will provide an improved mechanism for disseminating the new issue information necessary for trade processing, information submitted into NIIDS also will be used in UW SOURCE for making new issues depository eligible.

Beginning September 2, 2008, DTCC will require underwriters to use NIIDS in connection with the filing of an application for depository eligibility in UW SOURCE for new issues of municipal securities.^[5] To allow underwriters to gain experience with UW SOURCE in advance of September 2, 2008, DTCC has made UW SOURCE available on an optional basis to allow all registered underwriters to test their ability to use UW SOURCE, including the NIIDS component. DTCC has developed educational training materials on UW SOURCE and NIIDS that can be found at:

<http://www.dtcc.com/leadership/issues/reengineering/underwriting/training.php>

MSRB NIIDS REGISTRATION REQUIREMENT

Under the NIIDS Registration and Testing Requirements, all dealers that underwrite municipal securities with nine months or greater effective maturity would be required to register to use NIIDS with DTCC. Registration with DTCC is required in order for an underwriter to gain access to UW SOURCE to test NIIDS.

DTCC NIIDS registration questions may be directed to:

Denise Russo
Director, Project Management
Depository Trust and Clearing Corporation
212-855-3731
drusso@dtcc.com

Dan Thieke
Director, Project Management
Depository Trust and Clearing Corporation
212-855-4162
dthieke@dtcc.com

MSRB NIIDS TESTING REQUIREMENT

Once an underwriter has completed DTCC NIIDS registration requirements, the underwriter is allowed to submit test data into NIIDS. DTCC has published a test plan that underwriters can use to gain familiarity with NIIDS. DTCC's UW SOURCE Testing and Implementation Plan is available at: http://www.dtcc.com/downloads/leadership/issues/reengineering/UW_Source_Test-ImplementationPlan_v6.doc.

DTCC's UW SOURCE Testing and Implementation Plan includes the capability for underwriters to test the submission of information for several different types of securities. The NIIDS Registration and Testing Requirements only requires underwriters to test submitting information about securities with greater than nine months effective maturity since the changes to MSRB rules to require underwriter participation with NIIDS that become effective on September 30, 2008 provide an exception for short-term instruments with nine months or greater in effective maturity.

Two methods of inputting new issue information into NIIDS are provided by DTCC: i) NIIDS Web Interface and ii) NIIDS "Autofeed" Interface. The NIIDS Web Interface allows underwriters to input information about a new issue using an internet portal manually or by uploading a formatted Excel spreadsheet. The NIIDS Registration and Testing Requirements would require all underwriters to submit two test new issues using the NIIDS Web Interface.

The NIIDS Autofeed Interface allows underwriters to establish computer-to-computer connections with DTCC either directly or through a vendor to submit automated files directly to NIIDS. For underwriters planning to use the NIIDS Autofeed Interface, the NIIDS Registration and Testing Requirements would require underwriters to submit two test new issues using computer-to-computer connections.

DTCC will monitor underwriter testing and provide status updates to the MSRB. For purposes of determining whether an underwriter has successfully tested the NIIDS Web Interface or the NIIDS Autofeed Interface, underwriters must be able to submit a test new issue in NIIDS and achieve "Trade Eligibility" status in less than two hours. To assist in monitoring whether a test was successful, underwriters should enter a "Time of Formal Award" in NIIDS that reflects the time that the underwriter begins submitting data into NIIDS so that the Time of Formal Award can be compared with the time at which Trade Eligibility status is achieved.

NIIDS testing questions may be directed to:

DTC Underwriting Department
1-866-724-4402
uwsourc@dtcc.com

Questions about this notice may be directed to Justin R. Pica, Uniform Practice Policy Advisor, at 703-797-6716 or Sara K. Pranio, Uniform Practice Assistant, at 703-797-6714.

May 9, 2008

* * *

TEXT OF AMENDMENTS[6]

Rule G-34: CUSIP Numbers and New Issue Requirements

(a) through (c) No change.

(d) NIIDS Registration and Testing Requirements. NIIDS is an automated, electronic system that receives comprehensive new issue information on a market-wide basis for the purposes of establishing depository eligibility and immediately re-disseminating such information to information vendors supplying formatted municipal securities information for use in automated trade processing systems. It is operated by Depository Trust and Clearing Corporation (DTCC), a securities clearing agency registered with the Securities and Exchange Commission providing depository services for municipal securities.

(i) NIIDS Registration. Prior to acting as underwriter for a new issue of municipal securities with nine months or greater effective maturity, each broker, dealer or municipal securities dealer must register to use NIIDS with DTCC.

(ii) NIIDS Testing.

(A) NIIDS Web Interface. Prior to acting as underwriter for a new issue of municipal securities with nine months or greater effective maturity, each broker, dealer or municipal securities dealer shall test its capability to use NIIDS by successfully submitting two test new issues using the NIIDS Web Interface.

(B) NIIDS Autofeed Interface. Prior to acting as underwriter for a new issue of municipal securities with nine months or greater effective maturity, each broker, dealer or municipal securities dealer that plans to establish computer-to-computer connections with NIIDS (either directly or through a vendor) shall test its capability to use NIIDS by successfully submitting two test new issues using computer-to-computer connections.

(iii) NIIDS Start-Up. Each broker, dealer or municipal security dealer that has acted at any time after September 30, 2007 and plans to continue to act as an underwriter for a new issue of municipal securities with nine months or greater effective maturity shall complete the requirements of this section (d) by no later than September 15, 2008.

[1] File Number SR-MSRB-2008-04. Comments on the proposed rule change should be submitted to the SEC and should reference this file number.

[2] See SEC Approves Rule Changes to Require Underwriter Participation with DTCC's NIIDS System, MSRB Notice 2008-22 (May 2, 2008).

[3] Rule G-34 defines "underwriter" very broadly to include a dealer acting as a placement agent as well as any dealer purchasing new issue securities from the issuer as principal. If there is an underwriting syndicate, the lead manager is considered to be the "underwriter" for purposes of Rule G-34.

[4] Many underwriters have already registered with DTCC and initiated NIIDS testing. The proposed rule change would place a deadline on underwriters to register with DTCC and complete NIIDS testing. Underwriters that have already satisfied the requirements of the proposed rule change prior to SEC approval are not required to re-register or re-test.

[5] See SR-DTC-2007-10, SEC Release No. 34-57768 (May 2, 2008).

[6] New language is underlined.