



MSRB NOTICE 2010-01 (JANUARY 22, 2010)

SEC APPROVES AMENDMENTS TO RULE G-37 AND RULE G-8 RELATING TO POLITICAL CONTRIBUTIONS

On January 20, 2010, the Securities and Exchange Commission approved amendments to Rule G-37, on political contributions and prohibitions on municipal securities business and Rule G-8, on books and records to be made by brokers, dealers and municipal securities dealers ("dealers").[1] As approved, the amendments to Rule G-37 will require the mandatory public disclosure of certain contributions to bond ballot campaigns made by dealers, municipal finance professionals ("MFPs"), their political action committees ("PACs") and non-MFP executive officers on MSRB Form G-37. In addition, the amendments to Rule G-8 will require dealers to create and maintain records of non-de minimis contributions to bond ballot campaigns. The amendments become effective on February 1, 2010. All non-de minimis contributions to bond ballot campaigns made by dealers, MFPs, their PACs and non-MFP executive officers on or after February 1, 2010, as described below, must be reported on amended Form G-37, beginning with Form G-37, for the current calendar quarter required to be filed with the MSRB by no later than April 30, 2010.

Rule G-37 prohibits dealers from engaging in municipal securities business with an issuer within two years after certain contributions to an official of such issuer are made by the dealer, any MFP[2] associated with such dealer (other than certain permitted de minimis contributions)[3] or any PACs controlled by the dealer or any MFP. In addition, the rule prohibits the solicitation or coordination by the dealer and certain MFPs of contributions to officials of issuers with which such dealer is engaging in or seeking to engage in municipal securities business, as well as of payments to political parties of states or localities where the dealer is engaging in or seeking to engage in municipal securities business. The rule also requires dealers to publicly disclose on Form G-37,[4] non-de minimis contributions to issuer officials and payments to political parties of states and political subdivisions made by dealers, MFPs, their PACs and non-MFP executive officers.[5] Rule G-8, on books and records, requires dealers to create records of such Rule G-37 contributions and payments.

Effective February 1, 2010, Rule G-37 is amended to require the public disclosure of contributions to bond ballot campaigns made by dealers, MFPs, their PACs and non-MFP executive officers on MSRB Form G-37. Bond ballot campaigns typically occur as a result of a state or local government placing a ballot measure before voters to approve specified municipal borrowing. Many state and local jurisdictions are required to authorize the issuance of municipal bonds through voter approval to fund municipal finance projects. Dealers will be required to report on revised Form G-37 the official name of each bond ballot campaign receiving contributions during such calendar quarter, the jurisdiction (including city/county/state or political subdivision) by or for which municipal securities, if approved, would be issued, the contribution amount made and the category of contributor. There is a de minimis exception from the reporting, on Form G-37, of contributions made by an MFP or non-MFP executive officer to a bond ballot campaign for a ballot initiative with respect to which such person is entitled to vote if all contributions by such person to such bond ballot campaign, in total, do not exceed \$250 per ballot initiative. The amendments parallel the existing disclosure requirements for contributions to issuer officials and state and local political parties under Rule G-37. The amendments to the rule do not, however, provide for a ban on municipal securities business as a result of contributions to bond ballot campaigns.

Rule G-8 is amended to require dealers to create and maintain records of the non-de minimis contributions to bond ballot campaigns.

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Questions regarding amended Rules G-37 and G-8 may be directed to Leslie Carey, Associate General Counsel at (703) 797-6600.

January 22, 2010

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TEXT OF AMENDMENTS[6]

Rule G-37: Political Contributions and Prohibitions on Municipal Securities Business

(a)-(d) No change.

(e) Required Disclosure to Board.

(i) Except as otherwise provided in paragraph (e)(ii), each broker, dealer or municipal securities dealer shall, 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) send to the Board Form G-37 setting forth, in the prescribed format, the following information:

(A) No change.

(B) for contributions to bond ballot campaigns (other than a contribution made by a municipal finance professional or a non-MFP executive officer to a bond ballot campaign for

a ballot initiative with respect to which such person is entitled to vote if all contributions by such person to such bond ballot campaign, in total, do not exceed \$250 per ballot initiative) made by the persons and entities described in subclause (2) of this clause (B):

(1) the official name of each bond ballot campaign receiving contributions during such calendar quarter, and the jurisdiction (including city/county/state or political subdivision) by or for which municipal securities, if approved, would be issued, listed by state:

(2) the contribution amount made and the contributor category of each of the following persons and entities making such contributions during such calendar quarter:

(a) the broker, dealer or municipal securities dealer;

(b) each municipal finance professional;

(c) each non-MFP executive officer; and

(d) each political action committee controlled by the broker, dealer or municipal securities dealer or by any municipal finance professional;

(C) (B) No change.

(D) (C) No change.

(E) (D) No change.

(F) (E) No change.

The Board shall make public a copy of each Form G-37 received from any broker, dealer or municipal securities dealer.

(ii) No broker, dealer or municipal securities dealer shall be required to send Form G-37 to the Board for any calendar quarter in which either:

(A) such broker, dealer or municipal securities dealer has no information that is required to be reported pursuant to clauses (A) through (D) (C) of paragraph (e)(i) for such calendar quarter; or

(B) No change.

(iii)-(iv) No change.

(f) No change.

(g) Definitions.

(i)-(ix) No change.

(x) The term "bond ballot campaign" means any fund, organization or committee that solicits or receives contributions to be used to support ballot initiatives seeking authorization for the issuance of municipal securities through public approval obtained by popular vote.

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Rule G-8: Books and Records to be Made by Brokers, Dealers and Municipal Securities Dealers

(a) Description of Books and Records Required to be Made. Except as otherwise specifically indicated in this rule, every broker, dealer and municipal securities dealer shall make and keep current the following books and records, to the extent applicable to the business of such broker, dealer or municipal securities dealer:

(i)-(xv) No change.

(xvi) *Records Concerning Political Contributions and Prohibitions on Municipal Securities Business Pursuant to Rule G-37.* Records reflecting:

(A)-(G) No change.

(H) the contributions, direct or indirect, to bond ballot campaigns made by the broker, dealer or municipal securities dealer and each political action committee controlled by the broker, dealer or municipal securities dealer for the current year, which records shall include: (i) the identity of the contributors, (ii) the official name of each bond ballot campaign receiving such contributions, and the jurisdiction (including city/county/state or political subdivision) by or for which municipal securities, if approved, would be issued, and (iii) the amounts and dates of such contributions;

(I) the contributions, direct or indirect, to bond ballot campaigns made by each municipal finance professional, any political action committee controlled by a municipal finance professional, and non-MFP executive officer for the current year, which records shall include: (i) the names, titles, city/county and state of residence of contributors, (ii) the official name of each bond ballot campaign receiving such contributions, and the jurisdiction (including city/county/state or political subdivision) by or for which municipal securities, if approved, would be issued, and (iii) the amounts and dates of such contributions; provided, however, that such records need not reflect any contribution made by a municipal finance professional or non-MFP executive officer to a bond ballot campaign for a ballot initiative with respect to which such person is entitled to vote if the contributions made by such person, in total, are not in excess of \$250 to any bond ballot campaign, per ballot initiative.

(J) ~~(H)~~ No change.

(K) ~~(I)~~ No change.

(L) ~~(J)~~ No change.

(M) ~~(K)~~ No change.

(xvii)-(xxiii) No change.

(b)-(g) No change.

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Form G-37

MSRB

Name of dealer: _____

Report period: _____

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>i.e.</i> , dealer, dealer controlled PAC, municipal finance professional controlled PAC, municipal finance professionals and non-MFP executive officers). For each contribution, list contribution amount and contributor category (For example, \$500 contribution by non-MFP executive officer) 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.
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II. PAYMENTS made to political parties of states or political subdivisions (list by state)

State	Complete name (including any city/county/state or other political subdivision) of political party	Payments by each contributor category (<i>i.e.</i> , dealer, dealer controlled PAC, municipal finance professional controlled PAC, municipal finance professionals and non-MFP executive officers). For each payment, list payment amount and contributor category (For example, \$500 payment by non-MFP executive officer)
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III. CONTRIBUTIONS made to bond ballot campaigns (list by state)

<u>State</u>	<u>Official name of bond ballot</u>	<u>Contributions by each contributor category (<i>i.e.</i>,</u>
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campaign and jurisdiction (including city/county/state or other political subdivision) for which municipal securities would be issued

dealer, dealer controlled PAC, municipal finance professional controlled PAC, municipal finance professionals and non-MFP executive officers). For each contribution, list contribution amount and contributor category (For example, \$500 contribution by non-MFP executive officer)

IV. III. ISSUERS with which dealer has engaged in municipal securities business (list by state)

State	Complete name of issuer and city/county	Type of municipal securities business (negotiated underwriting, agency offering, financial advisor, or remarketing agent)
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Signature: _____ **Date:** _____
(must be officer of dealer)

Name: _____

Address: _____

Phone: _____

Submit two completed forms quarterly by due date (specified by the MSRB) to:

Municipal Securities Rulemaking Board
1900 Duke Street
Suite 600
Alexandria, Virginia 22314

[1] Securities Exchange Act Release No. 61381, File No. SR-MSRB-2009-18 (January 20, 2010).

[2] Municipal finance professional is defined in Rule G-37(g)(iv) as: (A) any associated person primarily engaged in municipal securities representative activities (exclusive of sales activities with natural persons); (B) any associated person (including but not limited to any affiliated person of the dealer, as defined in Rule G-38) who solicits municipal securities business; (C) any associated person who is both (i) a municipal securities principal or a municipal securities sales principal and (ii) a supervisor of any persons described in (A) or (B) above; (D) any associated person who is a supervisor of any person described in (C) above up through and including, in the case of a dealer other than a bank dealer, the Chief Executive Officer or similarly situated official and, in the case of a bank dealer, the officer or officers designated by the board of directors of the bank as responsible for the day-to-day conduct of the bank's municipal securities dealer activities; or (E) any associated person who is a member of the dealer (or, in the case of a bank dealer, the separately identifiable department or division of the bank) executive or management committee or similarly situated officials, if any.

[3] Contributions made by MFPs to issuer officials for whom such MFP is entitled to vote will not result in a ban on municipal securities business if such contributions, in total, do not exceed \$250 per election.

[4] Form G-37 is submitted by dealers through the existing MSRB Political Contribution Submission Service, which is the service that accepts the submissions of Form G-37. Submitted Forms G-37 are made publicly available through the MSRB website.

[5] Non-MFP executive officer is defined in Rule G-37(g)(v) as an associated person in charge of a principal business unit, division or function or any other person who performs similar policy making functions for the dealer (or, in the case of a bank dealer, the separately identifiable department or division of the bank), but does not include any MFP. Although Rule G-37 requires disclosure of non-MFP executive officer contributions, such contributions do not result in a ban on municipal securities business.

[6] Underlining indicates additions; strikethrough indicate deletions.

