



## MSRB NOTICE 2009-50 (SEPTEMBER 15, 2009)

### NOTICE CONCERNING USE OF ELECTRONIC CONFIRMATIONS PRODUCED BY A CLEARING AGENCY OR QUALIFIED VENDOR TO SATISFY THE REQUIREMENTS OF RULE G-15(a)

[Home Page](#) | [Back](#)

On September 15, 2009, the Municipal Securities Rulemaking Board ("MSRB") filed with the Securities and Exchange Commission ("SEC") for immediate effectiveness an interpretive notice regarding MSRB Rule G-15(a), on customer confirmations.[\*] The text of the interpretive notice is contained below.

Questions about this notice may be directed to Justin R. Pica, Director, Uniform Practice Policy, at 703-797-6716.

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#### **Use of Electronic Confirmations Produced By a Clearing Agency or Qualified Vendor to Satisfy the Requirements of Rule G-15(a)**

MSRB Rule G-15 provides confirmation, clearance, settlement and other uniform practice requirements with respect to transactions with customers. Rule G-15(a) requires that, at or before the completion of a transaction in municipal securities with or for the account of a customer, each broker, dealer or municipal securities dealer (collectively "dealer") give or send to the customer "a written confirmation of the transaction" containing the information specified by the rule. Rule 15(d) provides additional uniform practice requirements for transactions executed with customers on a payment for securities received ("RVP") or delivery against payment of securities sold ("DVP") basis (collectively, "DVP/RVP"). In addition to the specific uniform practice requirements of this section, Rule G-15(d)(i)(c) expressly provides that dealers executing DVP/RVP transactions must comply with the requirements of section (a) of the rule pertaining to customer confirmations. Rule G-15(d) also requires dealers that transact with customers on a DVP/RVP basis to use the facilities of a Clearing Agency or Qualified Vendor, as defined in Rule G-15(d)(ii)(B), for automated confirmation and acknowledgement of the transaction.

Securities Exchange Act Rule 10b-10, on customer confirmations of non-municipal securities transactions, provides for confirmation requirements that are similar to Rule G-15(a). Several providers of automated confirmation and acknowledgement services have received no-action letters from the Securities and Exchange Commission ("SEC") staff that allow their dealer clients to rely on the confirmations they produce to satisfy dealer confirmation delivery obligations to certain customers under SEC Rule 10b-10 where the disclosures customarily provided on the back of paper confirmations are provided electronically using a uniform resource locator ("URL") link.[1] One of the service providers that received a no-action letter, as described above, permitting it to use URL links for its dealer clients, has requested an interpretation of Rule G-15(a) to allow dealers to rely on confirmations produced by this service provider to the same extent as dealers are allowed to use the confirmations produced by the service providers to comply with SEC Rule 10b-10.

In a 1994 Interpretive Notice, the MSRB recognized that the speed and efficiencies offered by electronic confirmation delivery are of benefit to the municipal securities industry.<sup>[2]</sup> Therefore, the MSRB has interpreted the requirement in Rule G-15(a) to provide a customer with a written confirmation to be satisfied by an electronic confirmation for DVP/RVP transactions sent by a Clearing Agency or Qualified Vendor, as defined in MSRB Rule G-15(d)(ii)(B), where disclosures customarily provided on the back of paper confirmations are provided electronically using a URL link when the following conditions are met: (i) the confirmation sent includes all of the information required by Rule G-15(a); and (ii) all of the requirements and conditions concerning the use of the electronic confirmation service expressed in applicable SEC no-action letters concerning SEC Rule 10b-10 continue to be met.

September 15, 2009

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[\*] [File No. SR-MSRB-2009-14](#). Comments on the interpretive notice should be submitted to the Securities and Exchange Commission and should reference this file number.

#### **Footnotes to Interpretive Guidance**

[1] See, e.g., letter from Paula R. Jenson, Deputy Chief Counsel, SEC, to Norman Reed, General Counsel, Omgeo LLC (March 12, 2008).

[2] See [Rule G-15 Interpretation - Notice Concerning Use of the OASYS Global Trade Confirmation System to Satisfy Rule G-15\(a\)](#), June 6, 1994, MSRB Rulebook (January 1, 2009) at 138.

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