



**MSRB NOTICE 2007-08 (FEBRUARY 12,
2007)**

**MSRB FILES AMENDMENT TO RULE FILING
RELATING TO ADVERTISEMENTS OF
MUNICIPAL FUND SECURITIES**

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

The Municipal Securities Rulemaking Board ("MSRB") has filed with the Securities and Exchange Commission ("SEC") an amendment to a previously filed proposed rule change consisting of (i) amendments to Rule G-21, on advertising, and Rule G-27, on supervision, and (ii) an interpretation on general advertising disclosures, blind advertisements and annual reports relating to municipal fund securities (the "proposed interpretive notice").^[1] The MSRB has filed this amendment after consultation with SEC staff.

Today's filing amends and restates the original rule filing to clarify various references in the explanatory materials to the relationship among the provisions of Rule G-21, as amended, and the rules of the SEC and NASD relating to investment company advertising. The filing also makes the following minor non-substantive language changes to the proposed amendments to Rule G-21:^[2]

- The change to Rule G-21(e)(i)(A)(3)(b) eliminates duplicative language, and the change to Rule G-21(e)(i)(A)(4)(a)(iii) conforms to this language change, without changing the operation of those provisions;
- The changes to Rule G-21(e)(i)(A)(3)(c) and Rule G-21(e)(ii)(C) move language regarding the currentness of the calculation of total annual fund operating expenses to the appropriate provision of the rule to ensure clarity; and
- The deletion at the beginning of Rule G-21(e)(i)(A)(4) and the additional language in Rule G-21(e)(i)(B)(3) also are intended to clarify those provisions

Finally, today's filing requests that the proposed rule change be made effective on April 1, 2007.^[3]

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Questions regarding the proposed rule change may be directed to Ernesto A. Lanza, Senior Associate General Counsel, or Jill C. Finder, Associate General Counsel.

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CHANGES TO ORIGINAL PROPOSED AMENDMENTS TO RULE G-21^[4]

Rule G-21. Advertising

(a)-(d) No additional changes.

(e) *Municipal Fund Security Product Advertisements.* In addition to the requirements of section (c), all product advertisements for municipal fund securities shall be subject to the following requirements:

(i) *Required Disclosures.*

(A) *Substance and Format of Disclosure.* Except as described in paragraph (B) of this subsection (i), each product advertisement for municipal fund securities:

(1)-(2) No additional changes.

(3) *additional disclosures concerning performance* – that includes performance data must include:

(a) No additional changes.

(b) if a sales load or any other nonrecurring fee is charged, the maximum amount of the load or fee (~~including the maximum sales charge imposed on purchases or the maximum deferred sales charge, to the extent applicable~~, current as of the date such advertisement is submitted for publication or otherwise disseminated) and, if the sales load or fee is not reflected in the performance data included in the advertisement, a statement that the performance data does not reflect the deduction of the sales load or fee and that the performance data would be lower if such load or fee were included; and

(c) to the extent that such performance data relates to municipal fund securities that are not held out as having the characteristics of a money market fund and to the extent applicable, the total annual operating expense ratio of such municipal fund securities (calculated in the same manner as the total annual fund operating expenses required to be included in the registration statement for a registered investment company, subject to paragraph (e)(ii)(A) hereof), gross of any fee waivers or expense reimbursements, ~~current as of the date of submission of such advertisement for publication.~~

(4) *format of disclosure* – must meet the following **legibility** requirements:

(a) for a print advertisement:

(i)-(ii) No additional changes.

(iii) the maximum amount of the sales load sales charge or maximum deferred sales charge required to be disclosed pursuant to clause (3)(b) and the information required to be disclosed pursuant to clause (3)(c), along with the standardized performance information mandated by Securities Act Rule 482 as applicable by virtue of subsection (e)(ii) of this rule, must be presented in a prominent text box that contains only such information but which may also contain comparative performance and fee data and disclosures required under this section (e).

(b) No additional changes.

(B) *Exceptions from Certain Disclosure Requirements.*

Notwithstanding any other provision of this rule, the following advertisements relating to municipal fund securities shall not be subject to the provisions of subparagraphs (1) and (2) of paragraph (e)(i)(A):

(1)-(2) No additional changes.

(3) *certain form letters to existing customers* – any form letter **relating to municipal fund securities** distributed solely to existing customers of the broker, dealer or municipal securities dealer to whom the broker, dealer or municipal securities dealer has previously sent or caused to be sent an official statement for:

(a)-(b) No additional changes.

(ii) *Performance Data*. Each product advertisement that includes performance data relating to municipal fund securities must present performance data in the format, and calculated pursuant to the methods, prescribed in paragraph (d) of Securities Act Rule 482 (or, in the case of a municipal fund security that the issuer holds out as having the characteristics of a money market fund, paragraph (e) of Securities Act Rule 482) and, to the extent applicable, subparagraph (e)(i)(A)(4) of this rule, provided that:

(A)-(B) No additional changes.

(C) *currentness of calculation* – performance data **and total annual operating expense ratio** shall be calculated as of the most recent practicable date considering the type of municipal fund securities and the media through which data will be conveyed, except that any advertisement containing total return quotations will be considered to have complied with this paragraph provided that:

(1)-(2) No additional changes.

(D)-(F) No additional changes.

(iii)-(vii) No additional changes.

(f) No changes.

[1] [Amendment No. 1 to File No. SR-MSRB-2006-9](#). The proposed rule change was originally filed on November 21, 2006. See [MSRB Notice 2006-32 \(November 21, 2006\)](#). Comments on the proposed rule change, as amended and restated, should be submitted to the SEC and should reference this file number.

[2] For a full description of the original proposed rule change, see [MSRB Notice 2006-32 \(November 21, 2006\)](#). Today's filing does not modify the language of the proposed amendments to Rule G-27 or of the proposed interpretive notice as set forth in the original rule filing.

[3] In the original filing, the MSRB had requested that a portion of the proposed rule change be made effective February 1, 2007 and the remaining portion be made effective April 1, 2007.

[4] Underlining signifies insertions made by this filing to the original proposed rule change; strikethrough signifies deletions made by this filing to the original proposed rule change.