

MEMO# 22134

January 17, 2008

MSRB Proposes Changes to Improve Transaction Reporting of New Issues

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TO: MUNICIPAL SECURITIES ADVISORY COMMITTEE No. 1-08 RE: MSRB PROPOSES
CHANGES TO IMPROVE TRANSACTION REPORTING OF NEW ISSUES

The Securities and Exchange Commission has published for comment a proposed rule change filed by the MSRB to amend its Rule G-8, Books and Records, Rule G-9, Preservation of Records, and Rule G-34, CUSIP Numbers and New Issues Requirements to improve transaction reporting and price transparency of new issues.* Specifically, the proposal would accelerate the timing for CUSIP number assignment and, with the exception of new issues of short-term instruments with less than nine months in effective maturity, require underwriters to: (1) submit certain information about a new issue of municipal securities to Depository Trust and Clearing Corporation's ("DTCC") New Issue Information Dissemination System ("NIIDS") within set timeframes; and (2) set and disseminate a "Time of First Execution" that allows time for market participants to access necessary information in preparation for trade reporting prior to beginning trade executions in the issue. The details of the proposal are discussed below.

Proposed Amendments to Rule G-34

The proposal would set new deadlines for CUSIP number assignment to facilitate the proposed requirement that final CUSIP number assignment occur prior to the formal award of a new issue. In particular, the proposal would require the underwriter on a negotiated issue to apply for a CUSIP number no later than the time that the pricing information for the issue is determined. A dealer acting as a financial advisor on a competitive deal would be required to apply for a CUSIP number within one business day of dissemination of a notice of sale.

The proposal also would require underwriters to transmit electronically certain new issue information to NIIDS as soon as it is available, with a final deadline for all such information to be provided no later than two hours after the “Time of Formal Award.” In addition, the proposal would amend the definition of Time of Formal Award as follows: for competitive issues, the later of the time the issuer formally awards the issue or the time the issuer notifies the underwriter of the award; and for negotiated issues, the later of the time the contract to purchase the securities from the issuer is executed or the time the issuer notifies the underwriter of its execution of the agreement.

The proposal would require the underwriter of a new issue to disseminate the Time of First Execution that is at least two hours after the time that all required information is provided to NIIDS. Further, the proposal would allow an underwriter to submit an anticipated Time of Formal Award in order to schedule its Time of First Execution to occur immediately after the formal award, rather than waiting two hours. The Release explains that only the hours between 9 a.m. and 5 p.m. EST are counted for purposes of the proposed timetables.

Proposed Amendments to Rules G-8 and G-9

The proposal would require an underwriter to retain for three years a record of the Time of Formal Award, a copy of the notification from the DTCC indicating that a new issue received “Trade Eligibility” status in NIIDS and the Time of First Execution.

The Release states that the proposal is designed to centralize information dissemination and to allow for a more timely, efficient, and consistent mechanism for the distribution and re-dissemination of information detailing the critical data elements for a new issue. It also states that the proposal is intended to develop greater transparency in the marketplace for new issues by allowing all market participants equal access to new issue information. MSRB proposes an effective date for the proposed rule change of July 30, 2008.

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