

**MEMO# 20084**

June 2, 2006

## **ICI Files Letter Supporting MSRB's Proposed Amendments to Strengthen Its Supervisory Rule**

©2006 Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice. [20084] June 2, 2006 TO: 529 PLAN ADVISORY COMMITTEE No. 10-06 529 PLAN MEMBERS No. 9-06 RE: ICI FILES LETTER SUPPORTING MSRB'S PROPOSED AMENDMENTS TO STRENGTHEN ITS SUPERVISORY RULE As we previously informed you, in April, the Municipal Securities Rulemaking Board proposed revisions to its rule relating to the supervisory control procedures of municipal securities dealers.\* The proposed amendments, which are intended to conform the MSRB's supervisory rule to similar rules of the NASD regarding its members' supervisory obligations, revise MSRB Rule G-27 to modify the rule's provisions governing supervisory systems to include provisions relating to: □ Designation of offices and assignment of representatives to supervisory personnel; □ Tape recording of conversations in certain circumstances; □ Updating written supervisory procedures; □ Internal inspections; and □ Supervisory control systems. The Institute has filed the attached letter with the MSRB supporting the proposed revisions. As noted in our letter, the MSRB's proposal will require a more structured and formalized supervisory system than the current rule, which should benefit investors by ensuring greater internal oversight of municipal securities dealers' operations. Also, by conforming the MSRB's rule to the NASD's and supervisory rules, the revisions will both facilitate compliance by those dealers that are dually registered with the MSRB and the NASD and enable the NASD to more efficiently inspect those dealers that are subject to rules of both self-regulatory organizations. Tamara K. Salmon Senior Associate Counsel \* See Institute Memorandum to 529 Plan Advisory Committee No. 7-06 and 529 Plan Members No. 5-06 [19992], dated May 2, 2006, which discusses MSRB Notice 2006-11, Request for Comment on Draft Amendments to Rule G-27, on Supervision, that Strengthen Supervisory Procedures (April 21, 2006). The MSRB's Notice is available at: <http://www.msrb.org/msrb1/whatsnew/2006-11.asp>. 2 Attachment (in .pdf format) Note: Not all recipients receive the attachment. To obtain a copy of the attachment, please visit our members website (<http://members.ici.org>) and search for memo 20084, or call the ICI Library at (202) 326-8304 and request the attachment for memo 20084.