

**MEMO# 16176**

June 9, 2003

## **MSRB PROPOSES AML PROGRAM RULE FOR MUNICIPAL SECURITIES DEALERS**

[16176] June 9, 2003 TO: 529 PLAN ADVISORY COMMITTEE No. 34-03 MONEY LAUNDERING RULES WORKING GROUP No. 38-03 TRANSFER AGENT ADVISORY COMMITTEE No. 58-03 RE: MSRB PROPOSES AML PROGRAM RULE FOR MUNICIPAL SECURITIES DEALERS The Municipal Securities Rulemaking Board proposed a rule that would require all brokers, dealers and municipal securities dealers (collectively, "dealers") that effect transactions in municipal securities to adopt anti-money laundering programs.<sup>1</sup> The proposed rule was published in the Federal Register today with an extremely short comment period. Comments must be submitted to the SEC by June 30, 2003. The new rule, MSRB Rule G-41, would require all dealers to comply with the AML program rules set forth by the applicable regulator or self-regulatory organization to the same extent as if such rules were directly applicable to the dealer. For dealers that are broker-dealers, this will require compliance with NASD Rule 3011; for other dealers, this will require compliance with the applicable bank rule (OCC, FRB, FDIC or OTS). The proposing release states that the rule is intended to provide clarity to dealers and examiners concerning the application of AML rules to dealers who affect transactions in municipal securities, and that it will not impose any new or different obligations upon such dealers. However, the adoption of this rule would clarify that the sale of 529 plan interests would be subject to the dealer's AML program. We have previously scheduled a conference call with the Money Laundering Rules Working Group, Transfer Agent Advisory Committee and Broker-Dealer Advisory Committee to discuss other AML issues on Friday, June 13th at 3:00 p.m. Eastern time. In lieu of a separate conference call to discuss this proposal, we will add this to the agenda for that call. Members of the 529 Plan Advisory Committee will receive a separate memorandum with information on how to joint that conference call. Robert C. Grohowski Associate Counsel Attachment (in .pdf format) 1 See Securities and Exchange Commission, Self-Regulatory Organizations, "Notice of Filing of Proposed Rule Change by the Municipal Securities Rulemaking Board to Require Dealers to Establish Anti-Money Laundering Compliance Programs," 68 Fed. Reg. 34450 (June 9, 2003).

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