

MEMO# 14465

February 15, 2002

SEC NOTICE REGARDING MSRB'S PROPOSED "SOPHISTICATED MUNICIPAL MARKET PROFESSIONALS" CONCEPT

[14465] February 15, 2002 TO: FIXED-INCOME ADVISORY COMMITTEE No. 2-02 RE: SEC NOTICE REGARDING MSRB'S PROPOSED "SOPHISTICATED MUNICIPAL MARKET PROFESSIONALS" CONCEPT As we previously informed you, the Municipal Securities Rulemaking Board ("MSRB") filed an interpretive notice with the Securities and Exchange Commission that provided interpretive guidance on the application of various MSRB rules to sophisticated municipal market professionals ("SMMPs").¹ The Securities and Exchange Commission has recently issued for public comment a release of the MSRB's interpretive notice.² The Commission's release summarizes the MSRB's proposed SMMP concept and explains its application to various MSRB rules, including MSRB Rules G-17 (affirmative disclosure obligations), G-18 (fair and reasonable transaction prices), G-19 (suitability obligations), and G-13 (quotations). The Commission's release also provides a discussion of the MSRB's initial and revised draft notices, including a discussion of the comments received from industry participants along with the MSRB's responses. Comments on the MSRB's proposal are due to the SEC by Monday, March 4, 2002. A conference call to discuss the proposal has been scheduled for Thursday, February 21st at 1:30 p.m. (EST). If you would like to participate on the call, please notify me by email at bsimmons@ici.org, by phone at 202/326-5923, or by fax at 202/326-5827. If you are unable to participate on the call, please provide any comments you may have by Tuesday, February 19th. Barry E. Simmons Associate Counsel

¹ See Memorandum to Fixed-Income Advisory Committee No. 1-02, dated February 1, 2002. ² Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the MSRB to Transactions with Sophisticated Municipal Market Professionals, SEC Release No. 34-45364 (January 30, 2002); 67 Fed. Reg. 6294 (February 11, 2002). The Commission's release is available from the Federal Register at http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=2002_register&docid=02-3232-filed.pdf.