

(i) Securities that prepay principal. For securities that prepay principal periodically, a yield computation and display of yield is not required, provided, however, that if a yield is displayed, there shall be included a statement describing how the yield was computed.

(ii) Municipal Collateralized Mortgage Obligations. For municipal collateralized mortgage obligations, a yield computation and display of yield is not required, provided however, that if a yield is displayed, there shall be included a statement describing how the yield was computed.

(iii) Defaulted securities. For securities that have defaulted in the payment of interest or principal, a yield shall not be shown.

(iv) Variable rate securities. For municipal securities with a variable interest rate, a yield shall not be shown unless the transaction was effected on the basis of yield to put.

(v) Securities traded on a discounted basis. For securities traded on a discounted basis, a yield shall not be shown.

(vi) Municipal fund securities. For municipal fund securities, neither yield nor dollar price shall be shown.

(6) Final Monies. The following information relating to the calculation and display of final monies shall be shown:

(a) total dollar amount of transaction;

(b) amount of accrued interest, with special requirements for the following securities:

(i) Zero coupon securities. For zero coupon securities, no figure for accrued interest shall be shown;

(ii) Securities traded on discounted basis. For securities traded on a discounted basis (other than discounted securities traded on a yield-equivalent basis), no figure for accrued interest shall be shown;

(iii) Municipal fund securities. For municipal fund securities, no figure for accrued interest shall be shown;

(c) if the securities pay interest on a current basis but are traded without interest, a notation of "flat;"

(d) extended principal amount, with special requirements for the following securities:

(i) Securities traded on discounted basis. For securities traded on a discounted basis (other than discounted securities sold on a yield-equivalent basis) total dollar amount of discount may be shown in lieu of the resulting dollar price and extended principal amount;

(ii) Municipal fund securities. For municipal fund securities, no extended principal amount shall be shown;

(e) the nature and amount of miscellaneous fees, such as special delivery arrangements or a "per transaction" fee, or if agreed to, any fees for converting registered certificates to or from bearer form;

(f) if the broker, dealer or municipal securities dealer is effecting the transaction as agent for the customer or as agent for both the customer and another person, the amount of any remuneration received or to be received (shown in aggregate dollar amount) by the broker, dealer or municipal securities dealer from the customer in connection with the transaction unless remuneration paid by the customer is determined, pursuant to a written agreement with the customer, other than on a transaction basis;

(g) the first interest payment date if other than semi-annual, but only if necessary for the calculation of final money;

(h) for callable zero coupon securities, if applicable, the percentage of the purchase price at risk due to the lowest possible call, which shall be calculated based upon the ratio between (i) the difference between the price paid by the customer and the lowest possible call price, and (ii) the price paid by the customer.

(7) Delivery of securities. The following information regarding the delivery of securities shall be shown:

(a) Securities other than bonds or municipal fund securities. For securities other than bonds or municipal fund securities, denominations to be delivered;

(b) Bond certificates delivered in non-standard denominations. For bonds, denominations of certificates to be delivered shall be stated if:

(i) for bearer bonds, denominations are other than \$1,000 or \$5,000 in par value, and

(ii) for registered bonds, denominations are other than multiples of \$1,000 par value, or exceed \$100,000 par value;

(c) Municipal fund securities. For municipal fund securities, the purchase price, exclusive of commission, of each share or unit and the number of shares or units to be delivered;

(d) Delivery instructions. Instructions, if available, regarding receipt or delivery of securities and form of payment, if other than as usual and customary between the parties.

(8) Additional information about the transaction. In addition to the transaction information required above, such other information as may be necessary to ensure that the parties agree to details of the transaction also shall be shown.

(B) Securities identification information. The confirmation shall include a securities identification which includes, at a minimum:

(1) the name of the issuer, with special requirements for the following securities:

(a) For stripped coupon securities, the trade name and series designation assigned to the stripped coupon municipal security by the broker, dealer or municipal securities dealer sponsoring the program must be shown;

(b) Municipal fund securities. For municipal fund securities, the name used by the issuer to identify such securities and, to the extent necessary to differentiate the securities from other municipal fund securities of the issuer, any separate program series, portfolio or fund designation for such securities must be shown;

(2) CUSIP number, if any, assigned to the securities;

(3) maturity date, if any, with special requirements for the following securities:

(a) Stripped coupon securities. For stripped coupon securities, the maturity date of the instrument must be shown in lieu of the maturity date of the underlying securities;

(b) Municipal fund securities. For municipal fund securities, no maturity date shall be shown;

(4) interest rate, if any, with special requirements for the following securities:

(a) Zero coupon securities. For zero coupon securities, the interest rate must be shown as 0%;

(b) Variable rate securities. For securities with a variable or floating interest rate, the interest rate must be shown as "variable;" provided however if the yield is computed to put date or to mandatory tender date, the interest rate used in that calculation shall be shown.

(c) Securities with adjustable tender fees. If the net interest rate paid on a tender option security is affected by an adjustable "tender fee," the stated interest rate must be shown as that of the underlying security with the phrase "less fee for put;"

(d) Stepped coupon securities. For stepped coupon securities, the interest rate currently being paid must be shown;

(e) Stripped coupon securities. For stripped coupon securities, the interest rate actually paid on the instrument must be shown in lieu of interest rate on underlying security;

(f) Municipal fund securities. For municipal fund securities, no interest rate shall be shown;

(5) the dated date if it affects the price or interest calculation, with special requirements for the following securities:

(a) Stripped coupon securities. For stripped coupon securities, the date that interest begins accruing to the custodian for payment to the beneficial owner shall be shown in lieu of the dated date of the underlying securities. This date, along with the first date that interest will be paid to the owner, must be stated on the confirmation whenever it is necessary for calculation of price or accrued interest.

(C) Securities descriptive information. The confirmation shall include descriptive information about the securities which includes, at a minimum:

(1) Credit backing. The following information, if applicable, regarding the credit backing of the security:

(a) Revenue securities. For revenue securities, a notation of that fact, and a notation of the primary source of revenue (*e.g.*, project name). This subparagraph will be satisfied if these designations appear on the confirmation in the formal title of the security or elsewhere in the securities description.

(b) Securities with additional credit backing. The name of any company or other person in addition to the issuer obligated, directly or indirectly, with respect to debt service or, if there is more than one such obligor, the state-

ment “multiple obligors” may be shown and, if a letter of credit is used, the identity of the bank issuing the letter of credit must be noted.

(2) Features of the securities. The following information, if applicable, regarding features of the securities:

(a) Callable securities. If the securities are subject to call prior to maturity through any means, a notation of “callable” shall be included. This shall not be required if the only call feature applicable to the securities is a “catastrophe” or “calamity” call feature, such as one relating to an event such as an act of God or eminent domain, and which event is beyond the control of the issuer of the securities. The date and price of the next pricing call shall be included and so designated. Other specific call features are not required to be listed unless required by subparagraph (A)(5)(c)(ii) of this paragraph on computation and display of price and yield. If any specific call feature is listed even though not required by this rule, it shall be identified. If there are any call features in addition to the next pricing call, disclosure must be made on the confirmation that “additional call features exist that may affect yield; complete information will be provided upon request;”

(b) Puttable securities. If the securities are puttable by the customer, a designation to that effect;

(c) Stepped coupon securities. If stepped coupon securities, a designation to that effect;

(d) Book-entry only securities. If the securities are available only in book entry form, a designation to that effect;

(e) Periodic interest payment. With respect to securities that pay interest on other than a semi-annual basis, a statement of the basis on which interest is paid;

(3) Information on status of securities. The following information, as applicable, regarding the status of the security shall be included:

(a) Prerefunded and called securities. If the securities are called or “prerefunded,” a designation to such effect, the date of maturity which has been fixed by the call notice, and the amount of the call price.

(b) Escrowed to maturity securities. If the securities are advance refunded to maturity date and no call feature (with the exception of a sinking fund call) is explicitly reserved by the issuer, the securities must be described as “escrowed

to maturity” and, if a sinking fund call is operable with respect to the securities, additionally described as “callable.”

(c) Advanced refunded/callable securities. If advanced refunded securities have an explicitly reserved call feature other than a sinking fund call, the securities shall be described as “escrowed to [redemption date] — callable.”

(d) Advanced refunded/stripped coupon securities. If the municipal securities underlying stripped coupon securities are advance-refunded, the stripped coupon securities shall be described as “escrowed-to-maturity,” or “pre-refunded” as applicable.

(e) Securities in default. If the securities are in default as to the payment of interest or principal, they shall be described as “in default;”

(f) Unrated securities. If the security is unrated by a nationally recognized statistical rating organization, a disclosure to such effect.

(4) Tax information. The following information that may be related to the tax treatment of the security:

(a) Taxable securities. If the securities are identified by the issuer or sold by the underwriter as subject to federal taxation, a designation to that effect.

(b) Alternative minimum tax securities. If interest on the securities is identified by the issuer or underwriter as subject to the alternative minimum tax, a designation to that effect.

(c) Original issue discount securities. If the securities pay periodic interest and are sold by the underwriter as original issue discount securities, a designation that they are “original issue discount” securities and a statement of the initial public offering price of the securities, expressed as a dollar price.

(5) Municipal fund securities. For municipal fund securities, the information described in clauses (1) through (4) of this subparagraph (C) is not required to be shown.

(D) Disclosure statements:

(1) The confirmation for zero coupon securities shall include a statement to the effect that “No periodic payments,” and, if applicable, “callable below maturity value,” and, if callable and available in bearer form, “callable without notice by mail to holder unless registered.”

(2) The confirmation for municipal collateralized mortgage obligations shall include a statement indicating that the actual yield of such security may

vary according to the rate at which the underlying receivables or other financial assets are prepaid and a statement that information concerning the factors that affect yield (including at a minimum estimated yield, weighted average life, and the prepayment assumptions underlying yield) will be furnished upon written request.

(3) The confirmation for securities for which a deferred commission or other charge is imposed upon redemption or as a condition for payment of principal or interest thereon shall include a statement that the customer may be required to make a payment of such deferred commission or other charge upon redemption of such securities or as a condition for payment of principal or interest thereon, as appropriate, and that information concerning such deferred commission or other charge will be furnished upon written request.

(4) The confirmation for a transaction (other than a transaction in municipal fund securities) executed for or with a non-institutional customer shall include, in a format specified by the MSRB, a reference and, if the confirmation is electronic, a hyperlink to a webpage on EMMA that contains publicly available trading data for the specific security that was traded, along with a brief description of the type of information available on that page.

(E) Confirmation format. All requirements must be clearly and specifically indicated on the front of the confirmation, except that the following statements may be on the reverse side of the confirmation:

(1) The disclosure statements required in subparagraph (D)(1), (D)(2) or (D)(3) of this paragraph, provided that their specific applicability is noted on the front of the confirmation.

(2) The statement concerning the person from whom the securities were purchased or to whom the securities were sold that can be provided in satisfaction of subparagraph (A)(1)(e)(i) of this paragraph.

(F) Mark-ups and Mark-downs.

(1) General. A confirmation shall include the dealer's mark-up or mark-down for the transaction, to be calculated in compliance with Rule G-30, Supplementary Material .06 and expressed as a total dollar amount and as a percentage of the prevailing market price if:

(a) the broker, dealer or municipal securities dealer ("dealer") is effecting a transaction in a principal capacity with a non-institutional customer, and

(b) the broker, dealer or municipal securities dealer purchased (sold) the security in one or more offsetting transactions in an aggregate

trading size meeting or exceeding the size of such sale to (purchase from) the non-institutional customer on the same trading day as the non-institutional customer transaction. If any such transaction occurs with an affiliate of the dealer and is not an arms-length transaction, the dealer is required to "look through" to the time and terms of the affiliate's transaction(s) with third parties in the security in determining whether the conditions of this paragraph have been met.

(2) Exceptions. A dealer shall not be required to include the disclosure specified in paragraph (F) (1) above if:

(a) the non-institutional customer transaction was executed by a principal trading desk that is functionally separate from the principal trading desk within the same dealer that executed the dealer purchase (in the case of a sale to a customer) or dealer sale (in the case of a purchase from a customer) of the security, and the dealer had in place policies and procedures reasonably designed to ensure that the functionally separate principal trading desk through which the dealer purchase or dealer sale was executed had no knowledge of the customer transaction;

(b) the customer transaction is a "list offering price transaction" as defined in paragraph (d)(vii) of Rule G-14 RTRS Procedures; or

(c) the customer transaction is for the purchase or sale of municipal fund securities.

(ii) Separate confirmation for each transaction. Each broker, dealer or municipal securities dealer for each transaction in municipal securities shall give or send to the customer a separate written confirmation in accordance with the requirements of (i) above. Multiple confirmations may be printed on one page, provided that each transaction is clearly segregated and the information provided for each transaction complies with the requirements of (i) above; provided, however, that if multiple confirmations are printed in a continuous manner within a single document, it is permissible for the name and address of the broker, dealer or municipal securities dealer and the customer to appear once at the beginning of the document, rather than being included in the confirmation information for each transaction.

(iii) "When, as and if issued" transactions. A confirmation meeting the requirements of this rule shall be sent in all "when, as and if issued" transactions. In addition, a broker, dealer or municipal securities dealer may send a confirmation for a "when, as and if issued" transaction executed prior to determination of settlement date and may be required to do so for delivery vs. payment and receipt vs. payment ("DVP/RVP") accounts under paragraph (d)(i)(C) of this rule. If such a confirmation is sent, it shall include all information required

by this section with the exception of settlement date, dollar price for transactions executed on a yield basis, yield for transactions executed on a dollar price, total monies, accrued interest, extended principal and delivery instructions.

(iv) Confirmation to customers who tender put option bonds or municipal fund securities. A broker, dealer, or municipal securities dealer that has an interest in put option bonds (including acting as remarketing agent) and accepts for tender put option bonds from a customer, or that has an interest in municipal fund securities (including acting as agent for the issuer thereof) and accepts for redemption municipal fund securities tendered by a customer, is engaging in a transaction in such municipal securities and shall send a confirmation under paragraph (i) of this section.

(v) Timing for providing information. Information requested by a customer pursuant to statements required on the confirmation shall be given or sent to the customer within five business days following the date of receipt of a request for such information; provided however, that in the case of information relating to a transaction executed more than 30 calendar days prior to the date of receipt of a request, the information shall be given or sent to the customer within 15 business days following the date of receipt of the request.

(vi) Definitions. For purposes of this rule, the following terms shall have the following meanings:

(A) Execution of a transaction. The term “the time of execution of a transaction” shall be the time of execution reflected in the records of the broker, dealer or municipal securities dealer pursuant to rule G-8 or Rule 17a-3 under the Act.

(B) Completion of transaction. The term “completion of transaction” shall have the same meaning as provided in Rule 15c1-1 under the Act.

(C) Stepped coupon securities. The term “stepped coupon securities” shall mean securities with the interest rate periodically changing on a pre-established schedule.

(D) Zero coupon securities. The term “zero coupon securities” shall mean securities maturing in more than two years and paying investment return solely at redemption.

(E) Stripped coupon securities. The term “stripped coupon securities” shall have the same meaning as in SEC staff letter dated January 19, 1989 (Stripped Coupon Municipal Securities, SEC No-Action Letter, Fed. Sec. L. Rep. (CCH) ¶ 78,949 (Jan. 19, 1989)), reprinted in MSRB Reports, Vol. 9, No. 1 (March 1989) at 6-7.

(F) The term “pricing call” shall mean a call feature that represents “an in whole call” of the type that may be used by the issuer without restriction in a refunding.

(G) The term “periodic municipal fund security plan” shall mean any written authorization or arrangement for a broker, dealer or municipal securities dealer,

acting as agent, to purchase, sell or redeem for a customer or group of customers one or more specific municipal fund securities, in specific amounts (calculated in security units or dollars), at specific time intervals and setting forth the commissions or charges to be paid by the customer in connection therewith (or the manner of calculating them).

(H) The term “non-periodic municipal fund security program” shall mean any written authorization or arrangement for a broker, dealer or municipal securities dealer, acting as agent, to purchase, sell or redeem for a customer or group of customers one or more specific municipal fund securities, setting forth the commissions or charges to be paid by the customer in connection therewith (or the manner of calculating them) and either (1) providing for the purchase, sale or redemption of such municipal fund securities at the direction of the customer or customers or (2) providing for the purchase, sale or redemption of such municipal fund securities at the direction of the customer or customers as well as authorizing the purchase, sale or redemption of such municipal fund securities in specific amounts (calculated in security units or dollars) at specific time intervals.

(I) The term “arms-length transaction” shall mean a transaction that was conducted through a competitive process in which non-affiliate firms could also participate, and where the affiliate relationship did not influence the price paid or proceeds received by the dealer.

(J) The term “non-institutional customer” shall mean a customer with an account that is not an institutional account, as defined in Rule G-8(a)(xi).

(vii) Price substituted for par value of municipal fund securities. For purposes of this rule, each reference to the term “par value,” when applied to a municipal fund security, shall be substituted with (i) in the case of a purchase of a municipal fund security by a customer, the purchase price paid by the customer, exclusive of any commission, and (ii) in the case of a sale or tender for redemption of a municipal fund security by a customer, the sale price or redemption amount paid to the customer, exclusive of any commission or other charge imposed upon redemption or sale.

(viii) Alternative periodic reporting for certain transactions in municipal fund securities. Notwithstanding any other provision of this section (a), a broker, dealer or municipal securities dealer may effect transactions in municipal fund securities with customers without giving or sending to such customer the written confirmation required by paragraph (i) of this section (a) at or before completion of each such transaction if:

(A) such transactions are effected pursuant to a periodic municipal fund security plan or a non-periodic municipal fund security program; and

(B) such broker, dealer or municipal securities dealer gives or sends to such customer within five business days after the end of each quarterly period, in the case of a customer participating in a periodic municipal fund security plan, or each monthly period, in the case of a customer participating in a non-periodic municipal fund security program, a written statement disclosing, for each purchase, sale or redemption effected for or with, and each payment of investment earnings credited to or reinvested for, the account of such customer during the reporting period, the information required to be disclosed to customers pursuant to subparagraphs (A) through (D) of paragraph (i) of this section (a), with the information regarding each transaction clearly segregated; provided that it is permissible:

(1) for the name and address of the broker, dealer or municipal securities dealer and the customer to appear once at the beginning of the periodic statement; and

(2) for information required to be included pursuant to subparagraph (A)(1)(d), (A)(2)(a) or (D)(3) of paragraph (i) of this section (a) to:

(a) appear once in the periodic statement if such information is identical for all transactions disclosed in such statement; or

(b) be omitted from the periodic statement, but only if such information previously has been delivered to the customer in writing and the periodic statement includes a statement indicating that such information has been provided to the customer and identifying the document in which such information appears; and

(C) in the case of a periodic municipal fund security plan that consists of an arrangement involving a group of two or more customers and contemplating periodic purchases of municipal fund securities by each customer through a person designated by the group, such broker, dealer or municipal securities dealer:

(1) gives or sends to the designated person, at or before the completion of the transaction for the purchase of such municipal fund securities, a written notification of the receipt of the total amount paid by the group;

(2) sends to anyone in the group who was a customer in the prior quarter and on whose behalf payment has not been received in the current quarter a quarterly written statement reflecting that a payment was not received on such customer's behalf; and

(3) advises each customer in the group if a payment is not received from the designated person on behalf of the group within 10 days of a date certain specified in the arrangement for delivery of

that payment by the designated person and either (a) thereafter sends to each customer the written confirmation described in paragraph (i) of this section (a) for the next three succeeding payments, or (b) includes in the quarterly statement referred to in subparagraph (B) of this paragraph (viii) each date certain specified in the arrangement for delivery of a payment by the designated person and each date on which a payment received from the designated person is applied to the purchase of municipal fund securities; and

(D) such customer is provided with prior notification in writing disclosing the intention to send the written information referred to in subparagraph (B) of this paragraph (viii) on a periodic basis in lieu of an immediate confirmation for each transaction; and

(E) such customer has consented in writing to receipt of the written information referred to in subparagraph (B) of this paragraph (viii) on a periodic basis in lieu of an immediate confirmation for each transaction; provided, however, that such customer consent shall not be required if:

(1) the customer is not a natural person;

(2) the customer is a natural person who participates in a periodic municipal fund security plan described in subparagraph (C) of this paragraph (viii); or

(3) the customer is a natural person who participates in a periodic municipal fund security plan (other than a plan described in subparagraph (C) of this paragraph (viii)) or a non-periodic municipal fund security program and the issuer has consented in writing to the use by the broker, dealer or municipal securities dealer of the periodic written information referred to in subparagraph (B) of this paragraph (viii) in lieu of an immediate confirmation for each transaction with each customer participating in such plan or program.

(b) *Settlement Dates.*

(i) *Definitions.* For purposes of this rule, the following terms shall have the following meanings:

(A) *Settlement Date.* The term "settlement date" shall mean the day used in price and interest computations, which shall also be the day delivery is due unless otherwise agreed by the parties.

(B) *Business Day.* The term "business day" shall mean a day recognized by the Financial Industry Regulatory Authority as a day on which securities transactions may be settled.

(ii) *Settlement Dates.* Settlement dates shall be as follows:

(A) for "cash" transactions, the trade date;

(B) for “regular way” transactions, the second business day following the trade date;

(C) for all other transactions, a date agreed upon by both parties; *provided, however*, that a broker, dealer or municipal securities dealer shall not effect or enter into a transaction for the purchase or sale of a municipal security (other than a “when, as and if issued” transaction) that provides for payment of funds and delivery of securities later than the second business day after the date of the transaction unless expressly agreed to by the parties, at the time of the transaction.

(c) *Deliveries to Customers*. Except as provided in section (d) below, a delivery of securities by a broker, dealer, or municipal securities dealer to a customer or to another person acting as agent for the customer shall, unless otherwise agreed by the parties or otherwise specified by the customer, be made in accordance with the following provisions:

(i) Securities Delivered.

(A) All securities delivered on a transaction shall be identical as to the applicable information set forth in section (a) of this rule. All securities delivered shall also be identical as to the call provisions and the dated date of such securities.

(B) CUSIP Numbers.

(1) The securities delivered on a transaction shall have the same CUSIP number as that set forth on the confirmation of such transaction pursuant to the requirements of section (a) of this rule; *provided, however*, that for purposes of this item (1), a security shall be deemed to have the same CUSIP number as that specified on the confirmation (a) if the number assigned to the security and the number specified on the confirmation differ only as a result of a transposition or other transcription error, or (b) if the number specified on the confirmation has been assigned as a substitute or alternative number for the number reflected on the security.

(2) A new issue security delivered by an underwriter who is subject to the provisions of rule G-34 shall have the CUSIP number assigned to the security imprinted on or otherwise affixed to the security.

(ii) *Delivery Ticket*. A delivery ticket shall accompany the delivery of securities. Such ticket shall contain the information set forth in section (a) of this rule.

(iii) *Units of Delivery*. Delivery of bonds shall be made in the following denominations:

(A) for bearer bonds, in denominations of \$1,000 or \$5,000 par value; and

(B) for registered bonds, in denominations which are multiples of \$1,000 par value, up to \$100,000 par value.

Delivery of other municipal securities shall be made in the denominations specified on the confirmation as required pursuant to section (a) of this rule.

(iv) Form of Securities.

(A) *Bearer and Registered Form*. Delivery of securities which are issuable in both bearer and registered form may be in bearer form unless otherwise agreed by the parties; *provided, however*, that delivery of securities which are required to be in registered form in order for interest thereon to be exempted from Federal income taxation shall be in registered form.

(B) *Book-Entry Form*. Notwithstanding the other provisions of this section (c), a delivery of a book-entry form security shall be made only by a book-entry transfer of the ownership of the security to the purchasing customer or a person designated by the purchasing customer. For purposes of this subparagraph a “book-entry form” security shall mean a security which may be transferred only by bookkeeping entry, without the issuance or physical delivery of securities certificates, on books maintained for this purpose by a registered clearing agency or by the issuer or a person acting on behalf of the issuer.

(v) *Mutilated Certificates*. Delivery of a certificate which is damaged to the extent that any of the following is not ascertainable:

- (A) name of issuer;
- (B) par value;
- (C) signature;
- (D) coupon rate;
- (E) maturity date;
- (F) seal of the issuer; or
- (G) certificate number

shall not constitute good delivery unless validated by the trustee, registrar, transfer agent, paying agent or issuer of the securities or by an authorized agent or official of the issuer.

(vi) Coupon Securities.

(A) Coupon securities shall have securely attached to the certificate in the correct sequence all appropriate coupons, including supplemental coupons if specified at the time of trade, which in the case of securities upon which interest is in default shall include all unpaid or partially paid coupons. All coupons attached to the certificates must have the same serial number as the certificate.

(B) Anything herein to the contrary notwithstanding, if securities are traded “and interest” and the settlement date is on or after the interest payment date, such securities shall be delivered without the coupon payable on such interest payment date.

(C) If delivery of securities is made on or after the thirtieth calendar day prior to an interest payment date, the seller may deliver to the purchaser a draft or bank check of the seller or its agent, payable not later than the interest payment date or the delivery date, whichever is later, in an amount equal to the interest due, in lieu of the coupon.

(vii) Mutilated or Cancelled Coupons. Delivery of a certificate which bears a coupon which is damaged to the extent that any one of the following cannot be ascertained from the coupon:

- (A) title of the issuer;
- (B) certificate number;
- (C) coupon number or payment date (if either the coupon number or the payment date is ascertainable from the coupon, the coupon will not be considered mutilated); or
- (D) the fact that there is a signature;
- (E) or which coupon has been cancelled,

shall not constitute good delivery unless the coupon is endorsed or guaranteed. In the case of damaged coupons, such endorsement or guarantee must be by the issuer or by a commercial bank. In the case of cancelled coupons, such endorsement or guarantee must be by the issuer or an authorized agent or official of the issuer, or by the trustee or paying agent.

(viii) Delivery of Certificates Called for Redemption.

(A) A certificate for which a notice of call applicable to less than the entire issue of securities has been published on or prior to the delivery date shall not constitute good delivery unless the securities are identified as "called" at the time of trade.

(B) A certificate for which a notice of call applicable to the entire issue of securities has been published on or prior to the trade date shall not constitute good delivery unless the securities are identified as "called" at the time of trade.

(C) For purposes of this paragraph (viii) the term "entire issue of securities" shall mean securities of the same issuer having the same date of issue, maturity date and interest rate.

(ix) Delivery Without Legal Opinions or Other Documents. Delivery of certificates without legal opinions or other documents legally required to accompany the certificates shall not constitute good delivery unless identified as "ex legal" at the time of trade.

(x) Insured Securities. Delivery of certificates for securities traded as insured securities shall be accompanied by evidence of such insurance, either on the face of the certificate or in a document attached to the certificate.

(xi) Endorsements for Banking or Insurance Requirements. A security bearing an endorsement indicating that it was deposited in accordance with legal requirements applicable to banking institutions or insurance companies shall not constitute good delivery unless it bears a release acknowledged before an officer authorized to take such acknowledgments and was designated as a released endorsed security at the time of trade.

(xii) Delivery of Registered Securities.

(A) Delivery to the Customer. Registered securities delivered directly to a customer shall be registered in the customer's name or in such name as the customer shall direct.

(B) Delivery to an Agent of the Customer. Registered securities delivered to an agent of a customer may be registered in the customer's name or as otherwise directed by the customer. If such securities are not so registered, such securities shall be delivered in accordance with the following provisions:

(1) Assignments. Delivery of a certificate in registered form must be accompanied by an assignment on the certificate or on a separate bond power for such certificate, containing a signature or signatures which correspond in every particular with the name or names written upon the certificate, except that the following shall be interchangeable: "and" or "&"; "Company" or "Co."; "Incorporated" or "Inc."; and "Limited" or "Ltd."

(2) Detached Assignment Requirements. A detached assignment shall provide for the irrevocable appointment of an attorney, with power of substitution, a full description of the security, including the name of the issuer, the maturity date and interest date, the bond or note number, and the par value (expressed in words and numerals).

(3) Power of Substitution. When the name of an individual or firm has been inserted in an assignment as attorney, a power of substitution shall be executed in blank by such individual or firm. When the name of an individual or firm has been inserted in a power of substitution as a substitute attorney, a new power of substitution shall be executed in blank by such substitute attorney.

(4) Guarantee. Each assignment, endorsement, alteration and erasure shall bear a guarantee acceptable to the transfer agent or registrar.

(5) Form of Registration. Delivery of a certificate accompanied by the documentation required in this subparagraph (B) shall constitute good delivery if the certificate is registered in the name of:

- (a) an individual or individuals;
- (b) a nominee;

(c) a member of a national securities exchange whose specimen signature is on file with the transfer agent or any other broker, dealer or municipal securities dealer who has filed specimen signatures with the transfer agent and places a statement to this effect on the assignment; or

(d) an individual or individuals acting in a fiduciary capacity.

(6) Certificate in Legal Form. Good transfer of a security in legal form shall be determined only by the transfer agent for the security. Delivery of a certificate in legal form shall not constitute good delivery unless the certificate is identified as being in such form at the time of trade. A certificate shall be considered to be in legal form if documentation in addition to that specified in this subparagraph (B) is required to complete a transfer of the securities.

(C) Payment of Interest. If a registered security is traded “and interest” and transfer of record ownership cannot be or has not been accomplished on or before the record date for the determination of registered holders for the payment of interest, delivery shall be accompanied by a draft or bank check of the seller or its agent, payable not later than the interest payment date or the delivery date, whichever is later, for the amount of the interest.

(D) Registered Securities In Default. If a registered security is in default (*i.e.*, is in default in the payment of principal or interest) and transfer of record ownership cannot be or has not been accomplished on or before the record date for the determination of registered holders for the payment of interest, an interest payment date having been established on or after the trade date, delivery shall be accompanied by a draft or bank check of the seller or its agent, payable not later than the interest payment date or the delivery date, whichever is later, for the amount of the payment to be made by the issuer, unless the security is traded “ex-interest.”

(d) *Delivery/Receipt vs. Payment Transactions.*

(i) No broker, dealer or municipal securities dealer shall execute a transaction with a customer pursuant to an arrangement whereby payment for securities received (RVP) or delivery against payment of securities sold (DVP) is to be made to or by an agent of the customer unless all of the following procedures are followed:

(A) the broker, dealer or municipal securities dealer shall have received from the customer prior to or at the time of accepting such order, the name and address of the agent and the name and account number of the customer on file with the agent;

(B) the memorandum of such order made in accordance with the requirements of paragraph (a)(vi) or (a)(vii) of rule G-8 shall include a designation of the fact that it is a delivery vs. payment (DVP) or receipt vs. payment (RVP) transaction;

(C) the broker, dealer or municipal securities dealer shall give or send to the customer a confirmation in accordance with the requirements of section (a) of this rule with respect to the execution of the order not later than the day of such execution; and

(D) the broker, dealer or municipal securities dealer shall have obtained a representation from the customer (1) that the customer will furnish the agent instructions with respect to the receipt or delivery of the securities involved in the transaction promptly and in a manner to assure that settlement will occur on settlement date, and (2) that, with respect to a transaction subject to the provisions of paragraph (ii) below, the customer will furnish the agent such instructions in accordance with the rules of the registered clearing agency through whose facilities the transaction has been or will be confirmed.

(ii) Requirement for Confirmation/Acknowledgment.

(A) Use of Registered Clearing Agency or Qualified Vendor. Except as provided in this paragraph (ii) of rule G-15(d), no broker, dealer or municipal securities dealer shall effect a customer transaction for settlement on a delivery vs. payment or receipt vs. payment (DVP/RVP) basis unless the facilities of a Clearing Agency or Qualified Vendor are used for automated confirmation and acknowledgment of the transaction. Each broker, dealer and municipal securities dealer executing a customer transaction on a DVP/RVP basis shall:

(1) ensure that the customer has the capability, either directly or through its clearing agent, to acknowledge transactions in an automated confirmation/acknowledgment system operated by a Clearing Agency or Qualified Vendor;

(2) submit or cause to be submitted to a Clearing Agency or Qualified Vendor all information and instructions required by the Clearing Agency or Qualified Vendor for the production of a confirmation that can be acknowledged by the customer or the customer’s clearing agent; and

(3) submit such transaction information to the automated confirmation/acknowledgment system on the date of execution of such transaction; provided that a transaction that is not eligible for automated confirmation and acknowledgment through the facilities of a Clearing Agency shall not be subject to this paragraph (ii).

(B) Definitions for Rule G-15(d)(ii).

(1) “Clearing Agency” shall mean a clearing agency as defined in Section 3(a)(23) of the Act that is registered with the Commission pursuant to Section 17A(b)(2) of the Act or has obtained from the Commission an exemption from registration granted specifically to allow the clearing agency to provide confirmation/acknowledgment services.

(2) “Qualified Vendor” shall mean a vendor of electronic confirmation and acknowledgment services that:

(a) for each transaction subject to this rule:

(i) delivers a trade record to a Clearing Agency in the Clearing Agency’s format;

(ii) obtains a control number for the trade record from the Clearing Agency;

(iii) cross-references the control number to the confirmation and subsequent acknowledgment of the trade; and

(iv) electronically delivers any acknowledgment received on the trade to the Clearing Agency and includes the control number when delivering the acknowledgment of the trade to the Clearing Agency;

(b) certifies to its customers:

(i) with respect to its electronic trade confirmation/acknowledgment system, that it has a capacity requirements evaluation and monitoring process that allows the vendor to formulate current and anticipated estimated capacity requirements;

(ii) that its electronic trade confirmation/acknowledgment system has sufficient capacity to process the volume of data that it reasonably anticipates to be entered into its electronic trade confirmation/acknowledgment service during the upcoming year;

(iii) that its electronic trade confirmation/acknowledgment system has formal contingency procedures, that the entity has followed a formal process for reviewing the likelihood of contingency occurrences, and that the contingency protocols are reviewed, tested, and updated on a regular basis;

(iv) that its electronic confirmation/acknowledgment system has a process for preventing, detecting, and controlling any potential or actual systems or computer operations failures, including any failure to interface with a Clearing Agency as de-

scribed in rule G-15(d)(ii)(B)(2)(a), above, and that its procedures designed to protect against security breaches are followed; and

(v) that its current assets exceed its current liabilities by at least five hundred thousand dollars;

(c) when it begins providing such services, and annually thereafter, submits an Auditor’s Report to the Commission staff which is not deemed unacceptable by the Commission staff. (An Auditor’s Report will be deemed unacceptable if it contains any findings of material weakness.);

(d) notifies the Commission staff immediately in writing of any material change to its confirmation/affirmation systems. (For purposes of this subparagraph (d) “material change” means any changes to the vendor’s systems that significantly affect or have the potential to significantly affect its electronic trade confirmation/acknowledgment systems, including changes that:

(i) affect or potentially affect the capacity or security of its electronic trade confirmation/acknowledgment system;

(ii) rely on new or substantially different technology;

(iii) provide a new service as part of the Qualified Vendor’s electronic trade confirmation/acknowledgment system; or

(iv) affect or have the potential to adversely affect the vendor’s confirmation/acknowledgment system’s interface with a Clearing Agency.);

(e) notifies the Commission staff in writing if it intends to cease providing services;

(f) provides the Board with copies of any submissions to the Commission staff made pursuant to subparagraphs (c), (d), and (e) of this rule G 15(d)(ii)(B)(2) within ten business days; and

(g) promptly supplies supplemental information regarding its confirmation/acknowledgment system when requested by the Commission staff or the Board.

(3) “Auditor’s Report” shall mean a written report which is prepared by competent, independent, external audit personnel in accordance with the standards of the American Institute of Certified Public Accountants and the Information Systems Audit and Control Association and which: