

factors delineated in Rule G-19 regarding a customer's investment profile generally are relevant to a determination regarding whether a recommendation is suitable for a particular customer, although the level of importance of each factor may vary depending on the facts and circumstances of the particular case. A broker, dealer or municipal securities dealer shall use reasonable diligence to obtain and analyze all of the factors delineated in Rule G-19 unless the broker, dealer or municipal securities dealer has a reasonable basis to believe, documented with specificity, that one or more of the factors are not relevant components of a customer's investment profile in light of the facts and circumstances of the particular case.

.05 Components of Suitability Obligations. Rule G-19 is composed of three main obligations: reasonable-basis suitability, customer-specific suitability, and quantitative suitability.

(a) The reasonable-basis obligation requires a broker, dealer or municipal securities dealer to have a reasonable basis to believe, based on reasonable diligence, that the recommendation is suitable for at least some investors. In general, what constitutes reasonable diligence will vary depending on, among other things, the complexity of and risks associated with the municipal security or investment strategy and the broker, dealer or municipal securities dealer's familiarity with the municipal security or investment strategy. A broker, dealer or municipal securities dealer's reasonable diligence must provide the broker, dealer or municipal securities dealer with an understanding of the potential risks and rewards associated with the recommended municipal security or strategy and an understanding of information about the municipal security or strategy, including the information described in MSRB Rule G-47 (Time of Trade Disclosure), to the extent such information is material. The lack of such an understanding when recommending a municipal security or strategy violates the suitability rule.

(b) The customer-specific obligation requires that a broker, dealer or municipal securities dealer have a reasonable basis to believe that the recommendation is suitable for a particular customer based on that customer's investment profile, as delineated in Rule G-19.

(c) Quantitative suitability requires a broker, dealer or municipal securities dealer who has actual or de facto control over a customer account to have a reasonable basis for believing that a series of recommended transactions, even if suitable when viewed in isolation, are not excessive and unsuitable for the customer when taken together in light of the customer's investment profile, as delineated in Rule G-19. No single test defines excessive activity, but factors such as the turnover rate, the cost-equity ratio, and the use of in-and-out trading in a customer's account may provide a basis for a finding that a broker, dealer or municipal securities dealer has violated the quantitative suitability obligation.

.06 Customer's Financial Ability. Rule G-19 prohibits a broker, dealer or municipal securities dealer from recommending a transaction or investment strategy involving a municipal security or municipal securities or the continuing purchase of a municipal security or municipal securities or use of an investment strategy involving a municipal security or municipal securities unless the broker, dealer or municipal securities dealer has a reasonable basis to believe that the customer has the financial ability to meet such a commitment.

Rule G-19 Interpretations

See:

Rule G-17 Interpretation — Reminder of Customer Protection Obligations in Connection with Sales of Municipal Securities, March 30, 2007.

- **MSRB Reminds Firms of Their Sales Practice and Due Diligence Obligations when Selling Municipal Securities in the Secondary Market**, September 20, 2010.

Rule G-19 Interpretation — Bond Insurance Ratings – Application of MSRB Rules, January 22, 2008.

Rule G-21 Interpretation — Disclosure Obligation, May 21, 1998.

- **Interpretation of General Advertising Disclosures, Blind Advertisements and Annual Reports Relating to Municipal Fund Securities Under Rule G-21**, June 5, 2007.

Rule G-32 Interpretation — Notice Regarding Electronic Delivery and Receipt of Information by Brokers, Dealers and Municipal Securities Dealers, November 20, 1998.

Rule G-19 Amendment History (since 2003)

[Release No. 34-71665 \(March 7, 2014\)](#), [79 FR 14321 \(March 13, 2014\)](#); [MSRB Notice 2014-07 \(March 12, 2014\)](#)

Rule G-20

Gifts, Gratuities, Non-Cash Compensation and Expenses of Issuance

(a) *Purpose.* The purpose of this rule is to maintain the integrity of the municipal securities market and to preserve investor and public confidence in the municipal securities market, including the bond issuance process. The rule protects against improprieties and conflicts of interest that may arise when regulated entities or their associated persons give gifts or gratuities in relation to the municipal securities or municipal advisory activities of the recipients' employers.

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

(i) "Cash compensation" means any discount, concession, fee, service fee, commission, asset-based sales charge, loan, override or cash employee benefit received in connection with the sale and distribution of municipal securities.

(ii) "Municipal advisor" shall, for purposes of this rule, have the same meaning as in Section 15B(e)(4) of the Act, 17 CFR 240.15Ba1-1(d)(1)-(4), and other rules and regulations thereunder.

(iii) "Non-cash compensation" means any form of compensation received in connection with the sale and distribution of municipal securities that is not cash compensation, including, but not limited to, merchandise, gifts and prizes, travel expenses, meals and lodging.

(iv) "Offeror" means, with respect to a primary offering of municipal securities, the issuer, any adviser to the issuer (including, but not limited to, the issuer's financial advisor, municipal advisor, bond or other legal counsel, or investment or program manager in connection with the primary offering), the underwriter of the primary offering, or any person controlling, controlled by, or under common control with any of the foregoing; provided that, with respect to a primary offering of municipal fund securities, "offeror" shall also include any person considered an "offeror" under FINRA Rules 5110, 2320, or 2341 in connection with any securities held as assets of or underlying such municipal fund securities.

(v) "Person" means a natural person.

(vi) "Primary offering" means a primary offering as defined in Securities Exchange Act Rule 15c2-12(f)(7).

(vii) "Regulated entity" means a broker, dealer, municipal securities dealer or municipal advisor, but does not include the associated persons of such entity.

(c) *General Limitation on Value of Gifts and Gratuities.* No regulated entity or any of its associated persons shall, directly or indirectly, give or provide or permit to be given or provided any thing or service of value, including gratuities, in excess of \$100 per year to a person (other than an employee or partner of such regulated entity), if such payments or services are in relation to the municipal securities or municipal advisory activities of the employer of the recipient of the payment or

service. For purposes of this rule the term "employer" shall include a principal for whom the recipient of a payment or service is acting as agent or representative.

(d) *Gifts and Gratuities Not Subject to General Limitation.* The general limitation of section (c) of this rule shall not apply to the following gifts, provided that they do not give rise to any apparent or actual material conflict of interest:

(i) Normal Business Dealings. Occasional gifts of meals or tickets to theatrical, sporting, and other entertainments that are hosted by the regulated entity or its associated persons, and the sponsoring by the regulated entity of legitimate business functions that are recognized by the Internal Revenue Service as deductible business expenses; provided, that such gifts shall not be so frequent or so extensive as to raise any question of propriety.

(ii) Transaction-Commemorative Gifts. Gifts that are solely decorative items commemorating a business transaction, such as a customary plaque or desk ornament (e.g., Lucite tombstone).

(iii) *De Minimis* Gifts. Gifts of *de minimis* value (e.g., pens, notepads or modest desk ornaments).

(iv) Promotional Gifts. Promotional items of nominal value displaying the regulated entity's corporate or other business logo. The value of the item must be substantially below the \$100 limit of section (c) to be considered of nominal value.

(v) Bereavement Gifts. Bereavement gifts that are reasonable and customary for the circumstances.

(vi) Personal Gifts. Gifts that are personal in nature given upon infrequent life events (e.g., a wedding gift or a congratulatory gift for the birth of a child).

(e) *Prohibition of Use of Offering Proceeds.* A regulated entity that engages in municipal securities activities or municipal advisory activities for or on behalf of a municipal entity or obligated person in connection with an offering of municipal securities is prohibited from requesting or obtaining reimbursement of its costs and expenses related to the entertainment of any person, including, but not limited to, any official or other personnel of the municipal entity or personnel of the obligated person, from the proceeds of such offering of municipal securities. For purposes of this prohibition, entertainment expenses do not include ordinary and reasonable expenses for meals hosted by the regulated entity and directly related to the offering for which the regulated entity was retained.

(f) *Compensation for Services.* The general limitation of section (c) of this rule shall not apply to compensation paid as a result of contracts of employment with or compensation for services rendered by another person; provided that there is no existence prior to the time of employment or before the services are rendered a written agreement between the regulated entity and the person who is to perform such services and such

agreement includes the nature of the proposed services, the amount of the proposed compensation and the written consent of such person's employer.

(g) *Non-Cash Compensation in Connection with Primary Offerings.* In connection with the sale and distribution of a primary offering of municipal securities, no broker, dealer or municipal securities dealer, or any associated person thereof, shall directly or indirectly accept or make payments or offers of payments of any non-cash compensation. Notwithstanding the foregoing and the general limitation of section (c) of this rule, the following non-cash compensation arrangements are permitted:

(i) gifts that do not exceed \$100 per individual per year and are not preconditioned on achievement of a sales target;

(ii) occasional gifts of meals or tickets to theatrical, sporting, and other entertainments; provided that such gifts are not so frequent or so extensive as to raise any question of propriety and are not preconditioned on achievement of a sales target;

(iii) payment or reimbursement by offerors in connection with meetings held by an offeror or by a broker, dealer or municipal securities dealer for the purpose of training or education of associated persons of a broker, dealer or municipal securities dealer, provided that:

(A) associated persons obtain the prior approval of the broker, dealer or municipal securities dealer to attend the meeting and attendance is not preconditioned by the broker, dealer or municipal securities dealer on achievement of a sales target or any other incentives pursuant to a non-cash compensation arrangement permitted by subsection (g)(iv);

(B) the location is appropriate to the purpose of the meeting, which shall mean an office of the offeror or the broker, dealer or municipal securities dealer, a facility located in the vicinity of such office, a regional location with respect to regional meetings, or a location at which a significant asset, if any, being financed or refinanced in the primary offering is located;

(C) the payment or reimbursement is not applied to the expenses of guests of the associated person; and

(D) the payment or reimbursement is not preconditioned by the offeror on achievement of a sales target or any other non-cash compensation arrangement permitted by subsection (g)(iv).

(iv) non-cash compensation arrangements between a broker, dealer or municipal securities dealer and its associated persons, or a company that controls the broker, dealer or municipal securities dealer and the associated persons of the broker, dealer or municipal securities dealer, provided that:

(A) the non-cash compensation arrangement is based on the total production of associated persons with respect to all municipal securities within respective product types distributed by the broker, dealer or municipal securities dealer;

(B) the non-cash compensation arrangement requires that the credit received for each municipal security within a municipal security product type is equally weighted; and

(C) no entity that is not an associated person of the broker, dealer or municipal securities dealer participates directly or indirectly in the organization of a permissible non-cash compensation arrangement.

(v) contributions by any person other than the broker, dealer or municipal securities dealer to a non-cash compensation arrangement between a broker, dealer or municipal securities dealer and its associated persons, provided that the arrangement meets the criteria in subsection (g)(iv).

Supplementary Material

.01 Valuations of Gifts. In general, gifts should be valued at the higher of cost or market value, exclusive of tax and delivery charges. When valuing tickets for sporting or other entertainment events, a regulated entity should use the higher of cost or face value. If gifts are given to multiple recipients, regulated entities should record the names of each recipient and calculate and record the value of the gift on a pro rata per recipient basis, for purposes of ensuring compliance with the general limitation of section (c).

.02 Aggregations of Gifts. Regulated entities must aggregate all gifts given by the regulated entity and each associated person of the regulated entity to a particular recipient that are subject to the general limitation of section (c) over the course of a year. Regulated entities must consistently aggregate all gifts on a calendar year basis, fiscal year basis, or rolling basis beginning with the first gift to any particular recipient.

.03 Promotional Gifts and "Other Business Logo." Logos of a product or service being offered by a regulated entity, for or on behalf of a client or an affiliate of that regulated entity, would constitute an "other business logo" under subsection (d)(iv). The logo of a 529 college savings plan for which a regulated entity is acting as distributor, for example, would constitute such an "other business logo."

.04 Personal Gifts. A gift that is personal in nature under subsection (d)(vi) is not subject to the general limitation of section (c) of this rule because that limitation applies only to payments or services that are in relation to the municipal securities or municipal advisory activities of the employer of the recipient. In determining whether a gift is personal in nature and not in relation to such activities of the employer of the recipient, a number of factors will be considered including, but not limited to, the nature of any preexisting personal or family relationship between the associated person giving the

gift and the recipient and whether the associated person or the regulated entity with which he or she is associated paid for the gift. When a regulated entity bears the cost of a gift, either directly or indirectly by reimbursing an associated person, the gift will be presumed to be given in relation to the municipal securities or municipal advisory activities, as applicable, of the employer of the recipient within the meaning of the general limitation of section (c) of this rule.

.05 Applicability of State or Other Laws. Regulated entities and their associated persons may be subject to other duties, restrictions or obligations under state or other laws in this area. Nothing contained in this rule shall be deemed to supersede any more restrictive provision of state or other laws applicable to the activities of regulated entities or their associated persons.

Rule G-20 Interpretations

Dealer Payments in Connection With the Municipal Securities Issuance Process

January 29, 2007

The Municipal Securities Rulemaking Board (“MSRB”) is publishing this notice to remind brokers, dealers and municipal securities dealers (collectively, “dealers”) of the application of Rule G-20, on gifts, gratuities and non-cash compensation, and Rule G-17, on fair dealing, in connection with certain payments made and expenses reimbursed during the municipal bond issuance process. These rules are designed to avoid conflicts of interest and to promote fair practices in the municipal securities market.

Rule G-20, among other things, prohibits dealers from giving, directly or indirectly, any thing or service of value, including gratuities, in excess of \$100 per year to a person other than an employee or partner of the dealer, if such payments or services are in relation to the municipal securities activities of the recipient’s employer. The rule provides an exception from the \$100 annual limit for “normal business dealings,” which includes occasional gifts of meals or tickets to theatrical, sporting, and other entertainments hosted by the dealer (*i.e.*, if dealer personnel accompany the recipient to the meal, sporting or other event), legitimate business functions sponsored by the dealer that are recognized by the Internal Revenue Service as a deductible business expense, or gifts of reminder advertising. However, these “gifts” must not be “so frequent or so extensive as to raise any question of propriety.” Rule G-17 provides that, in the conduct of its municipal securities activities, each dealer shall deal fairly with all persons and shall not engage in any deceptive, dishonest or unfair practice.

Dealers should consider carefully whether payments they make in regard to expenses of issuer personnel in the course of the bond issuance process, including in particular but not limited to payments for which dealers seek reimbursement from bond proceeds, comport with the requirements of these rules. Payment of excessive or lavish entertainment or travel

expenses may violate Rule G-20 if they result in benefits to issuer personnel that exceed the limits set forth in the rule, and can be especially problematic where such payments cover expenses incurred by family or other guests of issuer personnel. Depending on the specific facts and circumstances, excessive payments could be considered to be gifts or gratuities made to such issuer personnel in relation to the issuer’s municipal securities activities. Thus, for example, a dealer acting as a financial advisor or underwriter may violate Rule G-20 by paying for excessive or lavish travel, meal, lodging and entertainment expenses in connection with an offering (such as may be incurred for rating agency trips, bond closing dinners and other functions) that inure to the personal benefit of issuer personnel and that exceed the limits or otherwise violate the requirements of the rule.

Furthermore, dealers should be aware that characterizing excessive or lavish expenses for the personal benefit of issuer personnel as an expense of the issue may, depending on all the facts and circumstances, constitute a deceptive, dishonest or unfair practice. A dealer may violate Rule G-17 by knowingly facilitating such a practice by, for example, making arrangements and advancing funds for the excessive or lavish expenses to be incurred and thereafter claiming such expenses as an expense of the issue.

Dealers are responsible for ensuring that their supervisory policies and procedures established under Rule G-27, on supervision, are adequate to prevent and detect violations of MSRB rules in this area. The MSRB notes that state and local laws also may limit or proscribe activities of the type addressed in this notice.

By publishing this notice, the MSRB does not mean to suggest that issuers or dealers curtail legitimate expenses in connection with the bond issuance process. For example, it sometimes is advantageous for issuer officials to visit bond rating agencies to provide information that will facilitate the rating of the new issue. It is the character, nature and extent of expenses paid by dealers or reimbursed as an expense of issue, even if thought to be a common industry practice, which may raise a question under applicable MSRB rules.

The MSRB encourages all parties involved in the municipal bond issuance process to maintain the integrity of this process and investor and public confidence in the municipal securities market by adhering to the highest ethical standards.

NOTE: This notice was revised effective May 6, 2016. View Notice 2015-21 (November 9, 2015).

See also:

Rule G-17 Interpretation — Interpretation on Customer Protection Obligations Relating to the Marketing of 529 College Savings Plans, August 7, 2006

Interpretive Letters

[Release No. 34-52555 \(October 3, 2005\)](#), [70 FR 59106 \(October 11, 2005\)](#); [MSRB Notice 2005-52 \(October 5, 2005\)](#)

“Person.” Your letter regarding rule G-20 has been referred to me. Rule G-20 prohibits a municipal securities professional from giving gifts or providing services to a person in relation to the municipal securities activities of such person’s employer, in excess of a specified amount.

In your letter, you inquire whether the term “person” in rule G-20 is intended to include “a ‘corporate’ person as well as a ‘real’ person.” As used in the rule, the term “person” refers only to a natural person. The rule is intended to discourage municipal securities professionals from attempting to induce individual employees from acting in a manner inconsistent with their obligations to, or contrary to the interests of, their employers. *MSRB interpretation of March 19, 1980.*

Authorization of sales contests. Your letter of May 27, 1982 has been referred to me for response. In your letter you request an interpretation regarding the applicability of Board rule G-20 concerning gifts and gratuities to sales contests offered by an underwriter to participating members of a syndicate. Your letter asks specifically whether such sales contests are considered compensation for services as described in paragraph (c) of rule G-20, and, if they are, whether the requirements of rule G-20 imposed on agreements for the compensation of services must be met by the underwriter sponsoring the sales contest.

The Board believes that sales contests which provide gifts or payments to employees of municipal securities brokers and municipal securities dealers other than the broker or dealer sponsoring the contest constitute compensation for services as described in rule G-20(c). Consequently, the requirements of that rule must be met: that is, the sponsoring dealer must obtain

prior to the time of employment or before the services are rendered a written agreement between the municipal securities broker or municipal securities dealer subject to this rule and the person who is to perform such services; ... such agreement [to] include the nature of the proposed services, the amount of the proposed compensation, and the written consent of such person’s employer.

In the context of sales contests, agreements of the kind referred to in the rule are required between the municipal securities broker or municipal securities dealer sponsoring the contest and all contestants employed by other municipal securities brokers and municipal securities dealers. *MSRB interpretation of June 25, 1982.*

Rule G-20 Amendment History (since 2003)

[Release No. 34-85699 \(April 22, 2019\)](#), [84 FR 17897 \(April 26, 2019\)](#); [MSRB Notice 2019-11 \(April 10, 2019\)](#)

[Release No. 34-76381 \(November 6, 2015\)](#), [80 FR 70271 \(November 13, 2015\)](#); [MSRB Notice 2015-21 \(November 9, 2015\)](#)

Rule G-21

Advertising by Brokers, Dealers or Municipal Securities Dealers

(a) *General Provisions.*

(i) *Definition of "Advertisement."* For purposes of this rule, the term "advertisement" means any material (other than listings of offerings) published or used in any electronic or other public media, or any written or electronic promotional literature distributed or made generally available to customers or the public, including any notice, circular, report, market letter, form letter, telemarketing script, seminar text, press release concerning the products or services of the broker, dealer or municipal securities dealer, or reprint, or any excerpt of the foregoing or of a published article. The term does not apply to preliminary official statements or official statements, but does apply to abstracts or summaries of the foregoing and other such similar documents prepared by brokers, dealers or municipal securities dealers.

(ii) *Definition of "Form Letter."* For purposes of this rule, the term "form letter" means any written letter or electronic mail message distributed to more than 25 persons within any period of 90 consecutive days.

(iii) *Content Standards.*

(A) All advertisements by a broker, dealer or municipal securities dealer must be based on the principles of fair dealing and good faith, must be fair and balanced, and must provide a sound basis for evaluating the facts in regard to any particular municipal security or type of municipal security, industry or service. No broker, dealer or municipal securities dealer may omit any material fact or qualification if the omission, in light of the context of the material presented, would cause the advertisements to be misleading.

(B) No broker, dealer or municipal securities dealer may make any false, exaggerated, unwarranted, promissory or misleading statement or claim in any advertisement.

(C) A broker, dealer or municipal securities dealer may place information in a legend or footnote only in the event that such placement would not inhibit a customer's or a potential customer's understanding of the advertisement.

(D) A broker, dealer or municipal securities dealer must ensure that statements are clear and not misleading within the context in which they are made, and that they provide balanced treatment of risks and potential benefits. An advertisement must be consistent with the risks inherent to the investment.

(E) A broker, dealer or municipal securities dealer must consider the nature of the audience to which the advertisement will be directed and must provide details and explanations appropriate to the audience.

(F) An advertisement may not predict or project performance, imply that past performance will recur or make any exaggerated or unwarranted claim, opinion or forecast; provided, however, that this paragraph (a)(iii) (F) does not prohibit:

(1) A hypothetical illustration of mathematical principles, provided that it does not predict or project the performance of an investment; and

(2) An investment analysis tool, or a written report produced by an investment analysis tool.

(G) (1) If an advertisement contains a testimonial about a technical aspect of investing, the person making the testimonial must have the knowledge and experience to form a valid opinion;

(2) If an advertisement contains a testimonial about the investment advice or investment performance of a broker, dealer or municipal securities dealer or its products, that advertisement must prominently disclose the following:

(a) The fact that the testimonial may not be representative of the experience of other customers.

(b) The fact that the testimonial is no guarantee of future performance or success.

(c) If more than \$100 in value is paid for the testimonial, the fact that it is a paid testimonial.

(H) A broker, dealer or municipal securities dealer may indicate registration with the Municipal Securities Rulemaking Board in any advertisement that complies with the applicable standards of all other Board rules and that neither states nor implies that the Municipal Securities Rulemaking Board or any other corporate name or facility owned by the Municipal Securities Rulemaking Board, or any other regulatory organization endorses, indemnifies, or guarantees the broker, dealer or municipal securities dealer's business practices, selling methods, the class or type of securities offered, or any specific security.

(iv) *General Standard for Advertisements.* Subject to the further requirements of this rule relating to professional advertisements and product advertisements, no broker, dealer or municipal securities dealer shall publish or disseminate, or cause to be published or disseminated, any advertisement relating to municipal securities that such broker, dealer or municipal securities dealer knows or has reason to know contains any untrue statement of material fact or is otherwise false or misleading.

(b) *Professional Advertisements.*

(i) *Definition of "Professional Advertisement."* The term "professional advertisement" means any advertisement concerning the facilities, services or skills with respect

to municipal securities of such broker, dealer or municipal securities dealer or of another broker, dealer, or municipal securities dealer.

(ii) *Standard for Professional Advertisements.* No broker, dealer or municipal securities dealer shall publish or disseminate, or cause to be published or disseminated, any professional advertisement that contains any untrue statement of material fact or is otherwise false or misleading.

(c) *Product Advertisements.*

(i) *Definition of "Product Advertisement."* The term "product advertisement" means any advertisement concerning one or more specific municipal securities, one or more specific issues of municipal securities, the municipal securities of one or more specific issuers, or the specific features of municipal securities.

(ii) *Standard for Product Advertisements.* No broker, dealer or municipal securities dealer shall publish or disseminate, or cause to be published or disseminated, any product advertisement that such broker, dealer, or municipal securities dealer knows or has reason to know contains any untrue statement of material fact or is otherwise false or misleading and, to the extent applicable, that is not in compliance with section (d) or (e) hereof.

(d) *New Issue Product Advertisements.* In addition to the requirements of section (c), all product advertisements for new issue municipal securities (other than municipal fund securities) shall be subject to the following requirements:

(i) *Accuracy at Time of Sale.* A syndicate or syndicate member which publishes or causes to be published any advertisement regarding the offering by the syndicate of a new issue of municipal securities, or any part thereof, may show the initial reoffering prices or yields for the securities, even if the price or yield for a maturity or maturities may have changed, provided that the advertisement contains the date of sale of the securities by the issuer to the syndicate. In the event that the prices or yields shown in a new issue advertisement are other than the initial reoffering prices or yields, such an advertisement must show the prices or yields of the securities as of the time the advertisement is submitted for publication. For purposes of this rule, the date of sale shall be deemed to be, in the case of competitive sales, the date on which bids are required to be submitted to an issuer and, in the case of negotiated sales, the date on which a contract to purchase securities from an issuer is executed.

(ii) *Accuracy at Time of Publication.* Each advertisement relating to a new issue of municipal securities shall also indicate, if applicable, that the securities shown as available from the syndicate may no longer be available from the syndicate at the time of publication or may be available from the syndicate at a price or yield different from that shown in the advertisement.

(e) *Municipal Fund Security Product Advertisements.* In addition to the requirements of section (c), all product advertisements for municipal fund securities shall be subject to the following requirements:

(i) *Required Disclosures.*

(A) *Substance and Format of Disclosure.* Except as described in paragraph (B) of this subsection (i), each product advertisement for municipal fund securities:

(1) *basic disclosure* — must include a statement to the effect that:

(a) an investor should consider the investment objectives, risks, and charges and expenses associated with municipal fund securities before investing;

(b) more information about municipal fund securities is available in the issuer's official statement;

(c) if the advertisement identifies a source from which an investor may obtain an official statement and the broker, dealer or municipal securities dealer that publishes the advertisement is the underwriter for one or more of the issues of municipal fund securities for which any such official statement may be supplied, such broker, dealer or municipal securities dealer is the underwriter for one or more issues (as appropriate) of such municipal fund securities; and

(d) the official statement should be read carefully before investing.

(2) *additional disclosures for identified products* — that refers by name (including marketing name) to any municipal fund security, issuer of municipal fund securities, state or other governmental entity that sponsors the issuance of municipal fund securities, or to any securities held as assets of municipal fund securities or to any issuer thereof, must include the following disclosures, as applicable:

(a) unless the offer of such municipal fund securities is exempt from Exchange Act Rule 15c2-12 and the issuer thereof has not produced an official statement, a source from which an investor may obtain an official statement;

(b) if the advertisement relates to municipal fund securities issued by a qualified tuition program under Internal Revenue Code Section 529, a statement to the effect that an investor should consider, before investing, whether the investor's or designated beneficiary's home state offers any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in such state's qualified tuition

program; provided, however, that this statement shall not be required for any advertisement relating to municipal fund securities of a specific state if such advertisement is sent to, or is otherwise distributed through means that are reasonably likely to result in the advertisement being received by, only residents of such state and is not otherwise published or disseminated by the broker, dealer or municipal securities dealer, or made available by the broker, dealer or municipal securities dealer to any of its affiliates, the issuer or any of the issuer's agents with the expectation or understanding that such other parties will otherwise publish or disseminate such advertisement; and

(c) if the advertisement is for a municipal fund security that has an investment option that invests solely in a money market fund:

(i) and that money market fund is not a government money market fund, as defined in Rule 2a-7(a)(14), 17 CFR 270.2a-7(a)(14), under the Investment Company Act of 1940 or a retail money market fund, as defined in Rule 2a-7(a)(21), 17 CFR 270.2a-7(a)(21), under the Investment Company Act of 1940, statements to the effect that:

You could lose money by investing in this investment option. Because the share price of the money market fund in which your investment option invests (the "underlying fund") will fluctuate, when you redeem your units in that investment option, those units may be worth more or less than what you originally paid for them. The underlying fund may impose a fee upon sale of those shares or may temporarily suspend the ability of the investment option to redeem shares if the underlying fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the investment option is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The underlying fund's sponsor has no legal obligation to provide financial support to the underlying fund, and you should not expect that the sponsor will provide financial support to the underlying fund at any time.

(ii) and that money market fund is a government money market fund, as defined in Rule 2a-7(a)(14), 17 CFR 270.2a-7(a)(14), under the Investment Company Act of 1940 or a retail money market fund, as defined in Rule 2a-7(a)(21), 17 CFR 270.2a-7(a)(21), under the Investment Company Act of 1940, and that is subject to the requirements of Rule 2a-7(c)(2)(i) and/or (ii), 17 CFR 270.2a-7(c)(2)(i) and/or (ii), under the Investment Company Act of 1940 (or is not subject to the requirements of Rule 2a-7(c)(2)(i) and/or (ii), 17 CFR 270.2a-7(c)(2)(i) and/or (ii), pursuant to Rule 2a-7(c)(2)(iii), 17 CFR 270.2a-7(c)(2)(iii), under the Investment Company Act of 1940, but has chosen to rely on the ability to impose liquidity fees and suspend redemptions consistent with the requirements of Rule 2a-7(c)(2)(i) and/or (ii), 17 CFR 270.2a-7(c)(2)(i) and/or (ii), under the Investment Company Act of 1940), statements to the effect that:

You could lose money by investing in this investment option. Although the money market fund in which your investment option invests (the "underlying fund") seeks to preserve the value of its shares at \$1.00 per share, the underlying fund cannot guarantee it will do so. The underlying fund may impose a fee upon the investment option's redemption of the underlying fund's shares or the underlying fund may temporarily suspend the investment option's ability to redeem its shares if the underlying fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the investment option is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The underlying fund's sponsor has no legal obligation to provide financial support to the underlying fund, and you should not expect that the sponsor will provide financial support to the underlying fund at any time.

(iii) and that money market fund is a government money market fund, as defined in Rule 2a-7(a)(14), 17 CFR 270.2a-7(a)(14), under the Investment Company Act of 1940, that is not subject to the requirements of Rule 2a-7(c)(2)(i) and/or (ii), 17 CFR

270.2a-7(c)(2)(i) and/or (ii), under the Investment Company Act of 1940, pursuant to Rule 2a-7(c)(2)(iii), 17 CFR 270.2a-7(c)(2)(iii), under the Investment Company Act of 1940, and that has not chosen to rely on the ability to impose liquidity fees and suspend redemptions consistent with the requirements of Rule 2a-7(c)(2)(i) and/or (ii), 17 CFR 270.2a-7(c)(2)(i) and/or (ii), under the Investment Company Act of 1940, a statement to the effect that:

You could lose money by investing in this investment option. Although the money market fund in which your investment option invests (the “underlying fund”) seeks to preserve its value at \$1.00 per share, the underlying fund cannot guarantee it will do so. An investment in this investment option is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The underlying fund’s sponsor has no legal obligation to provide financial support to the underlying fund, and you should not expect that the sponsor will provide financial support to the underlying fund at any time.

(3) *additional disclosures concerning performance* — that includes performance data must include:

(a) a legend disclosing that the performance data included in the advertisement represents past performance; that past performance does not guarantee future results; that the investment return and the value of the investment will fluctuate so that an investor’s units, when redeemed, may be worth more or less than their original cost; and that current performance may be lower or higher than the performance data included in the advertisement. Unless the advertisement includes total return quotations current to the most recent month ended seven business days prior to the date of any use of the advertisement, the legend must also identify either a toll-free (or collect) telephone number or website (that may be hyperlinked) where an investor may obtain total return quotations current to the most recent month-end for which such total return, or all information required for the calculation of such total return, is available, however an investment option that invests in a money market fund that is a government money market fund, as defined in Rule 2a-7(a)(14), 17 CFR 270.2a-7(a)(14), under the Investment

Company Act of 1940 or a retail money market fund, as defined in Rule 2a-7(a)(21), 17 CFR 270.2a-7(a)(21), under the Investment Company Act of 1940 may omit the disclosure about principal value fluctuation;

(b) if a sales load or any other nonrecurring fee is charged, the maximum amount of the load or fee (current as of the date such advertisement is submitted for publication or otherwise disseminated) and, if the sales load or fee is not reflected in the performance data included in the advertisement, a statement that the performance data does not reflect the deduction of the sales load or fee and that the performance data would be lower if such load or fee were included; and

(c) to the extent that such performance data relates to municipal fund security investment options that are not held out as having the characteristics of a money market fund and to the extent applicable, the total annual operating expense ratio of such municipal fund security investment options (calculated in the same manner as the total annual fund operating expenses required to be included in the registration statement for a registered investment company, subject to paragraph (e)(ii)(A) hereof), gross of any fee waivers or expense reimbursements.

(4) *format of disclosure* — must meet the following requirements:

(a) for a print advertisement:

(i) the statements required by subparagraphs (1), (2) and (3) of this paragraph (A) must be presented in a type size at least as large as and of a style different from, but at least as prominent as, that used in the major portion of the advertisement, provided that when performance data is presented in a type size smaller than that of the major portion of the advertisement, the statements required by subparagraph (3) of this paragraph may appear in a type size no smaller than that of the performance data;

(ii) the statements required by subparagraph (3) of this paragraph must be presented in close proximity to the performance data; provided that such statements must be presented in the body of the advertisement and not in a footnote unless the performance data appears only in such footnote; and

(iii) the maximum amount of the sales load required to be disclosed pursuant to clause (3)(b) and the information required to be disclosed pursuant to clause (3)(c),

along with the standardized performance information mandated by Securities Act Rule 482 as applicable by virtue of subsection (e)(ii) of this rule, must be presented in a prominent text box that contains only such information but which may also contain comparative performance and fee data and disclosures required under this section (e).

(b) for an advertisement delivered through an electronic medium:

(i) the legibility requirements for the statements required by subparagraphs (1), (2) and (3) of this paragraph relating to type size and style may be satisfied by presenting the statements in any manner reasonably calculated to draw investor attention to them;

(ii) if such advertisement is a radio or television advertisement, the statements required by subparagraphs (1), (2) and (3) of this paragraph must be given emphasis equal to that used in the major portion of the advertisement; and

(iii) the statements required by subparagraph (3) of this paragraph must be presented in close proximity to the performance data.

(B) *Exceptions from Certain Disclosure Requirements*. Notwithstanding any other provision of this rule, the following advertisements relating to municipal fund securities shall not be subject to the provisions of subparagraphs (1) and (2) of paragraph (e)(i)(A):

(1) *generic advertisements* — any advertisement that does not refer by name to any specific investment option or portfolio offered by an issuer of municipal fund securities, but includes the name and address of the broker, dealer or municipal securities dealer or other person sponsoring the advertisement, and that is limited to any one or more of the following:

(a) explanatory information relating to municipal fund securities generally or the nature of the issuers thereof or of the programs through which they are issued, or to services offered in connection with the ownership of such securities; or

(b) the mention or explanation of municipal fund securities of different generic types or having various investment objectives; or

(c) offers, descriptions, and explanations of various products and services not constituting a municipal fund security, provided that such of-

fers, descriptions, and explanations do not relate directly to the desirability of owning or purchasing a municipal fund security; or

(d) invitation to inquire for further information; provided that if an official statement for municipal fund securities is to be sent or delivered in response to such inquiries and if the sponsor of the advertisement is the underwriter for one or more of the issues of municipal fund securities for which such official statement may be supplied, the advertisement must state that such broker, dealer or municipal securities dealer is the underwriter for one or more issues (as appropriate) of such municipal fund securities.

(2) *certain blind advertisements* — any advertisement that does not identify a broker, dealer or municipal securities dealer or any affiliate of a broker, dealer or municipal securities dealer and that is limited to any one or more of the following:

(a) the name of an issuer of municipal fund securities; or

(b) contact information for an issuer of municipal fund securities or for any agent of such issuer to obtain an official statement or other information; provided that, if any such agent of the issuer is a broker, dealer or municipal securities dealer or an affiliate of a broker, dealer or municipal securities dealer, no orders for municipal fund securities shall be accepted through such source unless initiated by the customer; or

(c) a logo or other graphic design of an issuer of municipal fund securities that does not directly or indirectly identify the broker, dealer or municipal securities dealer or any affiliate of the broker, dealer or municipal securities dealer; or

(d) a service mark, trademark or short slogan of the issuer's general objectives that does not constitute a call to invest in municipal fund securities.

(3) *certain form letters to existing customers* — any form letter relating to municipal fund securities distributed solely to existing customers of the broker, dealer or municipal securities dealer to whom the broker, dealer or municipal securities dealer has previously sent or caused to be sent an official statement for:

(a) any municipal fund securities of the issuer of such municipal fund securities; or