

on which the broker, dealer or municipal securities dealer was selected to engage in the municipal securities business, and (v) the payments or reimbursements, related to any bond ballot contribution, received by the municipal finance professional or non-MFP executive officer from any third party that are required to be disclosed by Rule G-37(e)(i)(B), including the amount paid and the name of the third party making such payment or reimbursement; provided, however, that such records need not reflect any contribution made by a municipal finance professional or non-MFP executive officer to a bond ballot campaign for a ballot initiative with respect to which such person is entitled to vote if the contributions made by such person, in total, are not in excess of \$250 to any bond ballot campaign, per ballot initiative.

(J) Brokers, dealers and municipal securities dealers shall maintain copies of the Forms G-37 and G-37x submitted to the Board along with a record of submitting such forms to the Board.

(K) Terms used in this paragraph (xvi) have the same meaning as in Rule G-37.

(L) No change.

(M) No broker, dealer or municipal securities dealer shall be subject to the requirements of this paragraph (a) (xvi) during any period that such broker, dealer or municipal securities dealer has qualified for and invoked the exemption set forth in clause (B) of paragraph (e)(ii) of Rule G-37; provided, however, that such broker, dealer or municipal securities dealer shall remain obligated to comply with clause (H) of this paragraph (a)(xvi) during such period of exemption. At such time as a broker, dealer or municipal securities dealer that has been exempted by this clause (M) from the requirements of this paragraph (a)(xvi) engages in any municipal securities business, all requirements of this paragraph (a)(xvi) covering the periods of time set forth herein (beginning with the then current calendar year and the two preceding calendar years) shall become applicable to such broker, dealer or municipal securities dealer.

(xvii) *Records Concerning Compliance with Rule G-20.* Each broker, dealer and municipal securities dealer shall maintain:

(A) a separate record of any gift or gratuity subject to the general limitation of Rule G-20(c);

(B) all agreements referred to in Rule G-20(f) and records of all compensation paid as a result of those agreements; and

(C) records of all non-cash compensation referred to in Rule G-20(g). The records shall include the name of the person or entity making the payment, the name(s) of the associated person(s) receiving the payments (if appli-

cable), and the nature (including the location of meetings described in Rule G-20(g)(iii), if applicable) and value of non-cash compensation received.

(xviii) *Records Concerning Consultants Pursuant to Former Rule G-38.* Each broker, dealer and municipal securities dealer shall maintain:

(A) a listing of the name of the consultant pursuant to the Consultant Agreement, business address, role (including the state or geographic area in which the consultant is working on behalf of the broker, dealer or municipal securities dealer) and compensation arrangement of each consultant;

(B) a copy of each Consultant Agreement referred to in former rule G-38(b);

(C) a listing of the compensation paid in connection with each such Consultant Agreement;

(D) where applicable, a listing of the municipal securities business obtained or retained through the activities of each consultant;

(E) a listing of issuers and a record of disclosures made to such issuers, pursuant to former rule G-38(d), concerning each consultant used by the broker, dealer or municipal securities dealer to obtain or retain municipal securities business with each such issuer;

(F) records of each reportable political contribution (as defined in former rule G-38(a)(vi)), which records shall include:

(1) the names, city/county and state of residence of contributors;

(2) the names and titles (including any city/county/state or other political subdivision) of the recipients of such contributions; and

(3) the amounts and dates of such contributions;

(G) records of each reportable political party payment (as defined in former rule G-38(a)(vii)), which records shall include:

(1) the names, city/county and state of residence of contributors;

(2) the names and titles (including any city/county/state or other political subdivision) of the recipients of such payments; and

(3) the amounts and dates of such payments;

(H) records indicating, if applicable, that a consultant made no reportable political contributions (as defined in former rule G-38(a)(vi)) or no reportable political party payments (as defined in former rule G-38(a)(vii));

(I) a statement, if applicable, that a consultant failed to provide any report of information to the dealer concerning reportable political contributions or reportable political party payments;

(J) the date of termination of any consultant arrangement; and

(K) copies of the Forms G-38t sent to the Board along with the certified or registered mail receipt or other record of sending such forms to the Board.

For purposes of this clause (xviii), the term “former rule G-38” shall have the meaning set forth in Rule G-38(c)(ii).

(xix) *Negotiable Instruments Drawn From a Customer’s Account*. No broker, dealer or municipal securities dealer or person associated with such broker, dealer or municipal securities dealer shall obtain from a customer or submit for payment a check, draft or other form of negotiable paper drawn on a customer’s checking, savings, share, or similar account, without that person’s express written authorization, which may include the customer’s signature on the negotiable instrument.

(xx) *Records Concerning Compliance with Rule G-27*. Each broker, dealer and municipal securities dealer shall maintain the records required under G-27(c), G-27(d) and G-27(e).

(xxi) *Records Concerning Sign-in Logs for In-Firm Delivery of the Regulatory Element Continuing Education*. If applicable, each broker, dealer and municipal securities dealer shall maintain the records required by rule G-3(h)(i)(G)(6)(c).

(xxii) *Records Concerning Compliance with Rule G-34(c)*.

(A) A broker, dealer or municipal securities dealer that acts as a Program Dealer, as defined in Rule G-34(c)(i)(A)(1), for an Auction Rate Security shall maintain:

(1) a record of the name of and CUSIP number or numbers for all such Auction Rate Securities for which the broker, dealer or municipal securities dealer acts as a Program Dealer;

(2) a record of all information submitted to and received from an Auction Agent as defined in Rule G-34(c)(i) with respect to an auction; and

(3) all information and documents required to be submitted to the Board by the broker, dealer or municipal securities dealer under Rule G-34(c)(i).

(B) A broker, dealer or municipal securities dealer that acts as a Remarketing Agent, as defined in Rule G-34(c)(ii), for a Variable Rate Demand Obligation shall maintain:

(1) a record of the name of and CUSIP number or numbers for all such Variable Rate Demand Obligations for which the broker, dealer or municipal securities dealer acts as a Remarketing Agent; and

(2) all information and documents required to be submitted to the Board by the broker, dealer or municipal securities dealer under Rule G-34(c)(ii); and

(3) for documents detailing provisions of liquidity facilities identified in Rule G-34(c)(ii)(B)(1) associated with the Variable Rate Demand Obligation for which the broker, dealer or municipal securities dealer acts as a Remarketing Agent that are unable to be obtained through best efforts, a record of such efforts undertaken.

(xxiii) *Records Concerning Compliance with Rule G-34(a)(ii)(C)*. A broker, dealer or municipal securities dealer that acts as an underwriter in a primary offering of municipal securities subject to Rule G-34(a)(ii)(C)(1) shall maintain:

(A) a record of the Time of Formal Award;

(B) a record of the Time of First Execution; and

(C) a record of all information submitted to NIIDS (as defined in Rule G-34(a)(ii)(C)(3)(b)) as required elements for “Trade Eligibility” and of the time the new issue received “Trade Eligibility” status in NIIDS.

(xxiv) *Records of Secondary Market Trading Account Transactions*. With respect to each secondary market trading account formed for the purchase of municipal securities, records shall be maintained by the broker, dealer, or municipal securities dealer designated by the account to maintain the books and records of the account, showing the description and aggregate par value of the securities; the name and percentage of participation of each member of the account; the terms and conditions governing the formation and operation of the account; all orders received for the purchase of the securities from the account; all allotments of securities and the price at which sold; the date of closing of the account; and a reconciliation of profits and expenses of the account.

(xxv) *Broker’s Brokers*. A broker’s broker (as defined in Rule G-43(d)(iii)) shall maintain the following records with respect to its municipal securities activities:

(A) all bids to purchase municipal securities, together with the time of receipt;

(B) all offers to sell municipal securities, together with the time the broker’s broker first receives the offering and the time the offering is updated for display or distribution;

(C) the time that the high bid is provided to the seller; the time that the seller notifies the broker’s broker that it will sell the securities at the high bid; and the time of execution of the trade;

(D) for each communication with a seller or bidder pursuant to Rule G-43(b)(iv), the date and time of the communication; whether the bid deviated from the predetermined parameters and, if so, the amount of the deviation; the full name of the person contacted at the

bidder; the full name of the person contacted at the seller, if applicable; the direction provided by the bidder to the broker's broker following the communication; the direction provided by the seller to the broker's broker following the communication, if applicable; and the full name of the person at the bidder, or seller if applicable, who provided that direction;

(E) for each communication with a seller pursuant to Rule G-43(b)(v), the date and time of the communication; the amount by which the bid deviated from the predetermined parameters; the full name of the person contacted at the seller; the direction provided by the seller to the broker's broker following the communication; and the full name of the person at the seller who provided that direction;

(F) for all changed bids, the full name of the person at the bidder that authorized the change and the full name of the person at the broker's broker at whose direction the change was made;

(G) for all changes in offering prices, the full name of the person at the seller that authorized the change and the full name of the person at the broker's broker at whose direction the change was made;

(H) a copy of any writings by which the seller and bidders agreed that the broker's broker represents either the bidders or both seller and bidders, rather than the seller alone, which writings shall include the dates and times such writings were executed; and the full names of the signatories to such writings;

(I) a copy of the policies and procedures required by Rule G-43(c);

(J) a copy of its predetermined parameters (as defined in Rule G-43(d)(viii)), its analysis of why those predetermined parameters were reasonably designed to identify most bids that might not represent the fair market value of municipal securities that were the subject of bid-wanted to which the parameters were applied, and the results of the periodic tests of such predetermined parameters required by Rule G-43(c)(i)(F); and

(K) if a broker's broker trading system is a separately operated and supervised division or unit of a broker, dealer or municipal securities dealer, there must be separately maintained in or separately extractable from such division's or unit's own facilities or the facilities of the broker, dealer or municipal securities dealer, all of the records relating to the activities of the broker's broker or alternative trading system, and such records shall be so maintained or otherwise accessible as to permit independent examination thereof and enforcement of applicable provisions of the Act, the rules and regulations thereunder, and the rules of the Board.

(xxvi) *Alternative Trading Systems*. An alternative trading system registered as such with the Commission shall maintain the following records with respect to its municipal securities activities:

(A) for all changed bids, the full name of the person at the bidder firm that authorized the change and the full name of the person at the alternative trading system at whose direction the change was made;

(B) for all changes in offering prices, the full name of the person at the seller firm that authorized the change and the full name of the person at the alternative trading system at whose direction the change was made;

(C) a copy of the policies and procedures required by Rule G-43(d)(iii)(C); and

(D) if the alternative trading system is a separately operated and supervised division or unit of a broker, dealer or municipal securities dealer, there must be separately maintained in or separately extractable from such division's or unit's own facilities or the facilities of the broker, dealer or municipal securities dealer, all of the records relating to the municipal securities activities of the alternative trading system, and such records shall be so maintained or otherwise accessible as to permit independent examination thereof and enforcement of applicable provisions of the Act, the rules and regulations thereunder, and the rules of the Board.

(b) *Manner in which Books and Records are to be Maintained*. Nothing herein contained shall be construed to require a broker, dealer or municipal securities dealer to maintain the books and records required by this rule in any given manner, provided that the information required to be shown is clearly and accurately reflected thereon and provides an adequate basis for the audit of such information, nor to require a broker, dealer or municipal securities dealer to maintain its books and records relating to transactions in municipal securities separate and apart from books and records relating to transactions in other types of securities; provided, however, that in the case of a bank dealer, all records relating to transactions in municipal securities effected by such bank dealer must be separately extractable from all other records maintained by the bank.

(c) *Non-Clearing Brokers, Dealers and Municipal Securities Dealers*. A broker, dealer or municipal securities dealer which executes transactions in municipal securities but clears such transactions through a clearing broker, dealer, or bank, or through a clearing agency, shall not be required to make and keep such books and records prescribed in this rule as are customarily made and kept by a clearing broker, dealer, bank or clearing agency; provided that, in the case of a broker, dealer or municipal securities dealer other than a bank dealer, the arrangements with such clearing broker, dealer or bank meet all applicable requirements prescribed in subparagraph (b) of rule 17a-3 under the Act, or the arrangements with such clearing agency have been approved by the Commission or, in the case of a bank dealer, such arrangements have been

approved by the appropriate regulatory agency for such bank dealer; and further provided that such broker, dealer or municipal securities dealer shall remain responsible for the accurate maintenance and preservation of such books and records if they are maintained by a clearing agent other than a clearing broker or dealer.

(d) *Introducing Brokers, Dealers and Municipal Securities Dealers.* A broker, dealer or municipal securities dealer which, as an introducing broker, dealer or municipal securities dealer, clears all transactions with and for customers on a fully disclosed basis with a clearing broker, dealer or municipal securities dealer, and which promptly transmits all customer funds and securities to the clearing broker, dealer or municipal securities dealer which carries all of the accounts of such customers, shall not be required to make and keep such books and records prescribed in this rule as are customarily made and kept by a clearing broker, dealer or municipal securities dealer and which are so made and kept; and such clearing broker, dealer or municipal securities dealer shall be responsible for the accurate maintenance and preservation of such books and records.

(e) *Definitions*

(i) *Customer.* For purposes of this rule, the term “customer” shall not include a broker, dealer, municipal securities dealer or municipal advisor acting in its capacity as such or the issuer of the securities which are the subject of the transaction in question.

(ii) *Municipal Advisory Client.* For the purposes of paragraph (h)(vi) of this rule, the term “municipal advisory client” shall include either a municipal entity or obligated person for whom the municipal advisor engages in municipal advisory activities as defined in Rule G-42(f)(iv), or a broker, dealer, municipal securities dealer, municipal advisor, or investment adviser (as defined in section 202 of the Investment Advisers Act of 1940) on behalf of whom the municipal advisor undertakes a solicitation of a municipal entity or obligated person, as defined in Rule 15Ba1-1(n), 17 CFR 240.15Ba1-1(n), under the Act.

(f) *Compliance with Rule 17a-3.* Brokers, dealers and municipal securities dealers other than bank dealers which are in compliance with rule 17a-3 of the Commission will be deemed to be in compliance with the requirements of this rule, provided that the information required by subparagraph (a)(iv)(D) of this rule as it relates to uncompleted transactions involving customers; subsection paragraph (a)(viii); and subsections paragraphs (a)(xi) through (a)(xxvi) shall in any event be maintained.

(g) *Transactions in Municipal Fund Securities.*

(i) *Books and Records Maintained by Transfer Agents.* Books and records required to be maintained by a broker, dealer or municipal securities dealer under this rule solely with respect to transactions in municipal fund securities may be maintained by a transfer agent registered under Section 17A(c)(2) of the Act used by such broker, dealer or municipal

securities dealer in connection with such transactions; provided that such broker, dealer or municipal securities dealer shall remain responsible for the accurate maintenance and preservation of such books and records.

(ii) *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 (A) 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 (B) 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.

(iii) *Underwriters of Municipal Fund Securities That Are Not Local Government Investment Pools.* An underwriter (as defined in Rule G-45(d)(xiv)) shall maintain the information required to be reported on Form G-45.

(h) *Municipal Advisor Records.* Every municipal advisor that is registered or required to be registered under Section 15B of the Act and the rules and regulations thereunder shall make and keep current the following books and records:

(i) *General Business Records.* All books and records described in Rule 15Ba1-8(a)(1)-(8) under the Act.

(ii) *Records Concerning Compliance with Rule G-20.*

(A) a separate record of any gift or gratuity subject to the general limitation of Rule G-20(c); and

(B) all agreements referred to in Rule G-20(f) and records of all compensation paid as a result of those agreements.

(iii) *Records Concerning Political Contributions and Prohibitions on Municipal Advisory Business Pursuant to Rule G-37.* Records reflecting:

(A) a listing of the names, titles, city/county and state of residence of all municipal advisor professionals;

(B) a listing of the names, titles, city/county and state of residence of all non-MAP executive officers;

(C) the states in which the municipal advisor is engaging or is seeking to engage in municipal advisory business;

(D) a listing of municipal entities with which the municipal advisor has engaged in municipal advisory business, along with the type of municipal advisory business engaged in, during the current year and separate listings for each of the previous two calendar years;

(E) the contributions, direct or indirect, to officials of a municipal entity and payments, direct or indirect, made to political parties of states and political subdivisions, by the municipal advisor and each political action committee controlled by the municipal advisor for the current year and separate listings for each of the previ-

ous two calendar years, which records shall include: (i) the identity of the contributors, (ii) the names and titles (including any city/county/state or other political subdivision) of the recipients of such contributions and payments, and (iii) the amounts and dates of such contributions and payments;

(F) the contributions, direct or indirect, to officials of a municipal entity made by each municipal advisor professional, any political action committee controlled by a municipal advisor professional, and non-MAP executive officer for the current year, which records shall include: (i) the names, titles, city/county and state of residence of contributors, (ii) the names and titles (including any city/county/state or other political subdivision) of the recipients of such contributions, (iii) the amounts and dates of such contributions; and (iv) whether any such contribution was the subject of an automatic exemption, pursuant to Rule G-37(j), including the amount of the contribution, the date the municipal advisor discovered the contribution, the name of the contributor, and the date the contributor obtained a return of the contribution; provided, however, that such records need not reflect any contribution made by a municipal advisor professional or non-MAP executive officer to officials of a municipal entity for whom such person is entitled to vote if the contributions made by such person, in total, are not in excess of \$250 to any official of a municipal entity, per election. In addition, municipal advisors shall maintain separate listings for each of the previous two calendar years containing the information required pursuant to this subparagraph (F) for each municipal advisor representative and each municipal advisor solicitor as defined in Rule G-37(g)(iii) and for any political action committee controlled by such individuals, and separate listings for the previous six months containing the information required pursuant to this subparagraph (F) for each municipal advisor principal, municipal advisor supervisory chain person and municipal advisor executive officer as defined in Rule G-37(g)(iii) and for any political action committee controlled by such individuals and for any non-MAP executive officers;

(G) the payments, direct or indirect, to political parties of states and political subdivisions made by all municipal advisor professionals, any political action committee controlled by a municipal advisor professional, and non-MAP executive officers for the current year, which records shall include: (i) the names, titles, city/county and state of residence of contributors, (ii) the names, and titles (including any city/county/state or other political subdivision) of the recipients of such payments and (iii) the amounts and dates of such payments; provided, however, that such records need not reflect those payments made by any municipal advisor professional or non-MAP executive officer to a political party of a state or political subdivision in which such persons are entitled

to vote if the payments made by such person, in total, are not in excess of \$250 per political party, per year. In addition, municipal advisors shall maintain separate listings for each of the previous two calendar years containing the information required pursuant to this subparagraph (G) for each municipal advisor representative and each municipal advisor solicitor as defined in Rule G-37(g)(iii) and for any political action committee controlled by such individuals, and separate listings for the previous six months containing the information required pursuant to this subparagraph (G) for each municipal advisor principal, municipal advisor supervisory chain person and municipal advisor executive officer as defined in Rule G-37(g)(iii) and for any political action committee controlled by such individuals and for any non-MAP executive officers;

(H) the contributions, direct or indirect, to bond ballot campaigns made by the municipal advisor and each political action committee controlled by the municipal advisor for the current year, which records shall include: (i) the identity of the contributors, (ii) the official name of each bond ballot campaign receiving such contributions, and the jurisdiction (including city/county/state or political subdivision) by or for which municipal securities, if approved, would be issued, (iii) the amounts (which, in the case of in-kind contributions, must include both the value and the nature of the goods or services provided, including any ancillary services provided to, on behalf of, or in furtherance of the bond ballot campaign) and the specific dates of such contributions, (iv) the full name of the municipal entity and full issue description of any primary offering resulting from the bond ballot campaign to which the municipal advisor or political action committee controlled by the municipal advisor has made a contribution and the reportable date of selection on which the municipal advisor was selected to engage in the municipal advisory business, and (v) the payments or reimbursements, related to any bond ballot contribution, received by the municipal advisor from any third party that are required to be disclosed under Rule G-37(e)(i)(B), including the amount paid and the name of the third party making such payment; and

(I) the contributions, direct or indirect, to bond ballot campaigns made by each municipal advisor professional, any political action committee controlled by a municipal advisor professional, and non-MAP executive officer for the current year, which records shall include: (i) the names, titles, city/county and state of residence of contributors, (ii) the official name of each bond ballot campaign receiving such contributions, and the jurisdiction (including city/county/state or political subdivision) by or for which municipal securities, if approved, would be issued, (iii) the amounts (which, in the case of in-kind contributions, must include both the value and the nature of the goods or services provided, including any ancil-

lary services provided to, on behalf of, or in furtherance of the bond ballot campaign) and the specific dates of such contributions, (iv) the full name of the municipal entity and full issue description of any primary offering resulting from the bond ballot campaign to which the municipal advisor professional, political action committee controlled by the municipal advisor professional or non-MAP executive officer has made a contribution required to be disclosed under Rule G-37(e)(i)(B), or to which a contribution has been made by a municipal advisor professional or a non-MAP executive officer during the period beginning two years prior to such individual becoming a municipal advisor professional or a non-MAP executive officer that would have been required to be disclosed if such individual had been a municipal advisor professional or a non-MAP executive officer at the time of such contribution and the reportable date of selection on which the municipal advisor was selected to engage in the municipal advisory business, and (v) the payments or reimbursements, related to any bond ballot contribution, received by the municipal advisor professional or non-MAP executive officer from any third party that are required to be disclosed by Rule G-37(e)(i)(B), including the amount paid and the name of the third party making such payment or reimbursement; provided, however, that such records need not reflect any contribution made by a municipal advisor professional or non-MAP executive officer to a bond ballot campaign for a ballot initiative with respect to which such person is entitled to vote if the contributions made by such person, in total, are not in excess of \$250 to any bond ballot campaign, per ballot initiative.

(J) Municipal advisors shall maintain copies of the Forms G-37 and G-37x submitted to the Board along with a record of submitting such forms to the Board.

(K) Terms used in this paragraph (iii) have the same meaning as in Rule G-37.

(L) No record is required by this paragraph (h)(iii) of:

(i) any municipal advisory business done or contribution to officials of municipal entities or political parties of states or political subdivisions; or

(ii) any payment to political parties of states or political subdivisions

if such municipal advisory business, contribution, or payment was made prior to August 17, 2016.

(M) No municipal advisor shall be subject to the requirements of this paragraph (h)(iii) during any period that such municipal advisor has qualified for and invoked the exemption set forth in clause (B) of paragraph (e)(ii) of Rule G-37; provided, however, that such municipal advisor shall remain obligated to comply with clause (H) of this paragraph (h)(iii) during such period of exemption. At such time as a municipal advisor that has been

exempted by this clause (M) from the requirements of this paragraph (h)(iii) engages in any municipal advisory business, all requirements of this paragraph (h)(iii) covering the periods of time set forth herein (beginning with the then current calendar year and the two preceding calendar years) shall become applicable to such municipal advisor.

(iv) *Records Concerning Duties of Non-Solicitor Municipal Advisors pursuant to Rule G-42.*

(A) A copy of any document created by a municipal advisor that was material to its review of a recommendation by another party or that memorializes the basis for any determination as to suitability.

(v) *Records Concerning Compliance with Rule G-44.*

(A) The written supervisory procedures required by Rule G-44(a)(i);

(B) A record of all designations of persons responsible for supervision as required by Rule G-44(a)(ii);

(C) Records of the reviews of written compliance policies and written supervisory procedures as required by Rule G-44(a) and (b);

(D) A record of all designations of persons as chief compliance officer as required by Rule G-44(c);

(E) The annual certifications as to compliance processes required by Rule G-44(d); and

(F) Any certifications made as to substantially equivalent supervisory and compliance obligations and books and records requirements pursuant to Rule G-44(e).

(vi) *Municipal Advisory Client Complaints.* A record of all written complaints of municipal advisory clients or persons acting on behalf of municipal advisory clients that are received by the municipal advisor. This record must include the complainant's name, address, and municipal advisory client number or code, if any; the date the complaint was received; the date of the activity that gave rise to the complaint; the name of each associated person of the municipal advisor identified in the complaint; a description of the nature of the complaint; and what action, if any, has been taken by such municipal advisor in connection with each such complaint. In addition, this record must be kept in an electronic format using the complaint product and problem codes set forth in the Municipal Securities Rulemaking Board Rule G-8 Customer and Municipal Advisory Client Complaint Product and Problem Codes Guide.

The term "written," for the purposes of this paragraph, shall include electronic correspondence. The term "complaint" shall mean any written statement alleging a grievance involving the municipal advisory activities of the municipal advisor or any associated person of such municipal advisor.

(vii) *Records Concerning Compliance with Continuing Education Requirements.*

(A) Copies of the municipal advisor's needs analysis and written training plan as required by subparagraphs (i)(ii)(B)(1) and (i)(ii)(E)(1) of Rule G-3; and

(B) Records documenting the content of the training programs and completion of the programs by each covered person as required by Rule G-3(i)(ii)(B)(3).

Supplementary Material

.01 Electronic Recordkeeping. Paragraphs (a)(xii) and (h)(vi) of this rule require that customer complaint logs be kept in an electronic format. For those purposes, "electronic format" is defined as any computer software program that is used for storing, organizing and/or manipulating data that can be provided promptly upon request to a regulatory authority.

.02 Other Reporting Requirements. In addition to the recordkeeping requirements of Paragraphs (a)(xii) and (h)(vi) of Rule G-8, the regulated entity may be required to promptly report certain written customer or municipal advisory client complaints to other appropriate regulatory authorities. Those written customer or municipal advisory client complaints that may be required to be promptly reported to other appropriate regulatory authorities include complaints in which the customer or municipal advisory client alleges theft or misappropriation of funds or securities or of forgery.

Rule G-8 Interpretations

Interpretive Notice on Recordkeeping

July 29, 1977

The Municipal Securities Rulemaking Board (the "Board") has received a number of inquiries concerning Board rules G-8 and G-9. These rules require municipal securities brokers and municipal securities dealers to make and keep current certain specified records concerning their municipal securities business and to preserve such records for specified periods of time. This interpretive notice addresses several of the more frequent inquiries received by the Board regarding these rules.

General Purposes of Recordkeeping Rules

The Board's recordkeeping rules are designed to require organizations engaged in the municipal securities business to maintain appropriate records concerning their activities in such business. In writing the rules, the Board adopted the approach of specifying in some detail the information to be reflected in the various records. The Board believed that this approach would provide helpful guidance to municipal securities professionals as well as the regulatory agencies charged with the responsibility of examining the records of such firms. At the same time, the Board attempted to provide a degree of flexibility to firms concerning the manner in which their records are to be maintained, recognizing that various recordkeeping systems could provide a complete and accurate record

of a firm's municipal securities activities. The interpretations set forth in this notice are intended to be consistent with the foregoing purposes.

This notice is not intended to address all of the questions which have arisen, or may arise; the Board will continue its policy of responding to written requests for individual interpretations and may issue further interpretive notices on recordkeeping should additional questions of general interest arise.

The following topics are covered in this interpretive notice:

General Purposes of Recordkeeping Rules

Election to Follow Board or Commission Recordkeeping Rules

Maintenance of Records on a Trade Date or Settlement Date Basis

Current Posting of Records

Unit System Method of Recordkeeping

Rule G-8(a)(ii) — Account Records

Rule G-8(a)(iii) — Securities Records

Rules G-8(a)(vi) and (vii) — Records for Agency and Principal Transactions

Rule G-8(a)(xi) — Customer Account Information

Rule G-8(c) — Non-Clearing Municipal Securities Brokers and Municipal Securities Dealers

Rule G-9(b)(viii)(C) — Preservation of Written Communications

Election to Follow Board or Commission Recordkeeping Rules

Rules G-8(f) and G-9(g) provide that municipal securities brokers and municipal securities dealers other than bank dealers, who are in compliance with the recordkeeping rules of the Securities and Exchange Commission (the "Commission"), will be deemed to be in compliance with Board rules G-8 and G-9, provided that the following additional records, not specified in the Commission's rules, are maintained by such firms: records of uncompleted transactions involving customers (subparagraph (a)(iv)(D)); records relating to syndicate transactions (paragraph (a)(viii)); new account information (paragraph (a)(xi)); and information concerning customer complaints (paragraph (a)(xii)). Conversely, Commission rules 17a-3 and 17a-4 provide that securities firms engaged in the municipal securities business will satisfy all regulatory requirements concerning recordkeeping with respect to their municipal securities business if they are in compliance with the Board's rules.

Securities firms must determine to comply with either the Board or Commission rules, but are not required to file with either the Board or the commission a formal written notice of election. Satisfactory compliance with either set of rules will

be subject to determination in the course of periodic compliance examinations conducted by the regulatory organizations charged with enforcement of Board and Commission rules.

Maintenance of Records on a Trade Date or Settlement Date Basis

Under rule G-8, records concerning purchases and sales of municipal securities may be maintained on either a trade date or settlement date basis, provided that all records relating to purchases and sales are maintained on a consistent basis. For example, if a municipal securities broker or municipal securities dealer maintains its records of original entry concerning purchases and sales (rule G-8(a)(i)) on a settlement date basis, the municipal securities broker or municipal securities dealer must also maintain its account records (rule G-8(a)(ii)) and securities records (rule G-8(a)(iii)) on the same basis.

The above records may not be maintained on a clearance date basis, that is, the date the securities are actually delivered or received. Records maintained on a clearance date basis would not accurately reflect obligations of a municipal securities broker or municipal securities dealer to deliver or accept delivery of securities. Of course, the date of clearance should be noted in the records of original entry, account records and securities records, regardless of whether these records are kept on a trade date or settlement date basis.

Current Posting of Records

Rule G-8 provides that every municipal securities broker or municipal securities dealer must make and keep current the records specified in the rule. The Board has received inquiries as to the time within which records must be posted to satisfy the currency requirement.

Blotters or other records of original entry showing purchases and sales of municipal securities should be prepared no later than the end of the business day following the trade date. Transactions involving the purchase and sale of securities should be posted to the account records no later than settlement date and to the securities records no later than the end of the business day following the settlement date. Records relating to securities movements and cash receipts and disbursements should reflect such events on the date they occur and should be posted to the appropriate records no later than the end of the following business day.

Commission rule 17a-11 requires municipal securities dealers, other than bank dealers, to give immediate notice to the Commission and their designated examining authorities of any failure to make and keep current the required records, and to take corrective action within forty-eight hours after the transmittal of such notice.

Unit System Method of Recordkeeping

Under rule G-8, records may be maintained in a variety of ways, including a unit system of recordkeeping. In such a system, records are kept in the form of a group of documents or

related groups of documents. For example, customer account records may consist of copies of confirmations and other related source documents, if necessary, arranged by customer.

A unit system of recordkeeping is an acceptable system for purposes of rule G-8 if the information required to be shown is clearly and accurately reflected and there is an adequate basis for audit. This would require in most instances that each record in a unit system be arranged in appropriate sequence, whether chronological or numerical, and fully integrated into the overall recordkeeping system for purposes of posting to general ledger accounts.

Rules G-8(a)(ii) — Account Records

Rule G-8(a)(ii) requires every municipal securities broker and municipal securities dealer to maintain account records for each customer account and the account of the municipal securities broker and municipal securities dealer, showing all purchases and sales, all receipts and deliveries of securities, all receipts and disbursements of cash, and all other debits and credits to such account.

The account records may be kept in several different formats. Ledger entries organized separately for each customer and for the municipal securities broker or municipal securities dealer, showing the requisite information, would clearly satisfy the requirements of rule G-8(a)(ii).

The requirements of rule G-8(a)(ii) can also be satisfied by a unit system of recordkeeping. See discussion above. Under such a system, a municipal securities professional might maintain files, organized by customer, containing copies of confirmations and other pertinent documents, if necessary, which reflect all the information required by rule G-8(a)(ii).

The question has also been raised whether the account records requirement of rule G-8(a)(ii) can be satisfied by an electronic data processing system which can produce account records by tracing through separate transactions. The Board is of the view that such a system is acceptable if the account records should be obtainable without delay, although the records need not be maintained by customer prior to being produced. The account records so produced must also reflect clearly and accurately all the required information, provide an adequate basis for audit and be fully integrated into the overall recordkeeping system. Under rule G-27, on supervision, a municipal securities principal is required to supervise the activities of municipal securities representatives with respect to customer accounts and other matters. In this connection, it may be appropriate to obtain printouts of customer accounts on a periodic basis.

The Board believes that it is important to maintain account records in the fashion described above in view of several of the Board's fair practice rules, such as the rules on suitability and churning. Account records will be important both as a tool for management to detect violations of these rules

and for enforcement of these rules by the regulatory agencies conducting compliance examinations or responding to complaints.

The requirement to maintain account records does not apply to a firm which effects transactions exclusively with other municipal securities professionals and has no customers, as defined in paragraph (e) of rule G-8.

Rule G-8(a)(iii) — Securities Records

Rule G-8(a)(iii) requires that records be kept showing separately for each municipal security all long and short positions carried by a municipal securities broker or municipal securities dealer for its account or for the account of a customer, the location of all such securities long and the offsetting position to all such securities short, and the name or other designation of the account in which each position is carried.

The securities records should reflect not only purchases and sales, but also any movement of securities, such as whether securities have been sent out for validation or transfer. If there is no activity with respect to a particular security, it is not necessary to make daily entries for the security in the securities records. The last entry will be deemed to be carried forward until there is further activity involving the security.

Rule G-8(a)(iii) requires that the securities records show all long security count differences and short count differences classified by the date of physical count and verification on which they were discovered. The Board currently has no rule requiring municipal securities professionals to make periodic securities counts. However, if such counts are made, all count differences must be noted as provided in this section. Commission rule 17a-13 requires municipal securities dealers, other than bank dealers and certain securities firms exempted from the rule, to examine and count securities at least once in each quarter.

The requirement to maintain securities records under rule G-8 does not apply to a firm which effects municipal securities transactions exclusively with other municipal securities professionals and has no customers, as defined in paragraph (e) of rule G-8, provided the firm does not carry positions for its own account and records or fails to deliver, fails to receive and bank loans are reflected in other records of the firm.

Rules G-8(a)(vi) and (vii) — Records for Agency and Principal Transactions

Rules G-8(a)(vi) and (vii) require municipal securities brokers and municipal securities dealers to make and keep records for each agency order and each transaction effected by the municipal securities broker or municipal securities dealer as principal. The records may be in the form of trading tickets or similar documents. In each case, the records must contain certain specified information, including “to the extent feasible, the time of execution.”

The phrase “to the extent feasible” is intended to require municipal securities professionals to note the time of execution for each agency and principal transaction except in extraordinary circumstances when it is impossible to determine the exact time of execution. In such cases, the municipal securities professional should note the approximate time of execution and indicate that it is an approximation.

Rule G-8(a)(xi) — Customer Account Information

Rule G-8(a)(xi) requires a municipal securities broker or municipal securities dealer to obtain certain information for each customer. Several distinct questions have been raised with respect to this provision.

The requirement to obtain the requisite information may be satisfied in a number of ways. Some municipal securities brokers and municipal securities dealers have prepared questionnaires which they have had their customers complete and return. Others have instructed their salesmen to obtain the information from customers over the telephone at the time orders are placed. It is not necessary to obtain a written statement from a customer to be in compliance with the provision.

Except for the tax identification or social security number of a customer, the customer account information required by this provision must be obtained prior to the settlement of a transaction. The Board believes that such a requirement is reasonable since the information is basic and important.

The requirement in subparagraph (C) of rule G-8(a)(xi) to obtain the tax identification or social security number of a customer tracks the requirement in section 103.35, Part 103 of Title 31 of the Code of Federal Regulations, which was adopted by the Treasury Department and became effective in June 1972. Under this section, every broker, dealer and bank must obtain the tax identification or social security number of customers. If a broker, dealer or bank is unable to secure such information after reasonable effort, it must maintain a record identifying all such accounts. The Board interprets subparagraph (C) of rule G-8(a)(xi) in a similar fashion to require municipal securities professionals to make a reasonable effort to obtain a customer’s tax identification or social security number and, if they are unable to do so, to keep a record of that fact.

Several inquiries have focused on the scope of subparagraph (G) of rule G-8(a)(xi) which requires that a record be made and kept of the name and address of the beneficial owner or owners of such account if other than the customer and transactions are to be confirmed to such owner or owners.

This provision applies to the situation in which securities are confirmed to an account which has not directly placed the order for the securities. This frequently occurs in connection with investment advisory accounts, where the investment advisor places an order for a client and directs the executing firm to confirm the transaction directly to the investment advisor’s client.