

## Rule G-12

### Uniform Practice

#### (a) *Scope and Notice.*

(i) All transactions in municipal securities between any broker, dealer or municipal securities dealer and any other broker, dealer or municipal securities dealer shall be subject to the provisions of this rule, provided, however, that a transaction submitted to a registered clearing agency for comparison shall be exempt from the provisions of section (c) and, to the extent such transaction is compared by the clearing agency, section (d) of this rule, and a transaction which is settled or cleared through the facilities of a registered clearing agency shall be exempt from the provisions of section (e) of this rule.

(ii) Failure to deliver securities sold or to pay for securities as delivered, on or after the settlement date does not effect a cancellation of a transaction which is subject to the provisions of this rule, unless otherwise provided in this rule or agreed upon by the parties.

(iii) Unless otherwise specifically indicated, any “immediate” notice required by this rule or any notice required to be given “immediately” shall be given by telephone, telegraph or other means of communication having same day receipt capability and confirmed in writing within one business day.

#### (b) *Settlement Dates.*

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

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

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

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

(A) for “cash” transactions, the trade date;

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

(C) for “when, as and if issued” transactions, a date agreed upon by both parties, which date: (1) with respect to transactions required to be compared in an automated comparison system under rule G-12(f)(i), shall not be earlier than two business days after notification of initial settlement date for the issue is provided to the registered clearing agency by the managing underwriter for the issue as required by rule G-34(a)(ii)(D)(2); and (2) with respect to transactions not eligible for automated comparison, shall not be earlier than the second business day following the date that the confirmation indicating the final settlement date is sent; and

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

(c) *Dealer Confirmations.* All municipal securities transactions that are ineligible for automated comparison in a system operated by a registered clearing agency shall be subject to the provisions of this section (c).

(i) Except as otherwise indicated in this section (c), each party to a transaction shall send a confirmation of the transaction to the other party on the trade date.

(ii) Confirmations of cash transactions shall be exchanged by telephone on the trade date, with written confirmation sent within one business day following the trade date.

(iii) For transactions effected on a “when, as and if issued” basis, initial confirmations shall be sent within one business day following the trade date. Confirmations from a syndicate or account manager to the members of the syndicate or account may be in the form of a letter, covering all maturities of the issue, setting forth the information hereafter specified in this section (c). Confirmations indicating the final settlement date shall be sent by the seller at least three business days prior to the settlement date.

(iv) \*\*Reserved for future use.\*\*

(v) Each confirmation shall contain the following information:

(A) confirming party’s name, address and telephone number;

(B) “contra party” identification;

(C) designation of purchase from or sale to;

(D) par value of the securities;

(E) description of the securities, including at a minimum the name of the issuer, interest rate, maturity date, and if the securities are limited tax, subject to redemption prior to maturity (callable), or revenue bonds, an indication to such effect, including in the case of revenue bonds the type of revenue, if necessary for a materially complete description of the securities and in the case of any securities, if necessary for a materially complete description of the securities, the name of any company or other person in addition to the issuer obligated, directly or indirectly, with respect to debt service or, if there is more than one such obligor, the statement “multiple obligors” may be shown;

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

(G) trade date;



(H) settlement date;

(I) yield at which transaction was effected and resulting dollar price, except in the case of securities which are traded on the basis of dollar price or securities sold at par, in which event only dollar price need be shown (in cases in which securities are priced to call or to par option, this must be stated and the call or option date and price used in the calculation must be shown, and where a transaction is effected on a yield basis, the dollar price shall be calculated to the lowest of price to call, price to par option, or price to maturity);

(J) amount of concession, if any, per \$1000 par value unless stated to be an aggregate figure, *provided, however*, that for a transaction in securities maturing in two or more years and, at the time of the transaction, paying investment return solely through capital appreciation, the concession, if any, shall be expressed as a percentage of the price of these securities;

(K) amount of accrued interest;

(L) extended principal amount;

(M) total dollar amount of transaction; and

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

The confirmation for a transaction in securities traded on a discounted basis (other than discounted securities traded on a yield-equivalent basis) shall not be required to show the pricing information specified in subparagraph (I) nor the accrued interest specified in subparagraph (K). Such information shall, however, contain the rate of discount and resulting dollar price. Such confirmation may, in lieu of the resulting dollar price and the extended principal amount specified in subparagraph (L), show the total dollar amount of the discount.

The confirmation for a transaction in securities maturing in more than two years and paying investment return solely at redemption shall not show the par value of the securities specified in subparagraph (D) and shall not be required to show the amount of accrued interest specified in subparagraph (K). Such confirmation shall, however, show the maturity value of the securities and specify that the interest rate on the securities is “0%.”

The initial confirmation for a “when, as and if issued” transaction shall not be required to contain the information specified in subparagraphs (H), (K), (L), and (M) of this paragraph or the resulting dollar price as specified in subparagraph (I).

(vi) In addition to the information required by paragraph (v) above, each confirmation shall contain the following information, if applicable:

(A) dated date if it affects the price or interest calculation, and first interest payment date, if other than semi-annual;

(B) if the securities are available only in book-entry form, a designation to such effect;

(C) if the securities are identified by the issuer or sold by the underwriter as subject to federal taxation, a designation to that effect;

(D) if the interest on the securities is identified by the issuer or the underwriter as subject to the alternative minimum tax, a designation to that effect;

(E) if the securities are “called” or “pre-refunded,” a designation to such effect, the date of maturity which has been fixed by the call notice, and the amount of the call price;

(F) denominations of securities other than bonds, and, in the case of bonds, denominations other than those specified in paragraph (e)(v) hereof;

(G) if the securities pay periodic interest and are sold by the underwriter as original issue discount securities, a designation that they are “original issue discount” securities;

(H) any special instructions or qualifications, or factors affecting payment of principal or interest, such as (1) “ex legal,” or (2) if the securities are traded without interest, “flat,” or (3) if the securities are in default as to the payment of interest or principal, “in default,” or (4) with respect to securities with periodic interest payments, if such securities pay interest on other than a semi-annual basis, a statement of the basis on which interest is paid; and

(I) such other information as may be necessary to ensure that the parties agree to the details of the transaction.

(d) *Comparison and Verification of Confirmations; Unrecognized Transactions.*

(i) Upon receipt of a confirmation, each party to a transaction shall compare and verify such confirmation to ascertain whether any discrepancies exist. If any discrepancies exist in the information as set forth in two compared confirmations, the party discovering such discrepancies shall promptly communicate such discrepancies to the contra party and both parties shall promptly attempt to resolve the discrepancies. In the event the parties are able to resolve the discrepancies, the party in error shall within one business day following such resolution, send a corrected confirmation to the contra party. Such confirmation shall indicate that it is a correction and the date of the corrected confirmation. In the event the parties are unable to resolve the discrepancies, each party shall promptly send to the contra party a written notice, return receipt requested, indicating nonrecognition of the transaction.

(ii) In the event a party receives a confirmation for a transaction which it does not recognize, it shall promptly seek to ascertain whether a trade occurred and the terms of the trade. In the event it determines that a trade occurred and the



confirmation it received was correct, such party shall immediately notify the confirming party by telephone and, within one business day thereafter, send a written confirmation of the transaction to the confirming party. In the event a party cannot confirm the trade, such party shall immediately notify the confirming party by telephone and, within one business day, thereafter send a written notice, return receipt requested, to the confirming party, indicating nonrecognition of the transaction. Promptly upon receipt of such notice, the confirming party shall verify its records and, if it agrees with the non-confirming party, promptly send a notice of cancellation of the transaction, return receipt requested, to the non-confirming party.

(iii) In the event a party has sent a confirmation of a transaction, but fails to receive a confirmation from the contra party or a notice indicating nonrecognition of the transaction, the confirming party shall, not earlier than the fourth business day following the trade date (the sixth business day following the trade date, in the case of an initial confirmation of a transaction effected on a “when, as and if issued” basis) nor later than the eighth business day following the trade date, seek to ascertain whether a trade occurred. If, after such verification, such party believes that a trade occurred, it shall immediately notify the non-confirming party by telephone to such effect and send within one business day thereafter, a written notice, return receipt requested, to the non-confirming party, indicating failure to confirm. Promptly following receipt of telephone notice from the confirming party, the non-confirming party shall seek to ascertain whether a trade occurred and the terms of the trade. In the event the non-confirming party determines that a trade occurred, it shall immediately notify the confirming party by telephone to such effect and, within one business day thereafter, send a written confirmation of the transaction to the confirming party. In the event a party cannot confirm the trade, such party shall promptly send a written notice, return receipt requested, to the confirming party, indicating nonrecognition of the transaction.

(iv) If procedures are initiated pursuant to paragraph (ii) of this section, the procedures required by paragraph (iii) need not be followed; and conversely, if procedures are initiated pursuant to paragraph (iii) of this section, the procedures required by paragraph (ii) need not be followed.

(v) In the event any material discrepancies or differences, basic to the transaction, remain unresolved by the close of the business day following receipt by a party of a written notice indicating nonrecognition or by the close of the business day following the date the confirming party gives telephone notice of the transaction to the non-confirming party pursuant to paragraph (iii) above, whichever first occurs, the transaction may be cancelled by the confirming party or, in the event there exists disagreement concerning the terms of the transaction, by either confirming party. Nothing herein contained shall be construed to affect whatever rights the confirming party or parties may otherwise have with respect to a transaction which is cancelled pursuant to this paragraph.

(vi) Nothing herein contained shall be construed to prevent the settlement of a transaction prior to completion of the procedures prescribed in this section (d); *provided* that each party to the transaction shall be responsible for sending to the other party, within one business day of such settlement, a confirmation evidencing the terms of the transaction.

(vii) The notices referred to in this section indicating nonrecognition of a transaction or failure to confirm a transaction shall contain sufficient information to identify the confirmation to which the notice relates including, at a minimum, the information set forth in subparagraphs (A) through (E), (G) and (H) of paragraph (c)(v), as well as the confirmation number. In addition, such notice shall identify the firm and person providing such notice and the date thereof. The requirements of this paragraph may be satisfied by providing a copy of the confirmation of an unrecognized transaction, marked “don’t know,” together with the name of the firm and person providing such notice and the date thereof.

(e) *Delivery of Securities.* The following provisions shall, unless otherwise agreed by the parties, govern the delivery of securities:

(i) *Place and Time of Delivery.* Delivery shall be made at the office of the purchaser, or its designated agent, between the hours established by rule or practice in the community in which such office is located. If the parties so agree, book entry or other delivery through the facilities of a registered clearing agency will constitute good delivery for purposes of this rule.

(ii) *Securities Delivered.*

(A) All securities delivered on a transaction shall be identical as to the information set forth in subparagraph (E) of paragraph (c)(v) and, to the extent applicable, the information set forth in subparagraphs (A) and (E) of paragraph (c)(vi). All securities delivered shall also be identical as to the call provisions and the dated date of such securities.

(B) *CUSIP Numbers.*

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

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



(iii) *Delivery Ticket.* A delivery ticket shall accompany the delivery of securities. Such ticket shall contain the information set forth in subparagraphs (A), (B), (D) (except in the case of transactions in zero coupon, compound interest and multiplier securities, in which case the maturity value shall be shown), (E) through (H), (M) and (N) of paragraph (c)(v) and, to the extent applicable, the information set forth in subparagraphs (A) through (I) of paragraph (c)(vi) and shall have attached to it an extra copy of the ticket which may be used to acknowledge receipt of the securities.

(iv) *Partial Delivery.* The purchaser shall not be required to accept a partial delivery with respect to a single trade in a single security. For purposes of this paragraph, a “single security” shall mean a security of the same issuer having the same maturity date, coupon rate and price. The provisions of this paragraph shall not apply to deliveries made pursuant to balance orders or other similar instructions issued by a registered clearing agency.

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

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

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

Delivery of other municipal securities shall be made in the denominations specified on the confirmation as required pursuant to paragraph (c)(vi) of this rule except that deliveries of notes may be made in denominations smaller than those specified if the notes delivered can be aggregated to constitute the denominations specified.

(vi) *Form of Securities.*

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

(B) *Book-Entry Form.* Notwithstanding the other provisions of this section (e), with respect to a security which may be transferred only by bookkeeping entry, without the physical delivery of securities certificates, on books maintained for this purpose by a person who is not a registered clearing agent, a delivery of such security shall be made only by a book-entry transfer of the ownership of the security to the purchasing dealer or a person designated by the purchasing dealer.

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

(A) name of issuer;

(B) par value;

(C) signature;

(D) coupon rate;

(E) maturity date;

(F) seal of the issuer; or

(G) certificate number

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

(viii) *Coupon Securities.*

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

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

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

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

(A) title of the issuer;

(B) certificate number;

(C) coupon number or payment date (if either the coupon number or the payment date is ascertainable from the coupon, the coupon will not be considered mutilated); or

(D) the fact that there is a signature;

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

(x) *Delivery of Certificates Called for Redemption.*



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

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

(C) For purposes of this paragraph (x) and Items (D) (2) and (D)(3) of paragraph G-12(g)(iii), the term “entire issue of securities” shall mean securities of the same issuer having the same date of issue, maturity date and interest rate.

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

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

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

(xiv) *Delivery of Registered Securities*

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

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

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

individual or firm has been inserted in a power of substitution as a substitute attorney, a new power of substitution shall be executed in blank by such substitute attorney.

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

(E) *Form of Registration.* Delivery of a certificate accompanied by the documentation required in this paragraph (xiv) shall constitute good delivery if the certificate is registered in the name of:

- (1) an individual or individuals;
- (2) a nominee;
- (3) a member of a national securities exchange whose specimen signature is on file with the transfer agent or any other broker, dealer or municipal securities dealer who has filed specimen signatures with the transfer agent and places a statement to this effect on the assignment; or
- (4) an individual or individuals acting in a fiduciary capacity.

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

(G) *Payment of Interest.* If a registered security is traded “and interest” a delivery of such security made on a date after the record date for the determination of registered holders for the payment of interest shall be accompanied by a draft or bank check of the seller or its agent, payable not later than the interest payment date or the delivery date, whichever is later, for the amount of the interest.

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

(xv) *Expenses of Shipment.* Expenses of shipment of securities, including insurance, postage, draft, and collection charges, shall be paid by the seller.



(xvi) *Money Differences*. The following money differences shall not be sufficient to cause rejection of delivery:

Par Value	Maximum Differences Per Transaction
\$1,000 to \$24,999	\$10
\$25,000 to \$99,999	\$25
\$100,000 to \$249,999	\$60
\$250,000 to \$999,999	\$250
\$1,000,000 and over	\$500

The calculations of the seller shall be utilized in determining the maximum permissible differences and amount of payment to be made upon delivery. The parties shall seek to reconcile any such money differences within ten business days following settlement.

(f) *Use of Automated Comparison, Clearance, and Settlement Systems*.

(i) Notwithstanding the provisions of sections (c) and (d) of this rule, an Inter-Dealer Transaction Eligible for Comparison by a Clearing Agency Registered with the Commission (registered clearing agency) shall be compared through a registered clearing agency. Each party to such a transaction shall submit or cause to be submitted to a registered clearing agency all information and instructions required from the party by the registered clearing agency for automated comparison of the transaction to occur. Each transaction effected during the RTRS Business Day shall be submitted for comparison within 15 minutes of the Time of Trade, unless the transaction is subject to an exception specified in the Rule G-14 RTRS Procedures paragraph (a)(ii), in which case it shall be submitted for comparison in the time frame specified in the Rule G-14 RTRS Procedures paragraph (a)(ii). Transactions effected outside the hours of an RTRS Business Day shall be submitted no later than 15 minutes after the beginning of the next RTRS Business Day. In the event that a transaction submitted to a registered clearing agency for comparison in accordance with the requirements of this paragraph (i) shall fail to compare, the party submitting such transaction shall, as soon as possible, use the procedures provided by the registered clearing agency in connection with such transaction until such time as the transaction is compared or final notification of a failure to compare the transaction is received from the contra-party. A broker, dealer or municipal securities dealer (“dealer”) that effects inter-dealer transactions eligible for comparison by a clearing agency registered with the Commission shall ensure that submissions made against it in the comparison system are monitored for the purpose of ensuring that correct trade information alleged against it is acknowledged promptly and that erroneous information alleged concerning its side of a trade (or its side of a purported trade) is corrected promptly through the procedures of the registered securities clearing agency or the MSRB.

(ii) Notwithstanding the provisions of section (e) of this rule, a transaction eligible for book-entry settlement at a securities depository registered with the Securities and Exchange Commission (depository) shall be settled by book-entry through the facilities of a depository or through the interface between two depositories. Each party to such a transaction shall submit or cause to be submitted to a depository all information and instructions required from the party by the depository for book-entry settlement of the transaction to occur; *provided that*, if a party to a transaction has made arrangements, through its clearing agent or otherwise, to use one or more depositories exclusively, a transaction by that party shall not be subject to the requirements of this paragraph (ii) if the transaction is ineligible for book-entry settlement at all such depositories with which such arrangements have been made.

(iii) For purposes of paragraph (i) of this section (f) a broker, dealer or municipal securities dealer who clears a transaction through an agent who is a member of a registered clearing agency shall be deemed to be a member of such registered clearing agency with respect to such transaction.

(iv) *Definitions*.

(A) “Inter-Dealer Transaction Eligible for Comparison by a Clearing Agency Registered with the Commission” means a contract for purchase and sale between one dealer and another dealer, resulting in a contractual obligation for one such dealer to transfer municipal securities to the other dealer involved in the transaction, and which contract is eligible for comparison under the procedures of an automated comparison system operated by a registered clearing agency.

(B) “Time of Trade” is defined in Rule G-14 Transaction Reporting Procedures.

(C) The “RTRS Business Day” is defined in Rule G-14 RTRS Transaction Reporting Procedures.

(g) *Rejections and Reclamations*.

(i) *Definitions*. For purposes of this section, the terms “rejection” and “reclamation” shall have the following meanings:

(A) “Rejection” shall mean refusal to accept securities which have been presented for delivery.

(B) “Reclamation” shall mean return by the receiving party of securities previously accepted for delivery.

(ii) *Basis for Rejection*. Securities presented for delivery may be rejected if the contra party fails to make a good delivery.

(iii) *Basis for Reclamation and Time Limits*. A reclamation may be made by the receiving party or a demand for reclamation may be made by the delivering party if, subsequent to delivery, information is discovered which, if known at the time of the delivery, would have caused the delivery



not to constitute good delivery, provided such reclamation or demand for reclamation is made within the following time limits:

(A) Reclamation or demand for reclamation by reason of the following shall be made within one business day following the date of delivery:

(1) not good delivery because a coupon, or an interest check in lieu thereof, required by this rule to accompany delivery was missing; or

(2) not good delivery because a certificate or coupon was mutilated in a manner inconsistent with the provisions of paragraphs (e)(vii) or (ix) hereof; or

(3) not good delivery because a legal opinion or other documents referred to in paragraph (e)(xi) hereof were missing.

(B) Reclamation or demand for reclamation because an interest check accompanying delivery was not honored shall be made within three business days following receipt by the purchaser of the notice of dishonor.

(C) reclamation or demand for reclamation by reason of the following shall be made within 18 months following the date of delivery:

(1) irregularity in delivery, including, but not limited to, delivery of the wrong issue (*i.e.*, issuer, coupon rate or maturity date), duplicate delivery, delivery to the wrong party or location, or over delivery; or

(2) refusal to transfer or deregister by the transfer agent due to presentation of documentation in connection with the transfer or deregistration which the transfer agent deems inadequate; or

(3) information pertaining to the description of the securities was inaccurate for either of the following reasons:

(i) information required by subparagraph (c)(v)(E) of this rule was omitted or erroneously noted on a confirmation, or

(ii) information material to the transaction but not required by subparagraph (c)(v)(E) of this rule was erroneously noted on a confirmation.

(D) Reclamation or demand for reclamation by reason of the following may be made without any time limitation:

(1) the security delivered is reported missing, stolen, fraudulent or counterfeit;

(2) the security delivered is the subject of a notice of call applicable to less than the entire issue of securities that was published on or prior to the delivery date and the security was not identified as “called” at the time of trade; or

(3) the security delivered is the subject of a notice of call applicable to the entire issue of securities that was published on or prior to trade date and the security was not identified as “called” at the time of trade.

The running of any of the time periods specified in this paragraph shall not be deemed to foreclose a party’s right to pursue its claim via other means, including arbitration.

(iv) *Procedure for Rejection or Reclamation.*

(A) If a party elects to reject or reclaim securities, rejection or reclamation shall be effected by returning the securities to the party who had previously delivered them. In the case of a reclamation, the reclaiming party may reclaim all (or, in the case of a reclamation of securities reported to be missing, stolen, fraudulent or counterfeit, any part) of the securities which were not in “good delivery” form on the delivery date in lieu of reclaiming all of the securities delivered. In the case of a reclamation of securities reported missing, stolen, fraudulent or counterfeit, in the event that the securities have been seized by the issuer, an agent of the issuer, or a law enforcement official, reclamation by means of a presentation of a receipt for such securities executed by such person will meet the requirements of this subparagraph (A).

(B) The rejecting or reclaiming party shall also provide a written notice which contains sufficient information to identify the delivery to which the notice relates. The notice shall have attached to it a copy of the original delivery ticket or other proof of delivery, and shall state, to the extent not set forth on the attached document, the following:

(1) the name of the party delivering the securities;

(2) the name of the party receiving the securities;

(3) a description of the securities;

(4) the date the securities were delivered;

(5) the date of rejection or reclamation;

(6) the par value of the securities which are being rejected or reclaimed;

(7) in the case of a reclamation, the amount of money the securities are reclaimed for;

(8) the reason for rejection or reclamation; and

(9) the name and telephone number of the person to contact concerning the rejection or reclamation.



(C) A party demanding reclamation of securities shall send to the contra-party a notice demanding reclamation of the securities. Such notice shall have attached to it a copy of the original delivery ticket or other proof of delivery, and shall state, to the extent not set forth on the attached document, the information specified in items (1) through (9) of subparagraph (B) above.

(D) In the event of a reclamation or a demand for reclamation of a security reported missing, stolen, fraudulent or counterfeit, the reclaiming party or the party demanding reclamation shall also provide a document or documents made available by the issuer, an agent of the issuer, or other authorized person evidencing the report and, in the case of securities reported missing or stolen, evidencing that the loss or theft that is the subject of the report had occurred on or prior to the original delivery date.

(v) *Manner of Settlement of Reclamation.* Upon reclamation properly made pursuant to this rule, the party receiving the reclamation shall immediately give the party making the reclamation either the correct securities in proper form for delivery in exchange for the securities originally delivered, or the money amount (or the appropriate portion of the money amount) of the original transaction. A party receiving a notice of demand for reclamation shall reclaim the securities which are the subject of such notice as promptly as possible.

(vi) *Effect of Rejection or Reclamation.* Rejection or reclamation of securities shall not constitute a cancellation of the transaction. In the event of a reclamation of securities, unless otherwise agreed, the party to whom the securities have been reclaimed shall be deemed to be failing to deliver the securities, as of the original transaction settlement date, until such time as a proper delivery is made or the transaction is closed out in accordance with section (h) of this rule.

(h) *Close-Out.* Transactions which have been compared or otherwise agreed upon by both parties but which have not been completed shall be closed out in accordance with this section, or cancelled by the parties, no later than 10 calendar days after settlement date.

(i) *Close-Out by Purchaser.* With respect to a transaction which has not been completed by the seller according to its terms and the requirements of this rule, the purchaser may close out the transaction in accordance with the following procedures:

(A) *Notice of Close-Out.* If the purchaser elects to close out a transaction, the purchaser shall, not earlier than the first business day following the purchaser's original transaction settlement date, notify the seller via an inter-dealer communication system of the registered clearing agency through which the transaction was compared of the purchaser's intention to close out the transaction ("notice").

(1) The purchaser's notice shall state:

(a) the date and time by which the transaction must be completed, which shall not be earlier than 5:15 p.m. EST of the third business day following the date notice is given (the first business day, in the case of a second or subsequent notice);

(b) the period of time, during which the purchaser intends to execute the close-out transaction, provided that the close-out transaction initiated by the notice (or subsequent notices) must be completed and settled no later than the tenth calendar day following the purchaser's original transaction settlement date; and

(c) contain the information specified in item (1) of subparagraph (C) below.

(B) *Retransmittal.* Any party receiving a notice of close-out may retransmit the notice to another broker, dealer or municipal securities dealer from whom the securities are due ("obliged party"). The retransmitting party shall, not later than 5:15 p.m. EST of the first business day following its receipt of the notice from the originating party:

(1) provide the obliged party the name of the originating party and note the dates applicable to the notice are extended by one business day;

(2) retransmit the notice to the obliged party, which shall contain the requirements specified in section (C)(2) below; and

(3) notify the originating party, of the retransmittal notice of extension dates, which shall include the information specified in section (C)(3) below.

(C) *Contents of Notices.* Notices sent in accordance with the requirements of subparagraphs (A) or (B) above shall contain the following information:

(1) The notice of close-out required under subparagraph (A) above shall set forth:

(a) the identity of the broker, dealer or municipal securities dealer originating the notice;

(b) the identity of the broker, dealer or municipal securities dealer to whom the notice is being sent;

(c) the contact to whom the originator provided the required notice;

(d) the date of such notice;

(e) the par value and description of the securities involved in the transaction with respect to which the close-out notice is given;

(f) the trade date and settlement date of the transaction;

(g) the price and total dollar amount of the transaction;



(h) the date by which the securities must be received by the originating dealer, which shall be completed within 10 calendar days of the purchaser's original transaction settlement date;

(i) the date or dates during which the notice of close-out may be executed; and

(j) the name and telephone number of the person at the broker, dealer, or municipal securities dealer originating the notice to contact concerning the close-out.

(2) The notice of retransmittal required under subparagraph (B) above shall set forth:

(a) the identity of the broker, dealer or municipal securities dealer retransmitting the notice;

(b) the identity of the broker, dealer or municipal securities dealer to whom the notice is being retransmitted;

(c) the identity of the broker, dealer or municipal securities dealer originating the notice;

(d) the contact to whom the retransmitting party provided the required notice;

(e) the date of such notice;

(f) the par value and description of the securities involved in the transaction with respect to which the retransmittal notice is given;

(g) the trade date and settlement date of the transaction;

(h) the price and total dollar amount of the transaction;

(i) the date by which the securities must be received by the dealer originating the notice (as extended due to the retransmittal);

(j) the date or dates during which the notice of close-out may be executed (as extended due to the retransmittal); and

(k) the name and telephone number of the person at the broker, dealer, or municipal securities dealer retransmitting the notice to contact concerning the retransmittal.

(3) The notice of extension of dates required under subparagraph (B) above shall set forth:

(a) the identity of the broker, dealer or municipal securities dealer originating the notice of close-out;

(b) the identity of the broker, dealer or municipal securities dealer retransmitting the notice;

(c) the identity of the broker, dealer or municipal securities dealer to whom the notice is being retransmitted;

(d) the contact to whom the retransmitting party provided the required telephonic notice of the extension of dates;

(e) the date of such notice;

(f) the par value and description of the securities involved in the transaction with respect to which the notice is given;

(g) the date specified by the originating dealer as the date by which delivery of such securities must be made;

(h) the date by which such delivery must be made, as extended due to the retransmittal;

(i) the effective date or dates for the notice of close-out, as extended due to the retransmittal; and

(j) the name and telephone number of the person at the broker, dealer, or municipal securities dealer retransmitting the notice to contact concerning the close-out.

(D) *Seller's Responsibilities*. Once the seller receives a notice it is required to use its best efforts to locate the securities referenced in the notice.

(E) *Purchaser's Options*. If the securities described in the notice of close-out are not delivered to the originating purchaser by the date specified in the original notice, or the extended date resulting from a retransmittal, such purchaser may, at its discretion, grant the seller one 10 calendar day extension. To close out a transaction in accordance with the terms of the notice as provided herein the purchaser may, at its option, take one of the following actions:

(1) purchase ("buy-in") at the current market all or any part of the securities necessary to complete the transaction, with the seller bearing any burden from any change in the market price, and any benefit from any change in the market price remaining with the purchaser; or

(2) accept from the seller in satisfaction of the seller's obligation under the original contract (which shall be concurrently cancelled) a transaction in municipal securities which are comparable to those originally bought in quantity, quality, yield or price, and maturity, with any additional expenses or any additional cost of acquiring such substituted securities being borne by the seller; or



(3) require the seller to repurchase the securities in a transaction on terms which provide that the seller pay an amount which includes accrued interest and bear the burden of any change in market price or yield.

A purchaser executing a close-out shall, upon execution, notify the selling dealer for whose account and liability the transaction was closed out, stating the means of close-out utilized. The purchaser shall immediately thereafter confirm such notice in writing, sent return receipt requested, and forward a copy of the confirmation of the executed transaction. A retransmitting party shall give immediate notice of the execution of the close-out, in accordance with the procedure set forth herein, to the party to whom it retransmitted the notice.

A close-out will operate to close out all transactions covered under retransmitted notices. Any moneys due on the transaction, or on the close-out of the transaction, shall be forwarded to the appropriate party within five business days of the date of execution of the close-out notice. A buy-in may be executed from a long position in customers' accounts maintained with the party executing the buy-in or, with the agreement of the seller, from the purchaser's contra-party. In all cases, the purchaser must be prepared to defend the price at which the close-out is executed relative to market conditions at the time of the execution.

If the purchasing dealer has multiple transactions in fail status with multiple counterparties, the purchasing dealer may utilize the FIFO (first-in-first-out) method for determining the contract date for the failing quantity.

(F) *"Cash" Transactions.* The purchaser may close out transactions made for "cash" or made for or amended to include guaranteed delivery at the close of business on the day delivery is due.

(ii) *Close-Out by Seller.* If a seller makes good delivery according to the terms of the transaction and the requirements of this rule and the purchaser rejects delivery, the seller may close out the transaction in accordance with the following procedures:

(A) *Notice of Close-Out.* If the seller elects to close out a transaction in accordance with this paragraph (ii), the seller shall at any time not later than the close of business on the first business day following receipt by the seller of notice of the rejection, notify the purchaser via an inter-dealer communication system of the registered clearing agency through which the transaction was compared of the seller's intention to close out the transaction.

(1) The seller's notice shall state:

(a) the date and time by which the transaction must be completed which shall not be earlier than 5:15 p.m. EST of the close of the business day following the date the notice is given, the transaction may be closed out in accordance with this section; and

(b) contain the information specified in subparagraph (B) below, and shall be accompanied by a copy of the purchaser's confirmation of the transaction to be closed out or other evidence of the contract between the parties.

(B) *Content of Notice.* The written notice sent in accordance with the requirements of subparagraph (A) above shall set forth:

(1) the identity of the broker, dealer or municipal securities dealer originating the notice;

(2) the identity of the broker, dealer or municipal securities dealer to whom the notice is being sent;

(3) the contact to whom the originator provided the required telephonic notice;

(4) the date of such notice;

(5) the par value and description of the securities involved in the transaction with respect to which the close-out notice is given;

(6) the trade date and settlement date of the transaction;

(7) the price and total dollar amount of the transaction;

(8) the date of improper rejection of the delivery;

(9) the date by which the delivery of the securities must be accepted, which shall be completed within 10 calendar days; and

(10) the name and telephone number of the person at the broker, dealer, or municipal securities dealer originating the notice to contact regarding the close-out.

(C) *Execution of Close-Out.* Not earlier than the close of the business day following the date notice of close-out is given to the purchaser, the seller may sell out the transaction at the current market for the account and liability of the purchaser. A seller executing a close-out shall, upon execution, notify the purchaser for whose account and liability the transaction was closed out by telephone. The seller shall immediately thereafter confirm such notice and forward a copy of the confirmation of the executed transaction. Any moneys with any additional expenses or any additional cost due on the close-out of the transaction shall be forwarded to the appropriate party within five business days of the date of execution of the close-out notice.

(D) *Acceptance of Delivery.* In the event the transaction is completed by the date and time specified in the notice of close-out, the seller shall be entitled, upon