MSRB
MUNICIPAL SECURITIES RULEMAKING BOARD

November 28, 1988

Mr. Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: Proposed Rule 15c2-12, File S7-20-88

Dear Mr. Katz:

The Municipal Securities Rulemaking Board ("Board") is the self-regulatory organization charged with regulating transactions in municipal securities effected by brokers, dealers and municipal securities dealers.[1] The Board appreciates this opportunity to comment on proposed rule 15c2-12 under the Securities Exchange Act ("Act") and on responsibilities of underwriters as discussed in Securities Exchange Act Release No. 26100 (September 22, 1988) ("Release").

Over the past several years the Board has scrutinized the adequacy of information in the municipal securities market. The Board concluded in December 1987 that investors and dealers do not have adequate access to information about municipal securities and their issuers. The Board, in setting its long-term and short-term goals, resolved to improve access to and dissemination of information about municipal securities, their issuers, and their prices for primary and secondary market participants. At that time, the Board formally asked the Commission to use its authority to improve the flow of information to the municipal securities market by, among other things, facilitating the establishment of a mandatory central repository for official statements and certain refunding documents.[2]

As a general matter, the proposed rule is responsive to a number of the Board's concerns about the adequacy of

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1 See Section 15B(b) of the Securities Exchange Act.

2 Letter from James B.G. Hearty, Chairman of MSRB, to David S. Ruder, Chairman of SEC (December 17, 1987) ("December letter").

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information in the municipal securities market. The Board believes proposed rule 15c2-12, if adopted, will improve the dissemination and quality of issuer disclosure documents in the municipal securities market. In addition, the Board continues to support the establishment of a mandatory electronic repository for official statements and other issuer disclosure documents. As discussed below, the Board believes the goals of proposed rule 15c2-12 would be best served if issuers were responsible for providing copies of their disclosure documents to a central repository.

Underwriter Responsibilities

The Release reiterates the duty of underwriters to have a reasonable basis for reoffering new issue securities to the public and to exercise reasonable care in evaluating the accuracy of statements in issuer disclosure documents ("reasonable basis responsibilities").[3] The Board has long recognized that underwriters, in introducing new municipal securities into the stream of commerce, must satisfy the antifraud requirements of the federal securities laws. The same principles are embodied in the Board's Fair Practice Rules. Rule G-19, on suitability, prohibits a dealer from recommending a security unless, among other things, after making a "reasonable inquiry" the dealer "has reasonable grounds based upon information available from the issuer of the security or otherwise for recommending a purchase, sale or other transaction in the security; . . ." In addition, rule G-17, on fair dealing, requires a dealer to deal fairly with all persons and prohibits a dealer from engaging in any deceptive, dishonest or unfair practice. The Board has interpreted its fair dealing rule to require a dealer to be knowledgeable about the securities it buys and sells and to disclose all material information about a transaction to a customer at or before effecting the transaction.

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[3] The Commission states:

> By participating in an offering, an underwriter makes an implied recommendation about the securities. Because the underwriter holds itself out as a securities professional, and especially in light of its position vis-a-vis the issuer, this recommendation itself implies that the underwriter has a reasonable basis for belief in the truthfulness and completeness of the key representations made in any disclosure documents used in the offerings. Release, pp. 44-45.

The Board believes that the discussion of underwriters' reasonable basis responsibilities contained in the Release has been useful in reviewing the responsibilities dealers must discharge to the market. The Release also provides much needed guidance with respect to standards of care underwriters must satisfy.[4] Significantly, the Commission recognizes that the circumstances affecting a dealer's discharge of its reasonable basis responsibilities differ between competitive and negotiated sales.[5]

In discharging their duties under current law, the Board notes that underwriters, absent actual knowledge or obvious inaccuracies, must rely on the official disclosure documents of issuers. Although the revised Disclosure Guidelines for State and Local Government Securities ("GFOA Guidelines")[6] do an excellent job of discussing the content of official statements, the level of voluntary compliance by issuers with the Guidelines varies.[7] The Board expects, however, that if adopted, proposed rule 15c2-12 will improve the dissemination of official statements and hopes that the market will become more aware of and less tolerant toward official statements that do not conform to the GFOA's standards. If not, it may

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4 The Release helps to provide a framework for comparing the negligence and scienter standards that must be demonstrated by the Commission and private litigants respectively under rule 10b-5 of the Act with the strict liability of underwriters of corporate securities under the Securities Act and the limited defense of due diligence available to underwriters under section 11 of that Act.

5 Release, pp. 53-54.

6 The revised GFOA Guidelines published by the Government Finance Officers Association in 1988 address the substance of offering documents, continuing disclosure responsibilities of issuers and procedural matters concerning issuer disclosure.

7 See, e.g., Ferris, "Municipal Market Considers Disclosure," The Bond Buyer, October 22, 1987, pp. 14-15. Moreover, with respect to accounting standards, the Board understands that many sophisticated municipal issuers have chosen to follow Financial Accounting Standards Board ("FASB") standards, rather than the more "onerous" Government Accounting Standards Board ("GASB") standards that have been formulated specifically for municipalities.

be necessary for the Commission to consider whether substantive disclosure requirements would be appropriate.

Proposed Rule 15c2-12

Proposed rule 15c2-12 is designed to prevent fraud by establishing standards for the procurement and dissemination by underwriters of issuer disclosure documents, thus enhancing the accuracy and timeliness of disclosure to investors in larger offerings of municipal securities. The rule, in establishing certain procedural and substantive requirements directly on dealers and indirectly on issuers, presents a realistic step toward ensuring that critical information about new issue municipal securities is available in the market at or before the time trading begins in the issue. It also seeks to ensure that important descriptive information about an issue will be accessible over the life of the issue. Reaching these goals is critical in ensuring efficient pricing and trading of municipal securities and in promoting investor confidence in the municipal securities markets, particularly in light of the complex nature of municipal securities today. Over the past several years the Board, in discharging its regulatory responsibilities, has discussed a number of issues that are relevant to the proposed rule. It respectfully offers its comments and suggestions on the proposed requirements for the Commission's consideration.

Application of Rule. Proposed rule 15c2-12(a) states that the rule will apply to any dealer acting as an underwriter. The Release and Commission staff comments suggest that a syndicate (or selling group) member need not duplicate the efforts of the manager and that a syndicate may delegate some of the responsibilities that would be established by rule 15c2-12 to the manager.[8] This suggestion has engendered confusion as to which duties can be allocated to the syndicate manager and whether underwriter liabilities would be affected. The Board requests further clarification in this area. In addition, if allocations of responsibilities are permitted under the rule, the rule should state explicitly that participating underwriters or selling group members may not divest themselves of their responsibility to review the official statement and must have a reasonable basis for recommending the issue to customers. Moreover, it is essential that any allocation of responsibility should be expressly stated and clearly assumed

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[8] Release, p. 33 fn. 53. See also Release, p. 54 fn. 87; "Syndicates Can Assign Disclosure Responsibilities," The Bond Buyer, October 4, 1988, p. 1.

by the managing underwriter in the agreement among underwriters.

Proposed rule 15c2-12 would apply to underwriters of issues that have an aggregate offering price in excess of $10 million. As the Commission is aware, the official statement is the sole official source of information about an issue of municipal securities. Review of a "nearly final" official statement is an essential predicate to a dealer considering whether to purchase a new issue as underwriter. Moreover, if an issuer authorizes the preparation of an official statement, Board rule G-32 requires, among other things, that a dealer that sells the new issue municipal security to a customer deliver a final official statement to the customer by settlement of the transaction. The Board is concerned that placing the threshold for application of rule 15c2-12 at $10 million could have a negative impact on obtaining and disseminating official statements for issues under $10 million, even when an issuer voluntarily prepares one. Industry representatives have advised that most issues of municipal securities that have an aggregate par value of $1 million or more are accompanied by final or nearly final official statements. Since most issuers already bear the expense of producing official statements, they should find the costs of complying with the rule to be minimal. However, any issuers that are issuing larger issues without providing descriptive and financial information typically found in an official statement will entail certain compliance costs.

The Board recommends that the proposed rule 15c2-12 apply in its entirety to all issues of at least $1 million aggregate par value. This would bring under the rule an estimated 99 percent of the total dollar amount of municipal securities issued, comprising 79 percent of the total number of issues. While lowering the threshold amount could increase issuance costs for some issues, the Board believes that any such costs or other burdens are completely outweighed by the benefits that would be derived from the increased availability of disclosure documents to municipal securities market participants.[9]

Review of Official Statement Prior to Sale. Proposed rule 15c2-12(b) would require underwriters to receive and review a nearly final official statement prior to bidding on or purchasing a new issue. An official statement would be

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[9] The Board notes that rule G-32, on delivery of official statements, exempts municipal commercial paper. The Board provided this exemption because periodic disclosure documents generally are provided by issuers of municipal commercial paper to all investors.

nearly final if it is complete except for certain specified information which normally is not available until the date of sale ("reoffering information").[10]

As the Commission recognized, this would effectively prohibit dealers from bidding on or purchasing issues that meet the aggregate price requirement but that are not accompanied by official statements. However, since issuers generally prepare a final or nearly final official statement for issues over $1 million, the Board believes that any changes in current practices largely would be procedural: issuers and underwriters would have to adhere to a less flexible timetable for the preparation and review of official statements.[11] The Board believes that it is both possible and practical to prepare a nearly final official statement at least two days prior to the date of sale.[12] Moreover, the requirement would facilitate an underwriter's

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10 Page 68 of the Release states that a nearly final official statement should be "complete except for the offering price, interest rate, selling compensation, amount of proceeds, delivery dates, other terms of securities depending on such factors, and the identity of the underwriter." As discussed below, a preliminary official statement may not be nearly final, as defined in paragraph (b).

11 In discussions over the past eight months, bond counsel have advised the Board that nearly final official statements currently are prepared by or before the date of sale or award. In the Board's comment letter to the GFOA on the GFOA Guidelines, the Board emphasized that the production of official statements prior to the date of sale is desirable for negotiated and competitive issues. Letter from H. Keith Brunnemer, Jr., Chairman of MSRB, to Andre Blum, Chairman of GFOA Task Force on Municipal Disclosure, August 7, 1987, pp. 4-5.

12 Bond counsel and issuers have indicated that the requirement generally will not interfere with the ability of issuers to bring issues to market quickly. See, e.g., "SEC Official Says New Disclosure Proposals Do Not Stop 'Wire Deals,'" The Bond Buyer, October 3, 1988, p. 1 (Remarks of Donald Robinson, Bond Counsel; Edward Arnendariz, Metropolitan Transportation Authority, New York City; Margaret Van Cook, New York City). The Board believes that in instances in which issues previously have been sold "without papers," issuers generally have advance notice and can have official statements prepared for this possibility.

discharge of his reasonable basis responsibilities and ensure that securities are described accurately at the time they are introduced into the stream of commerce.[13] These effects would be beneficial to the efficiency of the municipal securities market and the protection of investors.

Delivery of Preliminary Official Statements. Proposed rule 15c2-12(c) would require an underwriter to send a preliminary official statement, if one is prepared, to any person promptly upon request. The Release states that the purpose of this requirement is to ensure that information on a new issue is provided to a potential investor early enough for it to be of use in his investment decision.

There is some confusion how paragraph (c) would apply to underwriters in a competitive offering. Since the identities of the underwriters are not known until the date of award, it is unclear who should be delivering the preliminary official statement, or when this duty would begin or end.[14]

As noted in the Release, preliminary official statements usually are used as sales documents and supplied voluntarily to potential purchasers by dealers. While the Board is not opposed to sending preliminary official statements, it questions whether their delivery should be required. Prior to 1985, Board rule G-32 required dealers selling new issue securities to deliver a final official statement with the confirmation of the transaction. If the final version was not available, dealers were required to deliver the

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13 As noted in its December letter, the Board generally is concerned that the flow of information to the municipal market is not adequate and that official statements are not available prior to the time that trading begins in a new issue. In addition, the Board notes that, in 1987, roughly 84 percent of all customer complaints and 49 percent of inter-dealer complaints arbitrated through the Board's arbitration program alleged that inadequate information was provided concerning the securities.

14 For example, how would a dealer know if it should provide preliminary official statements? Would the requirement begin as soon as the issuer prepares a preliminary official statement, or when dealers agree to form a potential syndicate or selling group? If a dealer failed to respond to requests for preliminary statements, would the dealer then be prohibited from later deciding to bid on the issue?

preliminary version.[15] In fact, final official statements rarely were available in time to send with confirmations. As a result, dealers were required to send a preliminary official statement and a final version to their new issue customers. In 1984, a number of dealers, in commenting on draft amendments to rule G-32, suggested that the mailing and administrative expenses associated with sending both preliminary and final official statements to each investor was burdensome and noted that after the date of sale there often is little incentive to complete and disseminate final official statements.[16]

The Board found it necessary to balance the benefits of a customer receiving both documents against the compliance costs to dealers. It concluded that it was appropriate to require dealers to send only one document; since only the final official statement has complete information about a new issue, the Board amended rule G-32 to require dealers to deliver the final official statement to new issue customers by settlement of the transaction.[17] Thus, while the rule does not require delivery of preliminary official statements, it does not prohibit their distribution as a selling tool by the dealer community.[18]

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15 The official statement delivery requirements of rule G-32 only apply when preparation of an official statement is authorized by the issuer.

16 These comments are summarized in the Board's 1985 filing of amendments to rule G-32. SR-MSRB-85-11, filed March 11, 1985, p. 13.

17 It also exercised its limited jurisdiction to ensure that the final version is available soon after the date of sale. The rule requires any broker, dealer or municipal securities dealer that serves as a financial advisor or underwriter on an issue and that is responsible for preparing an official statement on behalf of the issuer to ensure that the official statement is made available in final form promptly after the date of sale or award. If the broker, dealer or municipal securities dealer is responsible for printing the official statement, the copies must be ready no later than two days before delivery of the issue by the syndicate manager to syndicate members.

18 If a final official statement is not prepared by the issuer, rule G-32 requires that the preliminary official statement, if any, be sent, along with a notice that no final official statement is being prepared.

When a dealer provides a preliminary official statement to a customer, there is no guarantee that the issue will not be subject to material changes or that changes to financial information will not occur by the date of sale. The earlier the preliminary official statement is circulated, the more likely such changes will occur. Moreover, it is not uncommon for a preliminary official statement to be materially incomplete in a number of respects. Thus, while it may be permissible to utilize preliminary official statements as a selling tool, it may not be appropriate to deem them to be disclosure documents whose delivery should be mandated. Accordingly, the Board believes that rule 15c2-12 should not require delivery of a preliminary official statement, particularly in instances in which the preliminary official statement is not "nearly final." It believes that one complete official document should be delivered to a new issue customer by settlement of the transaction irrespective of whether a preliminary version was delivered. The Board also believes that paragraph (c) expressly should prohibit the sending of preliminary official statements after the date of sale or award, to ensure that the final version is disseminated whenever possible.

Finally, if the Commission determines to adopt a requirement to deliver preliminary official statements, the Board notes that proposed rule 15c2-12(c) would require any dealer participating in an underwriting to provide a preliminary official statement to any person requesting one, including dealers and others who are not customers or potential customers of the dealer. This requirement is very broad and the Board questions whether the benefits derived from requiring dissemination of preliminary official statements outweigh the costs to underwriters.

Delivery by Issuers of Final Official Statements. Proposed rule 15c2-12(d) would require underwriters to contract with the issuer or an agent of the issuer to obtain copies of a final official statement within two business days after the date of sale of the issue. This paragraph is intended to facilitate prompt distribution of official statements and ensure their availability in the secondary market. The Board believes that issuers of municipal securities should share responsibility for ensuring that their disclosure documents are available to investors. As the Board noted in its December letter, the completion, printing and delivery of official statements sometimes is a low priority for issuers and underwriters and thus, official

statements often are not disseminated to new issue investors as required by rule G-32.[19] Requiring that issuers expressly agree to deliver official statements within a specified number of business days after the date of sale should ensure that issuers prepare disclosure documents in a timely manner, which will facilitate greatly dissemination of official statements in the municipal securities market.

The draft rule would permit a dealer to contract with an issuer's agent to obtain an official statement. The Board believes that any contractual obligations specifically should flow between the issuer and underwriter rather than between an issuer's agent and the underwriter. Moreover, these obligations should be part of the sale documents. It also would be clearer if the rule provided that underwriters must enter into a contract under which issuers agree "to deliver" official statements within the time period specified by the rule.

Moreover, any such contract should specify the exact number of copies the issuer agrees to provide rather than use vague terms.[20] This will enable a managing underwriter to know whether it needs to obtain additional official statements to meet its rule G-32 duty to provide one copy to each of its customers and to provide a purchasing dealer, upon request, with one official statement for each $100,000 of securities purchased.[21]

With respect to the two business day requirement, the Board is concerned that up to five days (or longer) may be required to complete and print final official statements, particularly for smaller issues. The Board urges the Commission to discuss with issuers and dealers any

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19 The Board noted that the production of the final official statement is not a precondition to the issuance of municipal securities and that this might be the reason for the lack of emphasis in this area.

20 The number of official statements the issuer will provide for a specific issue is best left to negotiation between the issuer and underwriter.

21 The rule also requires the managing underwriter to provide purchasing dealers with instructions on how to order additional copies of the official statement from the printer. The Board has stated that it is appropriate for dealers to obtain additional official statements at their own cost.

federal, state and local requirements that may affect the timing of official statement production, as well as practical problems in complying with this aspect of the rule.

Delivery by Underwriters of Official Statements. Proposed rule 15c2-12(e) would require the underwriter for an issue to provide an official statement in a timely manner to any person upon request. The Release states that "timely manner" would mean, for the first month after an offering, that the official statement would be mailed out within two business days of the request. Requests made after this would be answered within a "reasonable time."

The Board strongly supports the continued availability of official statements, which is the goal of paragraph (e). However, for purposes of the primary market, the proposal's "on request" contingency would undermine Board requirements that investors of new issue securities automatically be provided with a final official statement. The Board strongly believes that primary market investors should automatically receive a final official statement and not have to request one. In addition, the Board strongly believes that no investor in the primary market should have to pay for a copy of the final official statement and that dealers should be entitled to one or more copies of the official statement, as provided by rule G-32, without charge.

The impact of paragraph (e) would be greatest in the secondary market where official statements are not routinely provided to investors and often are unavailable.[22] Rather than delegating to the underwriters responsibility to deliver an official statement to any person for the life of an issue, it appears that this ongoing duty properly is that of the issuer. Once a distribution is completed, an underwriter's responsibilities effectively end.[23] By contrast, an issuer

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22 As the Commission is aware, in June 1987, the Board exposed a draft amendment to rule G-15 that would have required a dealer to provide a secondary market customer, upon request made within one year of the transaction, with a copy of the official statement for the issue purchased. The dealer would have 30 days to provide the official statement. The Board has not acted on the draft amendment, pending the development of an official statement repository.

23 A dealer's obligations under rule G-32, for example, apply only to those transactions executed during the underwriting period. Under Board rule G-11(a)(ix) an underwriting period ends when the issuer delivers the securities to the syndicate or the syndicate no longer retains an unsold balance, whichever last occurs.

has continued responsibility for its securities. Indeed, the Board suggested and the GFOA amended the GFOA Guidelines to state that an issuer should make the official statement available to any person upon request, at cost.[24]

The Board notes that some of the administrative burdens of proposed paragraph (e) could be eased if a mandatory repository were established. If so, an official statement for a secondary market issue could be supplied relatively easily and within a few days of a request. Moreover, if a repository were in place, it would be appropriate to require a dealer, rather than the underwriter, to provide the official statement to its customer, on request. In such an instance, the Board believes that it may be appropriate for dealers to pass on the actual costs of obtaining and mailing the official statement for a secondary market security, as long as this is explained to the party making the request.[25]

Enforcement Concerns. Under the Act, the Board has responsibility to adopt rules pertaining to transactions in municipal securities effected by brokers, dealers and municipal securities dealers; enforcement and inspection authority for its rules has been delegated to other entities.[26] The Board, however, has a legitimate and ongoing interest in the enforcement of its rules and devotes considerable resources toward maintaining a dialogue with the

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24 GFOA Guidelines, p. 92.

25 The Board also suggested that such direct costs might be passed on to customers in proposing its draft amendment on secondary market official statement delivery. The existence of a repository offering the official statements at reasonable cost should ensure that these costs do not chill access to the repository by investors.

26 The Congress has designated the National Association of Securities Dealers, Inc. as the enforcement authority for securities firms; the Office of the Comptroller of the Currency for national banks; the Federal Reserve Board for banks of the Federal Reserve System, and the Federal Deposit Insurance Corporation for state banks that are not members of the Federal Reserve System.

enforcement agencies to ensure compliance by all municipal securities dealers.[27] In adopting a rule, the Board considers, among other things, whether dealers reasonably can comply with the requirement as well as how the enforcement agencies will inspect for compliance. The Board notes that proposed rule 15c2-12 would condition a dealer's participation as an underwriter of municipal securities on its performance of certain duties during and after the distribution.[28] Violations of these conditions would not be discovered until long after the securities were sold to the public, when the dealer is subjected to a periodic compliance examination.[29] The Board respectfully suggests that the requirements that arise after the underwriting be stated as affirmative obligations of a dealer, for example of a dealer that acted as underwriter, to clarify these ongoing responsibilities.

In addition, it may be difficult to inspect for compliance with proposed rule 15c2-12. When the Board amended its rule G-32 in 1985, it concluded that it was necessary also to require dealers to keep records of requests for and deliveries of official statements.[30] Given the extensive delivery responsibilities for preliminary and final official statements the rule would impose, it would be appropriate for the Commission to consider some recordkeeping requirements to accompany the rule. Moreover, recordkeeping would be helpful to underwriters who must contact investors who received preliminary official statements that were subject to material revisions.[31]

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27 When the Board learns of general compliance problems, it forwards that information to the enforcement agencies. Over the past year, for example, the Board has asked the enforcement agencies to emphasize compliance with the Board's automated clearance rules and rule G-32. See, e.g., "New Issue Disclosure Requirements," MSRB Reports, Vol. 7, No. 2 (March 1987) pp. 7-9.

28 Proposed rule 15c2-12(c) would require an underwriter to provide preliminary official statements to potential bidders and customers, and (d) would require an underwriter to provide copies of the final official statement after the distribution is completed.

29 Board rule G-16 requires that dealers be examined at least once every 24 months.

30 Rule G-8(a)(xiii).

31 See Release, p. 30 fn. 49.

Finally, the Board notes that there is no enforcement mechanism in place if an issuer does not live up to its contractual obligation to deliver final official statements within two business days after the date of sale. Given the sensitive nature of the issuer-underwriter relationship, it may be impractical to expect an underwriter to seek contract remedies against an issuer if it does not deliver official statements as agreed. In order to evaluate the effectiveness of this provision, the Commission may wish to require underwriters to record when final official statements are delivered by issuers.

Official Statement Repository

The Board is pleased that the Commission has requested comments on the establishment of a mandatory repository for official statements. The Board's December letter emphasized the critical need to ensure access to and promote dissemination of official statements; it did not address the content or adequacy of official statements.

As noted above, and in the Board's December letter, a repository would provide a reliable source of information for secondary market issues and promote the prompt completion and dissemination of official statements in the primary market. These goals require that the repository be mandatory, so that it includes all official statements,[32] and that the official statements be supplied to the repository as soon as possible after the date of sale or award.[33] Because the official statement is the issuer's document and the issuer ultimately is responsible for its content and the timing of its production, the Board believes that the responsibility to

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32 The Board suggested that the requirement for deposit in the repository should extend to all issues for which official statements are prepared.

33 The Board, therefore, does not believe that summary data should be provided to the repository. Vendors of summary information, however, would be able to access the official statements from the repository and thus the repository would improve the accuracy of summary information.

provide the official statement should rest with the issuer.[34] The Board suggests that the contract provisions of paragraph (d) be amended to require that the issuer also agree that it or its agent will provide a copy of its final official statement to a central repository at the same time it is delivered to the underwriter.

The Board remains convinced that the volume and size of official statements in the repository, and the desirability of later collecting updated issuer information in the repository, requires a form of electronic storage of the data. In this regard, the Board has examined the technology currently available for this purpose and shared this information with other industry groups interested in the repository. The Board notes that relatively new technology exists that could provide electronic storage, yet allow issuers to submit documents in hard copy form.[35] It also would permit information to be transmitted from the repository over telephone lines to inquirers.

Should the Commission wish to pursue the establishment of a central repository, the Board stands ready to serve a leadership role in coordinating and facilitating its development. The Board continues to believe that this project requires the thoughtful cooperation of all market participants and will attempt to coordinate additional research into the technical aspects of an electronic repository.

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The Board appreciates the opportunity to comment on proposed rule 15c2-12 and on underwriters' responsibilities

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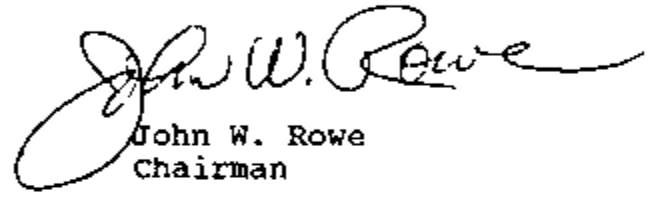
34 As noted in the Board's December letter, the Board believes that the Commission has the authority to require this under section 10(b) of the Exchange Act. The Board also stated that, while it preferred the establishment of a repository within the current regulatory framework, it is committed to supporting legislation to establish one if such action is determined to be necessary or appropriate.

35 This technology, called "imaging," easily allows the image appearing on a hard copy page to be scanned and stored on optical disks. The image later can be retrieved for hard copy printing. Such a system appears to be feasible and the Board now is examining the cost and technical considerations relevant to its use.

to the municipal securities market. As the Commission considers the Board's and others' comments on proposed rule 15c2-12, the Board would be happy to provide further input as necessary to assist the Commission's final determinations with respect to the rule. If the Commission adopts rule 15c2-12, the Board will review its rules, particularly rule G-32, to determine whether conforming changes are necessary or appropriate. Should the Commission have any questions on the Board's letter, please contact Angela Desmond, the Board's General Counsel.

Sincerely,



John W. Rowe
Chairman

Enclosures

December 1987 Letter from MSRB to Securities and Exchange Commission

August 1987 Letter from MSRB to GFOA Commenting on GFOA Guidelines

Board Notice on Draft Amendment to Rule G-15 on Delivery of Official Statements in the Secondary Market

Ferris, "Municipal Market Considers Disclosure," The Bond Buyer, October 22, 1987, pp. 14-15

"Syndicates Can Assign Disclosure Responsibilities," The Bond Buyer, October 4, 1988, p. 1

"SEC Official Says New Disclosure Proposals Do Not Stop 'Wire Deals,'" The Bond Buyer, October 3, 1988, p. 1

"New Issue Disclosure Requirements," MSRB Reports Vol. 7, No. 2 (March 1987) pp. 7-9