

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43060; File No. SR-MSRB-00-08]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the Municipal Securities Rulemaking Board Relating to Reports of Sales and Purchases, Pursuant to Rule GH-14

July 20, 2000.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")¹ and Rule 19b-4 thereunder,² notice is hereby given that on June 15, 2000, the Municipal Securities Rulemaking Board ("Board" or "MSRB") filed with the Securities and Exchange Commission ("Commission" or "SEC") a proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Board. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Board is filing a proposed rule change to institute a service ("Service") to provide historical information on all transactions in municipal securities ("Comprehensive Transaction Report" or "Report"). The transaction information on the Report would come from reports made to the Board by brokers, dealers and municipal securities dealers ("dealers") pursuant to Rule G-14, which governs reports of sales or purchases. This rule currently requires dealers to report essentially all inter-dealer and customer transactions in municipal securities to the Board by midnight of trade date.

The proposed Report would be the fourth product offered by the Board to increase the amount of price transparency in the municipal securities market. The three existing products all provide information on "frequency traded" issues—issues on which at least four transaction reports were received for a given trade date. The existing products are produced and made available electronically by approximately 7 a.m. each business day and cover the previous day's trading. In contrast, the proposed Comprehensive Transaction Report would provide information on every municipal security transaction, including transactions in issues that are traded less than four times during a day. The Comprehensive

Transaction Report would be made available on a delayed (historical) basis, once a month, covering the previous month's trading.

The proposed Comprehensive Transaction Report would be available by a subscription service. Each month, computer-readable compact disks, each containing information on all trades done during the previous month, would be provided to subscribers. The subscription fee would be \$2,000 per year.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Board included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV above. The Board has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

a. Introduction

The Board has a long-standing policy to increase price transparency in the municipal securities market, with the ultimate goal of disseminating comprehensive and contemporaneous pricing data. Since 1995, the Board has expanded the scope of the public transparency reports in several steps. Each step has provided industry participants and the public with successively more information about the market.³

Until now, all the Board's reports have provided information about "frequently traded" municipal securities. "Frequently traded" securities are those that are traded four or more times on a given business day. The existing reports are produced daily on a T+1 basis, *i.e.*, with information for trades effected during the preceding day.

³ The report summarizing prices for issues that are frequently traded on the inter-dealer market began operation in 1995; in 1998, dealer-customer prices were added in a second summary report; and in January 2000, a report with details of trades in frequently traded issues was added. See Securities Exchange Act Release No. 42241 (December 16, 1999), 64 FR 72123 (December 23, 1999). The proposed rule change would not affect the summary and detailed public reports of frequently traded issues.

In designing the first T+1 transparency report and subsequent enhanced versions, the Board adopted the threshold of four trades a day because of the concern that an isolated transaction may not necessarily provide a reliable indicator of "market price" and might be misleading to an observer not familiar with the market. At the same time, the Board made a commitment to review the use of these reports as experience was obtained and eventually to move to a more contemporaneous and comprehensive price transparency report.⁴

The Board believes that the next appropriate step in this process is to add, on a delayed basis, information on transactions in infrequently traded securities—those that were traded once, twice or three times on a given day. The Board therefore is proposing to release data about each trade in a Comprehensive Transaction Report that would be made available approximately 30 days after month-end. In proposing this Report, the Board is responding to informal requests from prospective subscribers to the current transparency reports. There persons have noted they could compile more complete databases of price information, which would be helpful in evaluating current trades, if historical data on infrequently traded issues were available. For example, comprehensive data might enable "matrix pricing" analysts to refine their evaluations of securities, and might help dealers to establish more accurate market prices for their current inventories. The comprehensive data also would be useful to persons studying the market from a market research or an academic perspective. Several prospective users of comprehensive data have mentioned that these data would be useful even if only available on a delayed basis rather than on T+1.

As experience is gained with reporting all transactions on a delayed basis, the Board will evaluate how best to expand price reporting in subsequent steps, for example, by including more data on infrequently traded issues on a T+1 basis, by shortening the delay for publication of the Comprehensive

⁴ See, *e.g.*, "Board to Proceed with Pilot Program to Disseminate Inter-Dealer Transaction Information," *MSRB Reports*, Vol. 14, No. 1 (January 1994). In its approval order for the Inter-Dealer Daily Report, the Commission noted that the Board, in proceeding to subsequent levels of transparency, "should continue to work toward publicly disseminating the maximum level of useful information to the public while ensuring that the information and manner in which it is presented is not misleading." See Securities Exchange Act Release No. 34955 (November 9, 1994), 59 FR 59810 (November 18, 1994).

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

Transportation Report, or by other collection and dissemination methods. As the Board previously has noted, its goal is ultimately to provide comprehensive and contemporaneous transaction reports to the market.⁵

b. Description of Proposed Report

The proposed Comprehensive Transaction Report would provide information on individual municipal securities transactions. Data about each trade on the proposed Report would be similar to that on the current Daily Transaction Report. For each trade, the proposed Report would show the trade date, the CUSIP number of the issue traded, a short issue description, the par value traded, the time of trade reported by the dealer, the price of the transaction, and the dealer-reported yield of the transaction, if any. Each transaction would be categorized as a sale by a dealer to a customer, a purchase from a customer, or an inter-dealer trade.

C. Impact of Proposed Report on Transparency

The proposed Comprehensive Transaction Report would represent a substantial increase in the number of trades on which information is made available. An average of about 29,000 transactions per day would be included, which is more than three times as many as are included in the current T+1 daily reports. The number of issues reported would increase from about 1,600 on a typical day to about 14,000.⁶

In addition to information on infrequently traded issues, the proposed Report also would provide information on two other types of trades not in the current Daily Transaction Reports: trades reported late (after trade date), and corrected trades (trades reported incorrectly on trade date that subsequently are corrected by the dealer). These would improve the accuracy of the reported information as well as make it more comprehensive.⁷

⁵ See Securities Exchange Act Release No. 42090 (November 2, 1999), 64 FR 60865 (November 8, 1999).

⁶ These trade volume statistics are based on February 2000 market activity.

⁷ To enable the Board to compile a comprehensive trades database for enforcement purposes, dealers report certain data after trade date. These data are, of course, not available to the Board in time to be included in the T+1 daily reports. The post-trade data also include "corrections" to trades that were initially reported inaccurately with regard to price, par, etc. All together, corrected and late trades in frequently traded issues amount to about six percent of the number of trades in the current T+1 daily reports.

d. Description of Proposed Service

The proposed Service would make the Comprehensive Transaction Report available once a month to subscribers. The Board would send subscribers each month a compact disk containing all trades effected during the previous calendar month. The Board plans to make sample disks with a single month's data available to prospective users without charge, so that they may determine whether they wish to subscribe.

The Board is establishing a fee for an annual subscription to the Service of \$2,000. The proposed fee is structured approximately to defray the Board's cost for production of 12 monthly data sets, transcription to compact disks, mailing, and subscription maintenance.

2. Statutory Basis

The Board believes the proposed rule change is consistent with the requirements of Section 15B(b)(2)(C) of the Act,⁸ which provides that the Board's rules shall be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in municipal securities, to remove impediments to and perfect the mechanism of a free and open market in municipal securities, and, in general, to protect investors and the public interest.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Board does not believe that the proposed rule change will impose any burden on competition because it applies equally to all dealers in municipal securities.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

The Board did not solicit nor receive written comments.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the MSRB consents, the Commission will:

⁸ 15 U.S.C. 78o-4(b)(2)(C).

(A) by order approve such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of the filing will also be available for inspection and copying at the Board's principal offices. All submissions should refer to File No. SR-MSRB-00-08 and should be submitted by August 17, 2000.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.⁹

Jonathan G. Katz,
Secretary.

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SMALL BUSINESS ADMINISTRATION

[Applicant No. 99000414]

Selby Venture Partners II, L.P.; Notice Seeking Exemption Under Section 312 of the Small Business Investment Act, Conflicts of Interest

Notice is hereby given that Selby Venture Partners II, L.P., 2460 Sand Hill Road, Suite 200, Menlo Park, California 94025, an applicant for a Federal License under the Small Business Investment Act of 1958, as amended ("the Act"), in connection with the financing of a small concern, has sought an exemption under section 312 of the Act and section 107.730, Financials which Constitute Conflicts of Interest of the Small Business Administration ("SBA") rules and regulations (13 CFR

⁹ 17 CFR 200.30-3(a)(12).