

deductible amount elected by the member that is greater than 10% of the coverage purchased must be deducted from the member's net worth in the calculation of its net capital for purposes of Exchange Act Rule 15c3-1.

#### IV. Discussion

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities association.<sup>32</sup> In particular, the Commission believes the proposal is consistent with the requirements of Section 15A(b)(6) of the Act,<sup>33</sup> which requires, among other things, that the Association's rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. The Commission believes that FINRA adequately addressed the comments raised in response to the notice of this proposed rule change.

The Commission believes that FINRA's proposed Rule 4360 (Fidelity Bond) will update and clarify the requirements governing fidelity bonds for adoption in the Consolidated FINRA Rulebook. The Commission believes that the proposed requirements of FINRA Rule 4360, including, but not limited to, requiring each member that is required to join SIPC to maintain blanket fidelity bond coverage, increasing the minimum requirement fidelity bond coverage and maintaining a fidelity bond that provides for per loss coverage without an aggregate limit of liability promotes investor protection by protecting firms from unforeseen losses.

#### V. Conclusion

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>34</sup> that the proposed rule change (SR-FINRA-2010-059) is approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>35</sup>

**Cathy H. Ahn,**

*Deputy Secretary.*

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**BILLING CODE 8011-01-P**

<sup>32</sup> In approving this rule proposal, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>33</sup> 15 U.S.C. 78o-3(b)(6).

<sup>34</sup> 15 U.S.C. 78s(b)(2).

<sup>35</sup> 17 CFR 200.30-3(a)(12).

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-63962; File No. SR-MSRB-2011-05]

### Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing and Immediate Effectiveness of Amendments to Rule A-15, on Notification To Board of Termination of Municipal Securities Activities and Change of Name or Address

February 24, 2011.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the "Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on February 14, 2011, the Municipal Securities Rulemaking Board ("Board" or "MSRB") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the MSRB. The MSRB has filed the proposal as a "non-controversial" rule change pursuant to Section 19(b)(3)(A)(iii) of the Act,<sup>3</sup> and Rule 19b-4(f)(6) thereunder,<sup>4</sup> which renders the proposal effective upon filing with the Commission. 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 MSRB is filing a proposed rule change relating to the notification requirements in the event of a change in status of a broker, dealer, municipal securities dealer, or municipal advisor, consisting of amendments to Rule A-15, on Notification to Board of Termination of Municipal Securities Activities and Change of Name or Address.

The text of the proposed rule change is available on the MSRB's website at <http://www.msrb.org/Rules-and-Interpretations/SEC-Filings/2011-Filings.aspx>, at the MSRB's principal office, and at the Commission's Public Reference Room.

#### 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 MSRB 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 below. 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

The purposes of the proposed rule change are: (i) To extend the provisions of Rule A-15 to municipal advisors; and (ii) to expand the circumstances under which the MSRB must be notified to include: (A) a bar or suspension from engaging in municipal securities activities or municipal advisory activities by the appropriate regulatory agency, judicial authority, or otherwise; and (B) in the case of a broker, dealer, or municipal securities dealer, expulsion or suspension from membership or participation in a national securities exchange or registered securities association. Although existing Rule A-15 establishes a procedure for notification of a change in status with respect to brokers, dealers and municipal securities dealers, it does not apply to municipal advisors. Further, existing Rule A-15 does not provide for notification to the Board in the event of disbarment or suspension by regulatory agencies or judicial authorities or otherwise, or, with respect to brokers, dealers and municipal securities dealers, expulsion or suspension from membership or participation in a national securities exchange or registered securities association. The proposed rule change (i) adds municipal advisors to the entities subject to the rule; (ii) requires notification if (A) a broker, dealer, municipal securities dealer, or municipal advisor has been barred or suspended from engaging in municipal securities activities or municipal advisory activities by the appropriate regulatory agency, judicial authority or otherwise; and (B) if a broker, dealer or municipal securities dealer has been expelled or suspended from membership or participation in a national securities exchange or registered securities association.

##### 2. Statutory Basis

The MSRB believes that the proposed rule change is consistent with Section 15B(b)(2) of the Act, which provides that:

The Board shall propose and adopt rules to effect the purposes of this title with respect

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>4</sup> 17 CFR 240.19b4-(f)(6).

to transactions in municipal securities effected by brokers, dealers, and municipal securities dealers and advice provided to or on behalf of municipal entities or obligated persons by brokers, dealers, municipal securities dealers, and municipal advisors with respect to municipal financial products, the issuance of municipal securities, and solicitations of municipal entities or obligated persons undertaken by brokers, dealers, municipal securities dealers, and municipal advisors;

and, in particular, Section 15B(b)(2)(C) of the Act, which provides, in pertinent part, that MSRB 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 and municipal financial products, to remove impediments to and perfect the mechanism of a free and open market in municipal securities and municipal financial products, and, in general, to protect investors, municipal entities, obligated persons, and the public interest \* \* \*.

The proposed rule change is consistent with Section 15B(b)(2) and Section 15B(b)(2)(C) of the Act because it will assist the Board in monitoring which brokers, dealers, municipal securities dealers, and municipal advisors should no longer be listed as MSRB registrants and, accordingly, will aid investors, municipal entities, obligated persons, and the public in their choice of brokers, dealers, municipal securities dealers, and municipal advisors.

Section 15B(2)(L)(iv) of the Act requires that rules adopted by the Board not impose a regulatory burden on small municipal advisors that is not necessary or appropriate in the public interest and for the protection of investors, municipal entities, and obligated persons, provided that there is robust protection of investors against fraud.

The proposed rule change does not impose a regulatory burden on small municipal advisors that is not necessary or appropriate in the public interest and for the protection of investors, municipal entities, and obligated persons and for the robust protection of investors against fraud. Rule A-15, as amended by the proposed rule change, requires that municipal advisors submit a notice indicating their change in status. The MSRB expects that municipal advisors will need no more than 30 minutes to complete the notification required by the proposed rule change, and such notice may be submitted by email or fax, as well as by regular mail or overnight delivery service. The MSRB will have staff ready to assist municipal advisors should they

have any questions. The proposed rule change does not impose any additional fee on municipal advisors but only requires payment of any amounts otherwise due and owing under other rules of the Board. Any burden on municipal advisors is *de minimis*. The proposed rule change is necessary to aid the Board in monitoring which brokers, dealers, municipal securities dealers, and municipal advisors should no longer be listed as MSRB registrants and, accordingly, will aid investors, municipal entities, obligated persons, and the public by providing information to inform their choice of broker, dealer, municipal securities dealer, or municipal advisor.

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

The MSRB does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act, since it would apply equally to all brokers, dealers, municipal securities dealers and municipal advisors.

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

Written comments were neither solicited nor received on the proposed rule change.

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

The MSRB represented that the proposed rule change qualifies for immediate effectiveness pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>5</sup> thereunder, because it: (i) Does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) does not become operative for 30 days after filing or such shorter time as the Commission may designate consistent with the protection of investors and the public interest.<sup>6</sup>

The MSRB provided the required written notice of its intention to file the proposed rule change to the Commission on February 3, 2011, and the proposed rule change will become operative on March 17, 2011, which is more than 30 days after the filing of the proposed rule change.

<sup>5</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>6</sup> In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.<sup>7</sup>

### **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. Comments may be submitted by any of the following methods:

#### *Electronic Comments*

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-MSRB-2011-05 on the subject line.

#### *Paper Comments*

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-MSRB-2011-05. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Web site (<http://www.sec.gov/rules/sro.shtml>). 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 Web site viewing and printing in the Commission's Public Reference Room, 100 F Street, NE., Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the MSRB's offices. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You

<sup>7</sup> See Section 19(b)(3)(C) of the Act, 15 U.S.C. 78s(b)(3)(C).

should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-MSRB-2011-05 and should be submitted on or before March 23, 2011.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>8</sup>

**Cathy H. Ahn,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-63950; File No. SR-MSRB-2011-04]

### Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing of Proposed Rule Change To Amend the MSRB Short-term Obligation Rate Transparency (“SHORT”) Subscription Service

February 23, 2011.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”) <sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on February 10, 2011, the Municipal Securities Rulemaking Board (“MSRB”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in items I and II below, which items have been prepared by the MSRB. 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 MSRB is filing with the Commission a proposed rule change to amend the MSRB’s Short-term Obligation Rate Transparency subscription service to provide subscribers with additional information as well as documents. The MSRB has requested that the proposed rule change be made effective on May 16, 2011.

The text of the proposed rule change is available on the MSRB’s Web site at <http://www.msrb.org/Rules-and-Interpretations/SEC-Filings/2011-Fillings.aspx>, at the MSRB’s principal office, and at the Commission’s Public Reference Room.

#### 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 MSRB 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 below. The MSRB 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 Purpose of, and Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

The Short-term Obligation Rate Transparency (“SHORT”) System is a facility of the MSRB for the collection and dissemination of information about securities bearing interest at short-term rates. Rule G-34(c), on variable rate security market information, currently requires certain dealers to report to the SHORT System interest rates and descriptive information about Auction Rate Securities (“ARS”) and Variable Rate Demand Obligations (“VRDOs”). All reported information is disseminated from the SHORT System to subscribers pursuant to the MSRB SHORT subscription service <sup>3</sup> and is posted to the MSRB’s Electronic Municipal Market Access (“EMMA”) web portal pursuant to the EMMA short-term obligation rate transparency service.

On August 20, 2010, the Commission approved changes to Rule G-34(c) that will increase the information dealers are required to report to the SHORT System. This rule change will add to the SHORT System documents that define auction procedures and interest rate setting mechanisms for ARS and liquidity facilities for VRDOs, information about orders submitted for an ARS auction, and additional information about VRDOs.<sup>4</sup> To provide subscribers with access to these additional items of information and documents, the proposed rule change would amend the SHORT subscription service to include the additional information and documents as well as an ARS “bid to cover” ratio that would be computed by the SHORT System.

<sup>3</sup> The SHORT subscription service became effective September 30, 2010. See Securities Exchange Act Release No. 34-62993, September 24, 2010 (File No. SR-MSRB-2010-06).

<sup>4</sup> See Securities Exchange Act Release No. 62755, August 20, 2010 (File No. SR-MSRB-2010-02).

###### 2. Statutory Basis

The MSRB believes that the proposed rule change is consistent with Section 15B(b)(2)(C) of the Exchange Act, which provides that the MSRB’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 and municipal financial products, to remove impediments to and perfect the mechanism of a free and open market in municipal securities and municipal financial products, and, in general, to protect investors, municipal entities, obligated persons, and the public interest.

The MSRB believes that the proposed rule change is consistent with the Act. The amendments to the SHORT subscription service would serve as an additional mechanism by which the MSRB works toward removing impediments to and helping to perfect the mechanisms of a free and open market in municipal securities. The subscription service would make the additional information and documents collected by the SHORT System available to market participants for re-dissemination and for use in creating value-added products and services. Such re-dissemination and third-party use would provide market participants, including investors and the general public, additional avenues for obtaining the information collected by the SHORT System and would make additional tools available for making well-informed investment decisions. Broad access to the information and documents collected by the SHORT System, in addition to the public access through the EMMA web portal, should further assist in preventing fraudulent and manipulative acts and practices by improving the opportunity for public investors to access material information about Auction Rate Securities and Variable Rate Demand Obligations.

Furthermore, broader re-dissemination and third-party use of the information and documents collected by the SHORT System should promote a more fair and efficient municipal securities market in which transactions are effected on the basis of material information available to all parties to such transactions, which should allow for fairer pricing of transactions based on a more complete understanding of the terms of the securities (including any changes thereto).

<sup>8</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.