

FEDERAL RESERVE BANK
OF NEW YORK

November 12, 1975

Registration of State Member Banks
Acting as Municipal Securities Dealers

To State Member Banks in the Second Federal Reserve District:

Under section 15B(a) of the Securities Exchange Act of 1934 ("Act"), as added by the Securities Acts Amendments of 1975 (Public Law 94-29), municipal securities dealers that are banks, or separately identifiable departments or divisions of banks, are required to be registered with the Securities and Exchange Commission ("Commission") in accordance with such rules as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors. This provision becomes effective on December 1, 1975.

On October 15, 1975 the Commission announced the adoption of a rule providing that municipal securities dealers that are banks, or "separately identifiable departments or divisions of banks" (as defined by Rule 4 of the Municipal Securities Rulemaking Board), must apply for registration with the Commission under section 15B(a) of the Act on a new Form MSD. Municipal securities dealers that are subsidiaries of banks or of bank holding companies must apply for registration with the Commission under section 15 of the Act on Form BD, the Commission's regular application form for registration as a broker-dealer.

The announcement by the Commission of these rules and a sample Form MSD is contained in Securities Exchange Act Release No. 11742, dated October 15, 1975, a copy of which is enclosed.

Among the important matters considered in Release No. 11742 that we wish to call to your attention are:

—The Commission's views as to those activities that may subject a bank to the registration requirements of the Act applicable to municipal securities dealers, and the Commission's invitation for comments thereon;

—The definition of "separately identifiable department or division of a bank";

—Since municipal securities dealers that register under section 15 of the Act automatically become members of, and subject to assessments by, the Securities Investor Protection Corporation ("SIPC"), the Commission's invitation for comments on (1) whether subsidiaries of banks and of bank holding companies should be exempted from the registration requirements of section 15 of the Act and instead required to be registered under section 15B of the Act, (2) whether SIPC coverage is appropriate for the customers of such subsidiaries in view of the fact that as a matter of corporate organization such subsidiaries are not a part of their parent bank, and (3) the extent to which such subsidiaries are presently subject to the requirements of banking law applicable to banks and the extent to which the activities of such subsidiaries are scrutinized by the appropriate bank regulatory authorities to ensure compliance with such requirements.

(OVER)

The Commission has adopted a rule providing for a temporary exemption of those municipal securities dealers that file applications for registration with the Commission not later than November 30, 1975 and otherwise comply with all applicable rules and regulations of the Commission and the Municipal Securities Rulemaking Board to the same extent as if they were registered on December 1, 1975.

Additional copies of Release No. 11742 and printed copies of Form MSD (applications should be made on the printed forms) are available from the Office of Reports and Information Services, Securities and Exchange Commission, 500 North Capitol Street, Washington, D.C. 20549.

Any questions concerning registration of municipal securities dealers should be directed to the Commission at the above address.

PAUL A. VOLCKER,
President.

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

SECURITIES EXCHANGE ACT OF 1934
Release No. 11742 /October 15, 1975

ADOPTION OF RULE 15Ba2-1, RELATED FORM MSD, RULE 15Ba2-2 AND TEMPORARY RULE 15Ba2-3(T) RELATING TO THE REGISTRATION OF MUNICIPAL SECURITIES DEALERS UNDER SECTION 15B(a) OF THE SECURITIES EXCHANGE ACT OF 1934; ADOPTION OF TEMPORARY RULE 15a-1(T) RELATING TO THE REGISTRATION OF MUNICIPAL SECURITIES BROKERS AND DEALERS UNDER SECTION 15 OF THE ACT; AND DELEGATION OF AUTHORITY TO THE STAFF OF THE COMMISSION.

The Securities and Exchange Commission announced today that it has adopted rule 15Ba2-1, 1/ related Form MSD, 2/ rule 15Ba2-2, 3/ and temporary rules 15a-1(T) 4/ and 15Ba2-3(T), 5/ effective immediately, in accordance with the Administrative Procedure Act (5 U.S.C. 551 et seq.), and pursuant to the Commission's authority under the Securities Exchange Act of 1934 (the "Act"), 6/ particularly sections 2, 3, 15, 17 and 23 thereof 7/ and section 13 (new section 15B of the Act) of the Securities Acts Amendments of 1975 (the "1975 Amendments").

Rule 15Ba2-1 provides that municipal securities dealers which are banks or separately identifiable departments or divisions of banks must apply for registration with the Commission under section 15B(a) of the Act on Form MSD. Rule 15Ba2-2 requires non-bank municipal securities dealers whose business is exclusively intrastate ("intrastate dealers") to apply for registration with the Commission under section 15B(a) of the Act on Form BD, and prescribes certain additional procedures relating to the registration of such dealers. Temporary rules 15a-1(T) and 15Ba2-3(T) temporarily exempt municipal securities brokers and dealers from the registration requirements of sections 15 and 15B(a) of the Act, respectively, provided that such persons file their applications for registration with the Commission not later than November 30, 1975, and otherwise comply with all applicable rules and regulations of the Commission and the Municipal Securities Rulemaking Board to the same extent as if they were registered on December 1, 1975.

In connection with the adoption of rules 15Ba2-1 and 15Ba2-2, the Commission has provided; effective immediately, in accordance with the Administrative Procedure Act, delegated authority, pursuant to Public Law 87-592, 76 Stat. 394, 8/ to the Directors of the Office of Reports and Information Services and the Division of Market Regulation to grant applications for registration of municipal securities dealers under section 15B(a) of the Act.

INTRODUCTION

On June 4, 1975, the 1975 Amendments were signed into law, substantially amending the Act and establishing a comprehensive framework for the regulation of the activities of municipal securities brokers and dealers. Under new section 15B(a) of the Act, as added by the 1975 Amendments, municipal securities dealers which are banks, or separately identifiable departments or divisions of banks, and intra-state dealers are required to be registered with the Commission in accordance with such rules as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors. Section 15B(a)(1) provides:

It shall be unlawful for any municipal securities dealer (other than one registered as a broker or dealer under section 15 of this title) to make use of the mails or any means or instrumentality of interstate commerce to effect any transaction in, or to induce or attempt to induce the purchase or sale of, any municipal security unless such municipal securities dealer is registered in accordance with this subsection.

Non-bank municipal securities dealers other than intrastate dealers and municipal securities brokers are required to be registered under section 15 of the Act and to apply for registration on Form BD, the standard registration form for brokers and dealers. 9/ The provisions of sections 15 and 15B(a) become applicable to municipal securities brokers and dealers on December 1, 1975. 10/

On August 11, 1975, the Commission issued Securities Exchange Act Release No. 11585 ("Release No. 11585"), 11/ announcing procedures for the registration of municipal securities brokers and dealers under section 15 of the Act, giving notice of proposed rule 15Ba2-1, related proposed Form MSD, and proposed rule 15Ba2-2, and soliciting comments on the proposed rules and Form and on other matters relating to the registration of municipal securities brokers and dealers. 12/

In Release No. 11585 the Commission indicated that municipal securities brokers and non-bank municipal securities dealers other than intrastate dealers would be required to apply for registration on Form BD. The Commission urged that such municipal securities brokers and dealers file their applications for registration with the Commission as promptly as possible to facilitate processing in an orderly and timely manner. Proposed rule 15Ba2-1 provided that banks would be required to apply for registration with the Commission on a new application form, Form MSD, and to file a statement of financial condition in connection with such application. Proposed rule 15Ba2-2 provided that intrastate dealers would be required to apply for registration with the Commission on Form BD and to file the statements required by rule 15b1-2.

The Commission stated in Release No. 11585 that banks which meet the definition of "municipal securities dealer" in section 3(a)(30) of the Act would be required to be registered with the Commission under section 15B(a) of the Act unless the Municipal Securities Rulemaking Board (the

"Board"), in accordance with its authority under section 15B (b)(2)(H) of the Act, had defined by rule the term "separately identifiable department or division" with respect to banks, and the prospective bank applicant had a department or division meeting the requirements of the Board's rule. ^{13/} On October 10, 1975 the Board filed rule proposals with the Commission relating to, among other matters, the definition of a "separately identifiable department or division" of a bank. These rules have become effective and are presently rules of the Board for purposes of the Act. ^{14/} The text of the Board's rule defining a "separately identifiable department or division" of a bank and a general definitional rule of the Board are set forth elsewhere in this release.

Banks Subject to Registration as Municipal Securities Dealers

Section 3(a)(30) of the Act defines a "municipal securities dealer" as follows:

. . . any person (including a separately identifiable department or division of a bank) engaged in the business of buying and selling municipal securities for his own account, through a broker or otherwise, but does not include--

* * *

a bank, unless the bank is engaged in the business of buying and selling municipal securities for its own account other than in a fiduciary capacity, through a broker or otherwise: Provided, however, That if the bank is engaged in such business through a separately identifiable department or division (as defined by the Municipal Securities Rulemaking Board in accordance with Section 15B(b)(2)(H) of this title), the department or division and not the bank itself shall be deemed to be the municipal securities dealer.

Whether a bank 15/ is "engaged in the business" of buying and selling municipal securities for its own account as a dealer is a factual question to be resolved in light of all relevant circumstances. However, the Commission believes that it is appropriate to set forth certain guidelines to assist individual banks in determining whether to apply for registration with the Commission.

The definition of a "municipal securities dealer" in section 3(a)(30) of the Act, as it applies to banks, incorporates language found in the definition of a "dealer" in section 3(a)(5) of the Act and thus traditional concepts of what constitute dealer activities. A bank which buys and sells municipal securities solely for investment for its own account or for accounts for which it acts as a fiduciary will not generally be classified as a dealer, even though such purchases and sales are made with some frequency. Virtually every bank has municipal securities in its investment portfolio, and purchases and sales may occur to accommodate changes in the bank's financial position or to reflect investment decisions. The Commission believes that it was not the intent of Congress that every bank engaged in such investment-type activity register as a dealer.

In the view of the Commission, activities which may subject a bank to the registration requirements of the Act applicable to municipal securities dealers, if the jurisdictional means are used, 16/ are as follows:

- (1) underwriting, which includes participation in a syndicate or joint account for the purchase of municipal securities;

- (2) maintaining a trading account in municipal securities or otherwise carrying a dealer inventory in municipal securities; 17/
- (3) advertising or listing as a dealer in professional publications such as Standard & Poor's Blue List of Current Municipal Offerings, the Bond Buyer's Directory of Municipal Bond Dealers of the United States, or Polk's World Bank Directory, or advertising in publications of general circulation as a dealer in municipal securities; or
- (4) otherwise holding itself out to other dealers or to investors as a dealer in municipal securities.

While the determination of when a bank is a municipal securities dealer might be premised on, among other matters, the number of transactions engaged in by the bank in a non-fiduciary capacity or the rate of turnover of the bank's inventory of municipal securities, the Commission does not now have sufficient data or experience with bank municipal securities dealers to ascertain whether such tests are appropriate. In any event, it would appear that the nature of a bank's activities, rather than the volume of transactions or similar criteria, are of greater relevance in determining when a bank is a municipal securities dealer. The Commission invites written comments from interested persons on whether the standards set forth above are appropriate for determining whether a bank is a municipal securities dealer within the meaning of Section 3(a)(30) of the Act, or whether other factors should be considered in making such determination. Such comments should be submitted in triplicate to George A. Fitzsimmons, Secretary of the Commission, and should refer to Commission File No. S7-577. All such comments will be available for public inspection.

The Commission also notes that a bank which engages in bona-fide brokerage transactions on behalf of customers will not, solely for that reason, be considered a dealer for purposes section 3(a)(30) of the Act. Banks are excluded from the definition of "broker" in section 3(a)(4) of the Act, and thus are not subject to the provisions of the Act requiring brokers to register. 18/

Separately Identifiable Department or Division of a Bank

Although a bank may meet the definition of a "municipal securities dealer" for purposes of section 3(a) (30) of the Act, that section provides that a bank will not be considered to be a municipal securities dealer if the bank engages in such business through a "separately identifiable department or division" as defined by the Board in accordance with the Board's authority under section 15B(b)(2)(H) of the Act. 19/ If a bank has such a department or division, the department or division will be deemed to be the municipal securities dealer and only that department or division need register.

The following definitional rules of the Board have become effective pursuant to section 19(b) of the Act: 20/

Rule 1. Definitions.

(a) For purposes of the rules of the Municipal Securities Rulemaking Board, the terms used in such rules shall have the respective meanings set forth in the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) and the rules and regulations of the Securities and Exchange Commission thereunder.

(b) The term "Act" shall mean the Securities Exchange Act of 1934, as from time to time amended.

(c) The term "Board" shall mean the Municipal Securities Rulemaking Board.

(d) The term "Commission" shall mean the Securities and Exchange Commission.

Rule 4. Separately Identifiable Department or Division of a Bank.

(a) A separately identifiable department or division of a bank, as such term is used in section 3(a)(30) of the Act, is that unit of the bank which conducts all of the activities of the bank relating to the conduct of business as a municipal securities dealer ("municipal securities dealer activities"), as such activities are hereinafter defined, provided that:

(1) Such unit is under the direct supervision of an officer or officers designated by the board of directors of the bank as responsible for the day-to-day conduct of the bank's municipal securities dealer activities, including the supervision of all bank employees engaged in the performance of such activities; and

(2) There are separately maintained in or separately extractable from such unit's own facilities or the facilities of the bank, all of the records relating to the bank's municipal securities dealer activities, and further provided that such records are so maintained or otherwise accessible as to permit independent examination thereof and enforcement of applicable provisions of the Act, the rules and regulations thereunder and the rules of the Board.

(b) For purposes of this rule, the activities of the bank which shall constitute municipal securities dealer activities are as follows:

(1) underwriting, trading and sales of municipal securities;

(2) processing and clearance activities with respect to municipal securities;

(3) research, analysis and the preparation of literature for use in connection with the activities described in paragraph (1) above; and

(4) maintenance of records pertaining to the activities described in paragraphs (1) through (3) above.

(c) The fact that directors and senior officers of the bank may from time to time set broad policy guidelines affecting the bank as a whole and which are not directly related to the day-to-day conduct of the bank's municipal securities dealer activities, shall not disqualify the unit hereinbefore described as a separately identifiable department or division of the bank or require that such directors or officers be considered as part of such unit.

(d) The fact that the bank's municipal securities dealer activities are conducted in more than one geographic, organizational or operational unit of the bank shall not preclude a finding that the bank has a separately identifiable department or division for purposes of this rule, provided, however, that all such units are identifiable and that the requirements of subparagraphs (1) and (2) of paragraph (a) of this rule are met with respect to each such unit. All such geographic, organizational or operational units of the bank shall be considered in the aggregate as the separately identifiable department or division of the bank for purposes of this rule.

Adoption of Rule 15Ba2-1 and Form MSD

The Commission has adopted rule 15Ba2-1 and related Form MSD with modifications from the form in which they were proposed in Release No. 11585. These include the following:

1. Rule 15Ba2-1, as adopted, makes Form MSD applicable to separately identifiable departments or divisions of banks as well as to banks.

2. The requirement in proposed rule 15Ba2-1 that an applicant file with the Commission a statement of financial condition in connection with its application for registration has been omitted in rule 15Ba2-1, as adopted.

3. New paragraphs (b) and (c) of rule 15Ba2-1 set forth requirements for filing amendments to the application and clarify the status of such amendments for purposes of sections 17 and 32(a) of the Act. 21/

4. With respect to Form MSD, item 5, and the requirement for filing a separate Schedule relating to business and educational background, have been revised to make clear that only those persons directly engaged in the management, supervision or direction of the applicant's municipal securities dealer activities (defined in the instructions to Form MSD) need to be listed in response to the item and to have a detailed statement of their educational and business background submitted.

5. Item 6 in Form MSD has been revised to make clear that only those persons directly or indirectly controlling applicant's municipal securities dealer activities and not named in answer to item 5 must be identified in response to item 6. A detailed statement of educational and business background is not required to be submitted for such persons.

6. Item 7 of Form MSD has been revised to include reference to the findings of appropriate bank regulatory agencies in certain paragraphs. Paragraph (ix) in proposed Form MSD has been omitted. Item 7 applies to all employees of the applicant engaged in its municipal securities dealer activities, as well as to all persons in direct or indirect control of the applicant.

7. Various questions have been added to Form MSD relating to separately identifiable departments or divisions of banks, to enable the Commission to determine whether an applicant which is a department or division meets the applicable criteria for registration established by the Board in its rule 4 definition.

8. The form of execution has been changed to clarify the responsibility of the executing officer with respect to

9. The instructions to the Form have been expanded to clarify specific items in the Form and to define certain additional terms used in the Form.

The Commission finds that the adoption of rule 15Ba2-1 and related Form MSD is necessary to provide an orderly procedure for the prompt registration of municipal securities dealers which are banks or separately identifiable departments or divisions of banks and that such adoption is therefore necessary and appropriate in the public interest and for the protection of investors, and that it is consistent with the purposes of the Act. The Commission also finds that rule 15Ba2-1 and related Form MSD will not impose any burden on competition. The Commission further finds, in accordance with the Administrative Procedure Act (5 U.S.C. 553(b)(3)(B)), that notice and public procedure with respect to the changes in the rule and Form are impracticable and contrary to the public interest as a prerequisite to the adoption of the rule and Form, and that such rule and Form should be adopted, effective immediately, in accordance with the Administrative Procedure Act (5 U.S.C. 553(d)(3)), in order to provide an orderly and timely procedure for the registration of municipal securities dealers subject to the rule.

Subsidiaries of Banks and of Bank Holding Companies

The Commission notes that municipal securities dealers which are subsidiaries of banks or of bank holding companies meet the definition of a "dealer" set forth in section 3(a)(5) of the Act. As such these subsidiaries will be required to be registered under section 15 of the Act, rather than section 15B(a). Accordingly, without further action by the Commission, such subsidiaries are subject to rules 15b1-1 and 15b1-2 under the Act, and required to file for registration on Form BD, rather than Form MSD.

The Commission also wishes to point out that municipal securities dealers which register under section 15 of the Act automatically become members of and subject to assessments by the Securities Investor Protection Corporation ("SIPC"). The Commission invites comments from interested persons on (1) whether such subsidiaries should be exempted from the registration requirements of section 15 of the Act and instead required to be registered under section 15B of the Act, (2) whether SIPC coverage is appropriate for the

customers of such subsidiaries in view of the fact that as a matter of corporate organization such subsidiaries are not a part of their parent bank, and (3) the extent to which such subsidiaries are presently subject to the requirements of banking law applicable to banks and the extent to which the activities of such subsidiaries are scrutinized by the appropriate bank regulatory authorities to ensure compliance with such requirements. Comments on these matters should be submitted in accordance with the procedures set forth infra at page 6.

Adoption of Rule 15Ba2-2

The Commission has also adopted rule 15Ba2-2, relating to the registration of intrastate dealers, with certain modifications from the form in which it was proposed in Release No. 11585. The rule, as adopted, requires applicants to file a statement with the Commission to the effect that they are applying for registration as intrastate dealers in accordance with the rule. New paragraphs (c) and (d) of the rule set forth requirements for filing amendments and clarifying the status of amendments for purposes of sections 17 and 32(a) of the Act.

The Commission finds that the adoption of rule 15Ba2-2 is necessary to provide an orderly procedure for the prompt registration of intrastate dealers and that such adoption is therefore necessary and appropriate in the public interest and for the protection of investors, and that it is consistent with the purposes of the Act. The Commission also finds that rule 15Ba2-2 will not impose any burden on competition. The Commission further finds, in accordance with the Administrative Procedure Act (5 U.S.C. 553(b)(3)(B)), that notice and public procedure with respect to the changes in the rule are impracticable, unnecessary and contrary to the public interest and that such rule should be adopted, effective immediately, in accordance with the Administrative Procedure Act (5 U.S.C. 553(d)(3)), in order to provide an orderly and timely procedure for the registration of municipal securities dealers subject to the rule.

Adoption of Temporary Rules 15a-1(T) and 15Ba2-3(T)

Under the provisions of sections 15(b)(1) and 15B(a)(2) of the Act, the Commission must take action within 45 days of the date of filing of an application for registration, either to grant registration or to institute proceedings to determine whether registration should be denied. As indicated above, the provisions of the Act which have the effect of requiring municipal securities brokers and dealers to be registered with the Commission become effective on December 1, 1975. 15/ In Release No. 11585, the Commission urged municipal

securities brokers and dealers (other than banks and intrastate dealers) to file their applications for registration on Form BD with the Commission not later than October 17, 1975. The Commission indicated that filing by such date would assure that the Commission would be able to act upon such applications by December 1, 1975.

Under sections 15(a)(2) and 15B(a)(4) of the Act the Commission has broad authority to exempt brokers, dealers and municipal securities dealers from the registration requirements of the Act if the Commission finds that such exemption is consistent with the public interest and the protection of investors, and with respect to the registration of municipal securities dealers under section 15B(a) of the Act, consistent with the purposes of such section. The Commission finds that it would not be practicable for municipal securities dealers subject to section 15B(a) of the Act to be required to be registered with the Commission effective December 1, 1975 since such dealers will not have sufficient time to obtain the appropriate forms for registration, complete and file them with the Commission and still be assured of Commission action on their applications prior to December 1, 1975, nor would the Commission have sufficient time to give such applications a careful and complete review consistent with the public interest and the protection of investors.

The Commission finds that it is consistent with the public interest, the protection of investors and the purposes of section 15B(a) to grant, by rule, a temporary exemption from the registration requirements of section 15B(a) of the Act to municipal securities dealers who file their applications for registration with the Commission not later than November 30, 1975 and who are in compliance with all other applicable provisions of the Act, the rules and regulations of the Commission thereunder and the rules of the Board which by their terms would apply to such dealers if they were registered with the Commission on December 1, 1975.

The Commission has therefore adopted, effective immediately, temporary rule 15Ba2-3(T), granting a temporary exemption from the requirements of section 15B(a) of the Act to municipal securities dealers which meet the conditions of such rule. The temporary exemption would terminate as to an individual dealer on the earlier of the granting or denial of the dealer's registration under section 15B(a) or the dealer's failure to comply with the conditions of the rule. The temporary rule would expire on June 1, 1976.

With respect to municipal securities dealers subject to section 15(a)(1) of the Act, i.e., non-bank municipal securities dealers other than intrastate dealers, the Commission stated in Release No. 11585 that Form BD was the appropriate form for registration of such dealers, as well as municipal securities brokers. While such brokers and dealers therefore have been notified of the applicable requirements for registration considerably in advance of the date of this release, it has come to the attention of the Commission that there may still be uncertainty on the part of many such brokers and dealers as to the applicability of the registration requirements to them. The Commission wishes to stress that all such brokers and dealers are required to be registered with the Commission, pursuant to section 15(a)(1) of the Act, irrespective of membership in the National Association of Securities Dealers, Inc. The Commission also recognizes that since Form BD has only recently been revised, 23/municipal securities brokers and dealers may not have had sufficient time to obtain the revised form and file it with the Commission in order to be assured that action could be taken on their applications for registration by December 1, 1975.

The Commission has, therefore, determined that it is appropriate and consistent with the public interest and the protection of investors to grant, by rule, a temporary

exemption from the registration requirements of section 15(a)(1) of the Act to municipal securities brokers and dealers otherwise subject to such requirements on terms and conditions similar to those set forth in temporary rule 15Ba2-3(T) for municipal securities dealers subject to the requirements of section 15B(a) of the Act. Accordingly, the Commission has adopted temporary rule 15a-1(T), effective immediately. The rule will expire on June 1, 1976.

The Commission finds, in accordance with the Administrative Procedure Act (5 U.S.C. 553(b)(3)(B)), that temporary rules 15a-1(T) and 15Ba2-3(T) relieve municipal securities brokers and dealers from requirements that would otherwise be applicable to them, that notice and public procedure are therefore unnecessary as a prerequisite to the adoption of such rules, and that the rules should be adopted, effective immediately, in accordance with the Administrative Procedure Act (5 U.S.C. 553(d)(3)), in order to permit municipal securities brokers and dealers to file their applications with the Commission in an orderly and timely manner and to afford the Commission adequate time to review such applications carefully and completely, consistent with the public interest and the protection of investors. The Commission further finds that temporary rules 15a-1(T) and 15Ba2-3(T) will not impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act.

The Commission emphasizes that municipal securities brokers and dealers should attempt to file their applications for registration at as early a date as possible in order to permit all applications to be processed in an orderly manner. Such applications must be filed in any event with the Commission prior to December 1, 1975.

Delegation of Authority

The regulations of the Commission relating to general organization are concurrently being amended to delegate authority to the Directors of the Office of Reports and Information Services and the Division of Market Regulation to issue orders granting registration of municipal securities

dealers under section 15B(a) of the Act. The Commission staff has similar authority with respect to the registration of brokers and dealers under section 15 of the Act (including municipal securities brokers and dealers). 24/

The Commission finds, in accordance with the Administrative Procedure Act (5 U.S.C. 553(b)(3)(B)), that the foregoing action relates solely to agency organization, procedure or practice and that notice and public procedure are therefore not necessary. The Commission further finds that such amendment should be adopted, effective immediately, in accordance with the Administrative Procedure Act (5 U.S.C. 553(d)(3)), in order to permit municipal securities dealers to be registered under section 15B(a) of the Act in a prompt and orderly manner.

Following is the text of rules 15Ba2-1 and 15Ba2-2 and temporary rules 15a-1(T) and 15Ba2-3(T):

17 CFR 240.15Ba2-1. Application for Registration of Municipal Securities Dealers Which Are Banks or Separately Identifiable Departments or Divisions of Banks.

(a) An application for registration, pursuant to Section 15B(a) of the Act, of a municipal securities dealer which is a bank (as defined in section 3(a)(6) of the Act) or a separately identifiable department or division of a bank (as defined by the Municipal Securities Rulemaking Board), shall be filed with the Commission on Form MSD (8249.950 of this chapter), in accordance with the instructions contained therein.

(b) If the information contained in any application for registration pursuant to paragraph (a) of this rule, or in any amendment to such application, is or becomes inaccurate for any reason, applicant shall promptly file an amendment on Form MSD (8249.950 of this chapter) correcting such information.

(c) Every amendment filed pursuant to this rule shall constitute a "report" within the meaning of sections 17 and 32(a) of the Act (15 U.S.C. 78q and 78ff(a)).

17 CFR 240.15Ba2-2. Application for Registration of Non-Bank
Municipal Securities Dealers Whose
Business is Exclusively Intrastate

(a) An application for registration, pursuant to section 15B(a) of the Act, of a municipal securities dealer not subject to the requirements of rule 15Ba2-1 (§240.15Ba2-1), shall be filed with the Commission on Form BD (§249.501 of this chapter) in accordance with the instructions contained therein.

(b) Each applicant for registration who is subject to the requirements of paragraph (a) of this rule shall file with the application for registration prescribed in such paragraph the statements described in paragraphs (a) through (d) of rule 15b1-2 (§240.15b1-2). The statement of financial condition described in such paragraph (a) shall be deemed a part of the application for registration. Each applicant shall also file with its application for registration a statement to the effect that such applicant is filing for registration as an intrastate dealer in accordance with the requirements of this rule. Such statement shall be deemed a part of the application for registration.

(c) If the information contained in any application for registration pursuant to paragraph (a) of this rule, or in any amendment to such application, is or becomes inaccurate for any reason, applicant shall promptly file an amendment on Form BD (§249.501 of this chapter) correcting such information.

(d) Every amendment filed pursuant to this rule shall constitute a "report" within the meaning of sections 17 and 32(a) of the Act.

17 CFR 240.15a-1(T). Temporary Exemption of Municipal Securities Brokers and Municipal Securities Dealers from the Requirements of Section 15(a)(1) of the Act.

A municipal securities broker or municipal securities dealer otherwise subject to the requirements of section 15(a)(1) of the Act by reason of being a municipal securities broker or municipal securities dealer, shall be exempt from the requirements of such section, provided such broker or dealer shall be in compliance with each of the following terms and conditions:

(a) such broker or dealer shall have filed with the Commission not later than November 30, 1975 an application for registration pursuant to rule 15b1-1 (§240.15b1-1) and all other statements and reports required to be filed with the Commission in connection with such application pursuant to rule 15b1-2 (§ 240.15b1-2) or otherwise;

(b) such broker or dealer shall at all times be in compliance with all other applicable provisions of the Act, the rules and regulations of the Commission thereunder and the rules of the Municipal Securities Rulemaking Board, including all such provisions, rules and regulations which by their terms would apply to such dealer if such dealer were registered with the Commission on December 1, 1975; and

(c) such exemption shall terminate on the earlier of (i) the date of an order of the Commission granting such broker's or dealer's registration under section 15(b)(1) of the Act, or (ii) the date of an order of the Commission denying such broker's or dealer's registration under such section 15(b)(1) of the Act, or (iii) the date of such broker's or dealer's failure to comply with the conditions of this rule.

This temporary rule shall expire on June 1, 1976.

17 CFR 240.15Ba2-3(T). Temporary Exemption of Municipal Securities Dealers from the Requirements of Section 15B(a) of the Act.

A municipal securities dealer otherwise subject to the requirements of section 15B(a) of the Act shall be exempt from the requirements of such section, provided such dealer shall be in compliance with each of the following terms and conditions:

(a) such municipal securities dealer shall have filed with the Commission not later than November 30, 1975 an application for registration pursuant to rule 15Ba2-1 (§240.15Ba2-1) or rule 15Ba2-2 (§240.15Ba2-2), as appropriate, and all other statements and reports required to be filed with the Commission in connection with such application;

(b) such municipal securities dealer shall at all times be in compliance with all other applicable provisions of the Act, the rules and regulations of the Commission thereunder and the rules of the Municipal Securities Rule-making Board, including all such provisions, rules and regulations which by their terms would apply to such municipal securities dealer if such dealer were registered with the Commission on December 1, 1975; and

(c) such exemption shall terminate on the earlier of (i) the date of an order of the Commission granting such municipal securities dealer's registration under section 15B(a) of the Act, or (ii) the date of an order of the Commission denying such municipal securities dealer's registration under such section 15B(a) of the Act, or (iii) the date of such municipal securities dealer's failure to comply with the conditions of this rule.

This temporary rule shall expire on June 1, 1976.

The text of the amendment to the Commission's regulations with respect to delegated authority follows:

17 C.F.R. §200.30-3 is amended by adding a new paragraph (14) thereto, and 17 C.F.R. §200.30-11(a) is amended by adding a new paragraph (2) thereto, each to read as follows:

Pursuant to section 15B(a) of the Act 15 U.S.C. 78o-4(a)7, to authorize the issuance of orders granting registration of municipal securities dealers within forty-five days of the filing of an application for registration as a municipal securities dealer (or within such longer period as to which the applicant consents).

The text of Form MSD is attached hereto.

* * *

Copies of Forms BD and MSD may be obtained from the Office of Reports and Information Services, Securities and Exchange Commission, 500 North Capitol Street, Washington, D. C. 20549. Only printed copies of Form MSD should be used to apply for registration with the Commission, rather than the copy of the Form attached to this release.

By the Commission.

George A. Fitzsimmons
Secretary

-
- 1/ 17 C.F.R. §240.15Ba2-1.
 - 2/ 17 C.F.R. §240.950.
 - 3/ 17 C.F.R. §240.15Ba2-2.
 - 4/ 17 C.F.R. §240.15a-1(T).
 - 5/ 17 C.F.R. §240.15Ba2-3(T).
 - 6/ 15 U.S.C. 78a et seq., as amended by Pub. L. 94-29 (June 4, 1975).
 - 7/ 15 U.S.C. 78b, 78c, 78o, 78q and 78w.
 - 8/ 15 U.S.C. 78d-1, 78d-2.
 - 9/ Such persons are "brokers" or "dealers" within the meaning of sections 3(a)(4) and 3(a)(5) of the Act. Intrastate dealers are not, however, subject to the registration requirements of section 15 of the Act since section 15(a)(1) contains an exception for brokers and dealers whose business is exclusively intrastate. In section 15B(a)(1), however, there is no such exclusion and the jurisdictional basis appears to be sufficiently broad to be applicable to all such dealers. Thus, any municipal securities dealer which makes use of the mails or any means or instrumentality of interstate commerce to effect transactions in municipal securities (other than dealers registered under section 15) must register under section 15B(a). In section 3(a)(17) of the Act, as amended by the 1975 Amendments, the definition of "interstate commerce" includes the "intrastate use of . . . a telephone or other intrastate means of communication"

- 10/ Section 31(a) of the 1975 Amendments.
- 11/ 40 F.R. 37228 (1975).
- 12/ The comment period expired on September 12, 1975. Comments are contained in Commission File No. S7-577, which is available for public inspection.
- 13/ The Board was constituted on September 5, 1975. See Securities Exchange Act Release No. 11635 (Sept. 5, 1975).
- 14/ The Board's rule proposals also concerned matters relating to the operation and administration of the Board. Notice of all rule proposals filed by the Board is expected to be published in the Federal Register during the week of October 20, 1975. See Securities Exchange Act Release No. 11741 (October 15, 1975).
- 15/ A "bank" is defined in section 3(a)(6) of the Act as follows:
 - . . . (A) a banking institution organized under the laws of the United States, (B) a member bank of the Federal Reserve System, (C) any other banking institution, whether incorporated or not, doing business under the laws of any State or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising a fiduciary power similar to those permitted to national banks under section 11(k) of the Federal Reserve Act, as amended, and which is supervised and examined by State or Federal authority having supervision over banks, and which is not operated for the purpose of evading the provisions of this title, and (D) a receiver, conservator, or other liquidating agent of any institution or firm included in clauses (A), (B), or (C) of this paragraph.

16/ See note 9 supra.

17/ The bank regulatory agencies have generally defined "trading account securities" as a portfolio of securities separate from the bank's investment account which are held for resale to other banks and the public generally.

18/ Section 3(a)(4) provides:

The term "broker" means any person engaged in the business of effecting transactions in securities for the account of others, but does not include a bank.

19/ Section 15B(b)(2)(H) of the Act requires the Board to:

. . . define the term 'separately identifiable department or division', as that term is used in section 3(a)(30) of this title, in accordance with specified and appropriate standards to assure that a bank is not deemed to be engaged in the business of buying and selling municipal securities through a separately identifiable department or division unless such department or division is organized and administered so as to permit independent examination and enforcement of applicable provisions of this title, the rules and regulations thereunder and the rules of the Board. A separately identifiable department or division of a bank may be engaged in activities other than those relating to municipal securities.

20/ 15 U.S.C. 78s. In addition to the Board rules set forth in this release, rules 2 and 3 of the Board, which establish certain procedures for the administration of the Board, such as those relating to notice of meetings, quorum and voting requirements and the submission of rule proposals to the Commission, have become effective. See Securities Exchange Act Release No. 11741 (October 15, 1975).

21/ 15 U.S.C. 78q and 78ff(a).

22/ See note 10, supra.

23/ Revised Form BD became effective on October 1, 1975.
See Securities Exchange Act Release No. 11530 (June 10,
1975), 40 F.R. 30636 (1975).

24/ See Securities Exchange Act Release No. 11487 (June 20,
1975), 40 F.R. 27441 (1975).

FORM MSD

APPLICATION FOR REGISTRATION AS A MUNICIPAL
SECURITIES DEALER PURSUANT TO RULE 15Ba2-1 UNDER THE
SECURITIES EXCHANGE ACT OF 1934 OR AMENDMENT TO SUCH APPLICATION

General Instructions

A. Use of Form

This Form is to be used by a bank or a separately identifiable department or division of a bank (as defined by the Municipal Securities Rulemaking Board) to apply for registration as a municipal securities dealer with the Securities and Exchange Commission pursuant to section 15B(a) of the Securities Exchange Act of 1934 (the "Act"), or to amend such application. If applicant is a department or division of a bank, the application or amendment shall be deemed to have been made by the bank on behalf of the applicant.

B. Presentation of Information

All information required by Form MSD must be submitted in typewritten or printed manner on the prescribed form or mechanical reproductions thereof. The execution page on each copy of the form must contain an original manual signature of the appropriate duly authorized individual. Mechanical reproductions of signatures for this purpose are not acceptable. All other pages containing correct information may be mechanically reproduced by any method producing clear, legible copies of identical type size. Retain one exact copy for your records.

Additional copies of Form MSD are available from the Securities and Exchange Commission, Washington, D. C. 20549.

C. Signature

Form MSD shall be signed in the name of the applicant by a principal officer of the applicant or, if applicant is a department or division of a bank, by a principal officer of the bank, in each case duly authorized to sign this Form, who is directly engaged in the management, direction or supervision of the applicant's municipal securities dealer activities.

D. Additional Space

If the space provided for any answer on Form MSD, other than the Schedules to the Form, is insufficient, the answer may be completed on additional sheets attached to the Form and appropriately identified.

E. Names

Individuals' names, except for executing signatures, shall be given in full wherever required (last name, first name, middle name). The full middle name is required. Initials are not acceptable unless the individual legally has only an initial. If so, indicate this after the initial.

F. Acceptance for Filing

A Form MSD which is not prepared and executed in compliance with applicable requirements may be returned as not acceptable for filing. However, acceptance of this Form shall not constitute any finding that it has been filed as required or that the information submitted is true, current, or complete.

G. General Definitions

- a. Unless the context clearly indicates otherwise or unless otherwise specified in these instructions, all terms used in Form MSD have the same meaning as in the Act and the General Rules and Regulations of the Securities and Exchange Commission. In particular, the terms "self-regulatory organization," "rules of a self-regulatory organization," "municipal securities," "municipal securities dealer," "person associated with a municipal securities dealer," "municipal securities investment portfolio," "appropriate regulatory agency," and "records" shall have the respective meanings set forth in sections 3(a)(26), 3(a)(28), 3(a)(29), 3(a)(30), 3(a)(32), 3(a)(33), 3(a)(34) and 3(a)(37) of the Act.
- b. Jurisdiction - The term "jurisdiction" means a state, a territory, the District of Columbia, the Commonwealth of Puerto Rico, or any subdivision or regulatory body thereof.
- c. Person - The term "person" includes a corporation, partnership, other organization, trust and estate, as well as a natural person.
- d. Municipal securities dealer activities - The term "municipal securities dealer activities" includes:
 - (1) underwriting, trading and sales of municipal securities;
 - (2) processing and clearance activities with respect to municipal securities;
 - (3) research, analysis and the preparation of literature for use in connection with the activities described in (1) above; and
 - (4) maintenance of records pertaining to the activities described in (1) through (3) above.

H. Amendments

The information contained in Form MSD is of a continuing nature and must

be updated or amended periodically in the event any of the information previously submitted to the Commission becomes incomplete or inaccurate. Where an item is being amended, only those items which are being amended or which have changed since the previous filing need be filed, except that a completed page one and a completed execution page, manually signed, must be filed with each amendment. WHEN ANY ITEM ON A PAGE IS AMENDED, IT IS NECESSARY TO ANSWER IN FULL ALL OTHER ITEMS ON THE PAGE BEING AMENDED.

I. Items Not Applicable

If Form MSD is being filed as an application for registration, all applicable items must be answered in full. If any item is not applicable, indicate by "none" or "N/A" as appropriate.

J. Schedules to Form

Each Schedule to Form MSD is deemed to be a part of the Form.

K. Filing of Form

Form MSD must be filed in triplicate with the Securities and Exchange Commission, Washington, D. C. 20549. The execution page of each copy shall contain an original manual signature. In addition, an original signed copy of the Form must be filed with applicant's appropriate regulatory agency, determined in accordance with section 3(a)(34) of the Act. Applicants which are national banks, or departments or divisions of such banks, must file Form MSD with the Comptroller of the Currency, Washington, D. C. 20219; applicants which are State member banks of the Federal Reserve System, or departments or divisions of such banks, must file Form MSD with the Federal Reserve Board, Washington, D. C. 20551; applicants which are banks insured by the Federal Deposit Insurance Corporation (other than members of the Federal Reserve System), or departments or divisions of such banks, must file Form MSD with the Federal Deposit Insurance Corporation, Washington, D. C. 20429.

L. Instructions to Specific Items

- a. Items 2(a) and 2(b) - If applicant is a department or division of a bank, these items should be answered only for applicant, rather than for the bank. Information with respect to the bank of which applicant is a part must be given in response to item 2(d).
- b. Item 5 - This item calls for information concerning persons directly engaged in the supervision of any of the applicant's municipal securities dealer activities. A separate Schedule A must be completed for each person named in response to item 5.

- (b) Address and telephone number of principal office at which applicant's municipal securities dealer activities are conducted:

Address of principal office:

Number and Street	City	State	Zip Code
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Mailing address if different:

Number and Street	City	State	Zip Code
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Telephone Number:

Area Code	Telephone Number
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- (c) Name, title, mailing address and telephone number of person to contact with respect to applicant's municipal securities dealer activities:

Name	Title
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Mailing Address:

Number and Street	City	State	Zip Code
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Telephone Number:

Area Code	Telephone Number
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- (d) If applicant is a department or division of a bank, name, principal business address, mailing address, if different, and telephone number of bank:

Full name of bank:

Number and Street	City	State	Zip Code
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Address of principal place of business:

Number and Street	City	State	Zip Code
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Mailing address if different:

Number and Street	City	State	Zip Code
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Telephone Number:

Area Code	Telephone Number
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(e) Applicant agrees and consents that the notice of any proceeding under the Act involving applicant may be given by sending such notice by mail or confirmed telegram to the person named, at the address given, in response to item 2(c).

3. List below each jurisdiction in which applicant, or the bank of which applicant is a part, is filing or has filed an application for registration or license as a municipal securities dealer or in which applicant, or the bank of which applicant is a part, is so registered or licensed:

4. (a) Indicate whether applicant, or the bank of which applicant is a part, is a national banking association or operates under the Code of Law of the District of Columbia:

<u> </u>	<u> </u>
Yes	No

(b) If applicant is a bank, the date of applicant's organization. If applicant is a department or division of a bank, the date of the bank's organization:

(c) If applicant, or the bank of which applicant is a part, is a state-chartered bank, indicate whether applicant or such bank is:

(1) a member of Federal Reserve System:

<u> </u>	<u> </u>
Yes	No

(2) if not a member of the Federal Reserve System, insured by the Federal Deposit Insurance Corporation:

<u> </u>	<u> </u>
Yes	No

5. Furnish the following information for each person who is directly engaged in the management, direction or supervision of any of the applicant's municipal securities dealer activities:

<u>FULL NAME</u>			<u>RELATIONSHIP</u>		
<u>Last</u>	<u>First</u>	<u>Middle</u>	<u>Title or Status</u>	<u>Beginning Date</u>	
				<u>Mo.</u>	<u>Yr.</u>

If applicant is a department or division of a bank, place an asterisk next to the name of each person listed above who has been designated by the board of directors of the bank as responsible for the day-to-day conduct of the bank's municipal securities dealer activities, including the supervision of all of the bank's employees engaged in the performance of such activities.

Complete a separate Schedule A for each person named in response to item 5(a). If applicant is a department or division of a bank, attach as an exhibit to this Form a copy of the resolution or resolutions of the board of directors of the bank in which each person identified in item 5(a) as having been designated by the board as responsible for the day-to-day conduct of the bank's municipal securities dealer activities is so designated. Such resolutions must be certified by an appropriate officer of the bank as having been duly adopted and as true, current and complete.

6. Does any person not named in item 5 directly or indirectly control any of the applicant's municipal securities dealer activities?

Yes

No

If "yes," state on Schedule B the exact name and business (or if none, residence) address of each such person (if an individual, state last, first and middle names) and describe the basis through which such person directly or indirectly controls applicant's municipal securities dealer activities. If applicant is a department or division of a bank and any such person has been designated by the board of directors of the bank as responsible for the day-to-day conduct of the bank's municipal securities dealer activities, so indicate in Schedule B and explain why such person is not named in item 5.

7. (a) State whether the applicant, any person named in response to items 5 or 6, or any person directly engaged in the management, direction, supervision or performance of any of the applicant's municipal securities dealer activities, or who directly or indirectly controls any of such activities or who is directly or indirectly controlled by applicant in connection with any of such activities, including any employee:

- (i) Has been found by the Securities and Exchange Commission or an appropriate regulatory agency or any jurisdiction willfully to have made or caused to be made any statement which was, at the time and in the light of the circumstances under which it was made, false and misleading with respect to any material fact, or to have omitted to state any material fact, which was required to be stated, in any application for registration or report required to be filed under the federal securities laws or under the securities laws of any jurisdiction, or in any proceeding before the Securities and Exchange Commission or an appropriate regulatory agency or any jurisdiction relating to securities or the conduct of business or registration as a broker, dealer, municipal securities dealer or investment adviser or associated person thereof:

Yes

No

(ii) Has been convicted within 10 years of any felony or misdemeanor (1) involving the purchase or sale of any security, the taking of a false oath, the making of a false report, bribery, perjury, burglary, or conspiracy to commit any such offense; (2) arising out of the conduct of the business of a broker, dealer, municipal securities dealer, investment adviser, bank, insurance company, or fiduciary; (3) involving the larceny, theft, robbery, extortion, forgery, counterfeiting, fraudulent concealment, embezzlement, fraudulent conversion, or misappropriation of funds or securities; or (4) involving the violation of Sections 152, 1341, 1342 or 1343 or Chapters 25 or 47 of Title 18, United States Code (concealment of assets, false oaths and claims, or bribery, in any bankruptcy proceeding; mail fraud, fraud by wire, including telephone, telegraph, radio or television; counterfeiting, forgery, fraud; false statements); or has pleaded nolo contendere to any such felony or misdemeanor:

Yes

No

(iii) Is enjoined permanently, or within the past 10 years has been enjoined temporarily, by order, judgment or decree of any court of competent jurisdiction from acting as an investment adviser, underwriter, broker, dealer, or municipal securities dealer or as an associated person or employee of any of the foregoing, or as an affiliated person or employee of any investment company, bank, or insurance company, or from engaging in or continuing any conduct or practice in connection with any such activity, or in connection with the purchase or sale of any security, or arising out of any securities or investment advisory activities:

Yes

No

(iv) Has been found by the Securities and Exchange Commission or an appropriate regulatory agency or any jurisdiction or any court to have violated or to have aided, abetted, counselled, commanded, induced, or procured the violation by any other person of the Federal laws, or the laws of any jurisdiction, relating to securities or relating to the conduct of business as a broker, dealer, municipal securities dealer, investment adviser, or investment company, any rule or regulation under any of such laws, or any rule of the Municipal Securities Rulemaking Board, or to have failed reasonably to supervise another person who committed such a violation, or to have been unable to comply with any of the foregoing:

Yes

No

(v) Has been the subject of an order of the Securities and Exchange Commission entered pursuant to paragraph (6) of Section 15(b) or paragraph (4) of Section 15B(c) of the Securities Exchange Act of 1934 or an order of a court or jurisdiction, or an order of an appropriate regulatory agency entered pursuant to paragraph (5) of Section 15B(c) of the Securities Exchange Act of 1934, barring or suspending the right of such person to be associated with a broker or dealer or municipal securities dealer:

Yes No

(vi) Has been denied membership or registration with, or participation in, or has been suspended, revoked or expelled from membership, participation in or registration with any self-regulatory organization, or has been suspended or barred from being associated with any member of a self-regulatory organization:

Yes No

(vii) Has been denied registration (license) with, or suspended, revoked or expelled from registration (license) with the Securities and Exchange Commission or any jurisdiction as a broker, dealer, investment adviser, securities salesman, or municipal securities dealer, or has been barred from being associated with a person engaged in such business:

Yes No

(viii) Has been found to have been a cause of (1) the denial, suspension, or revocation of any person's membership or participation in, or registration with the Securities and Exchange Commission, any jurisdiction, or any self-regulatory organization, (2) any bar or suspension of any person from being associated with a broker, dealer, municipal securities dealer, or member of a self-regulatory organization, or (3) any expulsion of any person from a self-regulatory organization:

Yes No

(ix) Has willfully made or caused to be made any statement which was, at the time and in the light of the circumstances under which it was made, false and misleading with respect to any material fact, or has omitted to state any material fact, which was required to be stated, in any application for membership or participation in, or to become associated with a member of, a self-regulatory organization, in any report required to be filed with a self-regulatory organization, or in any proceeding before a self-regulatory organization:

Yes No

(x) Has been, within the past 10 years, the subject of any cease and desist, desist and refrain, prohibition, or similar order which was issued by the United States or any jurisdiction arising out of the conduct of the business of a broker, dealer, municipal securities dealer or investment adviser:

Yes No

(xi) Has been associated at any time as an officer, director, general partner, or owner of 10 percentum or more of the voting securities, or has at any time directly or indirectly through agreement or otherwise exercised or had the power to exercise a controlling influence over the management or policies of, a broker or dealer or municipal securities dealer which has been adjudicated bankrupt or a broker or dealer for which a trustee has been appointed pursuant to the Securities Investor Protection Act of 1970:

Yes No

(xii) Has been the subject of any order, judgment, decree or other sanction of a foreign court, foreign exchange, or foreign government or regulatory agency arising out of any securities or investment advisory activities:

Yes No

(b) State whether applicant, any person named in response to items 5 or 6, or any other person directly engaged in the management, direction, supervision or performance of any of the applicant's municipal securities dealer activities, or who directly or indirectly controls any of such activities or who is directly or indirectly controlled by applicant in connection with any of such activities, including any employee, is presently the subject of any proceedings in which an adverse decision would result in any of the foregoing questions in part (a) being answered "yes":

Yes

No

If the answer to any paragraph of item 7 is "yes," explain on Schedule A.

8. Each jurisdiction with which applicant, or the bank of which applicant is a part, is licensed or registered as a municipal securities dealer or to which application has been made should be listed in item 3. If any license or registration listed therein is of a restricted nature or has been suspended or if any license or registration not listed in item 3 was terminated, or withdrawn or voluntarily terminated, explain fully on Schedule C.

9. Does applicant, or the bank of which applicant is a part, have any arrangement with any other person to perform any services for applicant or for the bank relating to applicant's municipal securities dealer activities?

Yes

No

If "yes," explain on Schedule C hereto, identifying each such other person, the nature of applicant's relation, if any, to such persons, the nature of such services, and the arrangements pursuant to which such services are performed.

10. (a) If applicant is a bank, does applicant maintain a municipal securities investment portfolio?

Yes

No

(b) If applicant is a bank, does applicant buy and sell municipal securities in a fiduciary capacity or as agent for customers?

Yes

No

- (c) Does any person named in item 5 above or any person controlled by applicant in connection with applicant's municipal securities dealer activities, including any employee, engage in any activities of the bank with respect to municipal securities other than municipal securities dealer activities?

Yes

No

If the answer to (c) is "yes" explain fully on Schedule C, setting forth the name of each such person, if such person is named in item 5, or the function performed by each such person if not so named, and the nature of each such person's activities other than municipal securities dealer activities.

11. How many employees does applicant have engaged in its municipal securities dealer activities:

Supervisory and Managerial:

Other:

12. If applicant is a department or division of a bank:

(a) Identify on Schedule C each geographic, organizational and operational unit of the bank of which applicant is a part in which applicant's municipal securities dealer activities are conducted, specifying the name and location of each such unit and the nature of the municipal securities dealer activities conducted in each such unit. Indicate on Schedule C whether any business activities other than municipal securities dealer activities are conducted in any such unit, and describe the nature of such other activities.

(b) Does any unit of the bank of which applicant is a part, other than those identified in response to item 12(a), perform any municipal securities dealer activities?

Yes

No

If the answer to (b) is "yes," explain on Schedule C hereto, identifying each such unit and the nature of the activities performed by such unit.

(c) Are all records relating to applicant's municipal securities dealer activities maintained separate and apart from all other records of the applicant or of the bank of which applicant is a part?

Yes

No

(d) Are all records relating to applicant's municipal securities dealer activities separately extractable from applicant's facilities or from the facilities of the bank of which applicant is a part?

Yes

No

Describe on Schedule C the manner in which all records relating to applicant's municipal securities dealer activities are maintained, including their location, how such records are collected and retrieved, the period of time required to collect or retrieve any such record, the category of employees having authority to collect or retrieve such records, and the name of each person who supervises the maintenance of such records.

(e) Are separate financial records maintained with respect to applicant's municipal securities dealer activities?

Yes

No

If the answer to (e) is "yes," explain on Schedule C the nature of such separate financial records.

(f) Does the bank of which applicant is a part maintain a municipal securities investment portfolio?

Yes

No

(g) Does the bank of which applicant is a part buy and sell municipal securities in a fiduciary capacity or as agent for customers?

Yes

No

(h) Does any person named in item 5 above or any person controlled by applicant in connection with applicant's municipal securities dealer activities, including any employee, engage in any activities of the bank with respect to municipal securities other than municipal securities dealer activities?

Yes

No

If the answer to (h) is "yes," explain fully on Schedule C, setting forth the name of each such person if such person is named in item 5 or the function performed by each such person if not so named, and the nature of each such person's activities other than municipal securities dealer activities. If any of such other activities with respect to municipal securities are performed by applicant, so specify on Schedule C.

SCHEDULE A OF FORM MSD

(Answers in response to items 5 and 7 of FORM MSD)

- NOTE: (a) Complete a separate Schedule A for each person named in item 5 and each person subject to any action reported under item 7.
- (b) State all names in the order of last name, first name, full middle name. If any person legally has only an initial, so indicate after the initial.

I. Full name of applicant exactly as stated in item 2(a) of Form MSD:

II. Full name of person for whom this Schedule is being completed:

III. (a) Residence address of person for whom this Schedule is being completed: (Number and Street, City, State, Zip Code)

(b) Date of Birth: (c) City of Birth: (d) State or Province: (e) Country

IV. NAMES USED: Furnish below a list of all names individual has been known by or has used, including maiden name if applicable. If no other names used, state "None."

Last	First	Middle
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V. EDUCATION: Furnish below a description of the education of the person named in item II of this Schedule (include name and location of last high school attended, name and location of any college or university attended, degree or degrees received and year or years in which received).

VI. BUSINESS BACKGROUND: Furnish below a complete, consecutive statement of all business experience and employment for the past ten years. List the last position first. If none, state "None."

Name of Firm and Address	Kind of Business	Exact Nature of Connection or Employment	Beginning Date Mo. Yr.	Ending Date Mo. Yr.
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VII. PROCEEDINGS: If any answer to any paragraph of item 7 is "Yes" with respect to the person for whom this Schedule is being completed, furnish the following details:

Applicable Paragraph of Item 7	Title or Description of Action	Name and Location of Court, Agency, Jurisdiction or Self-Regulatory Organization	Nature and Date of Disposition of Proceeding
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SCHEDULE B OF FORM MSD

(Answers in response to item 6 of Form MSD)

I. Full name of applicant exactly as stated in item 2(a) of Form MSD:

II. Information with respect to persons described in item 6 of Form MSD:

<u>Full Name</u>			<u>Basis for Control</u>
<u>Last</u>	<u>First</u>	<u>Middle</u>	

SCHEDULE C OF FORM MSD

I. Full name of applicant exactly as stated in item 2(a) of Form MSD:

II. Item of Form
(identify)

Answer