

Chapman Client Alert

February 9, 2017

Current Issues Relevant to Our Clients

SEC Seeks Comment on New MSRB Rule on Minimum Bond Trading Denominations

The Securities and Exchange Commission (the “SEC”) is seeking comments on proposed new Municipal Securities Rulemaking Board (the “MSRB”) Rule G-49 prohibiting a broker, dealer or municipal securities dealer from effecting a customer transaction in municipal securities in an amount lower than the minimum denomination of the issue stated in offering documents. The new rule would replace Rule G-15(f) and add certain exceptions while also liberalizing certain conditions to exceptions. The SEC release on the new rule is available [here](#).

The MSRB published two prior proposals for comment in 2016, the most recent of which came in September 2016. The current version of proposed Rule G-49 is identical to the prior MSRB proposal with one difference that merely removes a redundant exception from the prior version. The prior proposal included an exception for below-minimum sales of securities to a customer that already has a position in an issue below the minimum denomination if the sale would result in the customer having a position at or above the minimum denomination. The MSRB agreed with industry commenters that this exception was largely covered by other new exceptions in the proposed rule. The current proposed rule aligns with the prior proposal in all other respects. For full details on new Rule G-49, please see our Client Alert on the prior MSRB proposal available [here](#).

What’s Next?

You can submit comments on the new rule to the SEC by submitting a hard copy, by using the SEC’s internet comment form available by clicking on “Submit Comments on SR-MSRB-2017-01” at this [link](#) or by sending an email to rule-comments@sec.gov with File Number SR-MSRB-2017-01 in the subject line. Comments must be received on or before March 2, 2017. The MSRB will announce the effective date of the new rule within 60 days of SEC approval and the rule will become effective no sooner than six months following SEC approval.

For More Information

To discuss any topic covered in this Client Alert, please contact a member of the Investment Management Group or visit us online at chapman.com.

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